

RANCHO VISTA HOMEOWNER'S ASSOCIATION

c/o AAM, LLC
7740 N. 16th Street, Suite 300
Phoenix, AZ 85020
Phone 602.957.9191 / Fax 602.957.8802

November 1, 2007

Board of Directors
Rancho Vista Homeowner's Association

RE: 2008 Operating Budget

Dear Board of Directors:

Enclosed is the preliminary 2008 operating budget for your association, along with pertinent back-up documentation. The proposed assessment is \$113.50 per quarter, collected quarterly. This amount constitutes an in of 10%. Below is an explanation of each line item, including the calculations used to get to the total.

INCOME

Income is budgeted based on 373 units and assumes that all units are owned by individual owners (no builder owned units).

Legal Fee Reimbursement: We do not have sufficient history with which to generate this line item, so we have considered no funds being received for this line.

Late Fees: We do not have sufficient history with which to generate this line item, so we have considered no funds being received for this line.

CC&R Violations: We do not have sufficient history with which to generate this line item, so we have considered no funds being received for this line.

ADMINISTRATIVE EXPENSES

Meeting & Community: It is assumed that the Board of Directors will hold public homeowner meetings throughout the year. The budget reflects an increase in the month of March to accommodate the annual meeting. This line item also includes the \$3500 set aside for the Community Involvement Committee to operate and hold it's functions.

Postage & Copies: This line item anticipates the postage for communicating with homeowners on a regular basis plus the additional costs in the months of February and March for annual meeting mailings as required by recently passed legislation. This will account for approximately \$3.00 per lot for both mailings (not each mailing).

Bank Charges: This line item assumes the annual cost of checks and deposit slips, with no monthly bank service fees.

Legal: This line item covers legal fees paid to recover delinquent association assessments, as well as any questions of a legal nature that the association may have. It is based on the average of the 2006 and 2007 actual amounts paid, plus 10%.

CPA Services: During the month of March, \$3,000 is budgeted for the preparation of Federal and State tax returns, completion of the Arizona Corporation Commission filings, as well as a financial *audit* to

be completed by an outside CPA firm (as is required by Arizona Revised Statute).

Website Expense: This line item is established to cover any miscellaneous expenditures to operate the community website.

Insurance: This line item covers the insurance for the common areas as well as Directors and Officers coverage. It is based on the 2007 actual, and the projected costs per The Mahoney Group.

Income Tax: This line item anticipates the payment of \$10.00 to the Arizona Corporation Commission, as well as the payment of \$50 to the State of Arizona for state taxes, as are required for a non-profit corporation, as are required for non-profit Corporations.

Property Tax: This amount is also budgeted for property taxes paid to the Maricopa County Treasurer for the common area tracts, which have been combined so as to save the association money.

UTILITY EXPENSES

Water: This line item anticipates the water usage for the common areas. It is based on last year's projections, current year and last year actuals, with a 10-15% anticipated increase from 2007 projections.

Electricity: This line item anticipates the electric usage for the common areas. It is based on last year's actual budgeted amount, with a 5% increase included.

MAINTENANCE & LABOR

Common Area Maintenance: This line item addresses material and labor for general maintenance throughout the common areas including walls, electrical repairs and maintenance, etc. It is based on last year's budgeted amount.

Rye Grass Over-seed: This line item addresses material and labor for the annual winter rye over-seed for the common areas of the community. It is based on the 2007 actual, plus 10%.

Landscape – Other: This line item anticipates the tree staking, guying, limb removal, storm damage, and minor plant replacement. It is based on last year's budgeted amount.

Granite Replacement: This line item covers replacing one quarter of the total granite in the community each year to a depth of 1 inch. It is based on last year's budgeted amount, with a 5% increase included.

Tree Pruning: This line item is based on pruning one quarter of all trees over ten feet tall on an annual basis. It is based on last year's actual budgeted amount, with a 5% increase included.

Sports Court Maintenance: This covers general maintenance of the volleyball and basketball court to include power-washing, net repairs, etc. It is based on last year's actual amounts spent, with a 5% increase included.

Sprinkler Repairs

This line item provides funds for the maintenance/repair of the irrigation system, including valves and heads, for all common areas. It is based on last year's actual amounts spent, with a 10% increase added because the equipment is another year older.

Vandalism / Theft: This line item addresses material and labor for general maintenance throughout the common areas including potential graffiti removal, vandalism, minor repairs to damaged items and maintenance, etc.

CONTRACT SERVICES

Landscape Contract: This line item provides funds for weekly maintenance of the landscaping in all of the common areas. It is based on last year's contract amount with no increase adjustment due to a new contract having been established in September 2007.

Exterminating Contract: This line item includes the monthly cost to provide extermination services to the common areas. It is based on last year's contract amount, with a 5% increase.

Management Contract: This line item provides funds for AAM's management of your community, including violation management, financial management, meeting attendance, and all other aspects covered in the Contract. It is based on last year's contract amount, with a 5% increase.

RESERVES

Reserves: The reserve calculation is based on the most recent Reserve Study and will cover all items anticipated for repair/replacement therein.

Thank you for taking the time to review your budget and discuss any changes with me. In order to mail this adopted budget to all homeowners as is required by Arizona Revised Statute, we need to have the budget adopted by November 1, 2008. Therefore, obtaining your approval in a timely manner is important. I would like to discuss this issue with the Board at the next Board meeting so that we can meet this deadline.

Please call me if you have any questions or require additional clarification on the budget line items. Thank you for allowing AAM to service the needs of Rancho Vista Homeowner's Association.

Sincerely,

Brad Christmas
Community Manager

Enclosures:

Preliminary Operating Budget
Preliminary Reserve Budget
Preliminary Annual Operating Budget
Preliminary Annual Reserve Budget
Resolution Adopting Budget