

Sun City Mesquite (“SCM”) & Anthem Mesquite Master Associations (“AMM”)

Organizational Structure, Operations & Budgeting – A Homeowner Presentation



1. 362 names on plaques. Flag at Flat Top Mesa. Take a moment of silence to recognize the vets & those in our Community who have passed.
2. In SCM since Jan 2011 from Denver, CO following life changing event in 2008.
3. Success vs Failure, Positivity vs Negativity, Always giving of Oneself – SCM people are my energy !
4. My approach to analysis – Objective, comprehensive perspective, “devils in the details” & 2 sides to every story. Intel.



Sun City Entity Definitions & Responsibilities

- 1. Most of us pay dues into 2 entities – Anthem Mesquite Master Association (“AMM”) and Sun City Mesquite HOA (“SCM”). Each has its own Budget.**
- 2. AMM – has 1 sub-association – SCM.**
- 3. SCM is our Homeowners Assoc (“HOA”). Branding Iron (“BI”), was established as a gated community, consolidates under SCM & manages its own Budget.**
- 4. AMM is responsible for:**
 - A. Landscaping of Falcon Ridge Pkwy (“FRP”).**
 - B. Maint & Exp of the Water Features – includes Main Entrance Waterfall, Hole #'s 9, 10 & 11.**
 - C. Bulk Service Agreement w/TDS. – Terminates May 11, 2022. – Approx \$22/mo.**
- 5. SCM is responsible for:**
 - A. All Operations of the HOA + Maint & Exp of the Pioneer Center.**
 - B. BI Maint & Exp in accordance with their Budget.**
 - C. Maint & Exp of the Privately-Owned Streets throughout SCM.**
 - D. Oxbow Bend & Sidewinder Landscaping.**

NOTE: FRP, Oxbow Bend & Sidewinder are Public Streets, maintained by the City of Mesquite.

Community Organization & Decision Structure

- 1. Pulte/Del Webb (“PDW”) is the “Declarant”, who establishes all Policies & Guidelines in this Community & all Communities where they are Declarant.**
- 2. PDW occupies 2 of the 3 seats of the HOA Board of Directors, the governing decision-making entity of the HOA.**
- 3. One (1) SCM Homeowner occupies the other Board seat (since 15% Build-Out). All Board seats will be available to Homeowners when the Community is 90% B/O.**
- 4. The HOA Board Responsibilities:**
 - A. Set the Annual Budget for the Community w/Staff, Finance Cmtee & Homeowner Inputs.**
 - B. Adopts & amends CC&R’s & Bylaws – requires 2/3 Homeowner Approval.**
 - C. Implementing Rules & Regs and Board Resolutions – requires majority Board Approval.**
- 5. The Community Manager is responsible for:**
 - A. Enforcing the Policies set by PDW that are approved by the HOA Board.**
 - B. Implementing the Annual Budget.**

Note - Any modifications to Policies and/or the Budget must be approved by the Board of Directors.

Assessing the Quality of PDW & BOD Decisions

* Risk Factors in the Decision Process *

1. Litigation Risk – PDW & BOD

- A. BOD Members are fiduciaries, duty of care & exercise reasonable business judgment. NRS 116.3103
- B. Impact on SCM HOA – Risk of Legal Fees, Damages & Project Delays.
- C. Impact on BOD Individually – D&O Insurance Req'd & Personal Umbrella Policies recommended.
- D. Intimate knowledge of NRS 116, Ombudsman Procedures, Detailed Business Knowledge & Reasonability.
- E. PDW Corporate has the Depth of Experience & Precedence across 870+ Nat'l Communities.
- F. When SCM is 100% Owner-Controlled, those elected do not have the PDW Corp Protection.

2. Financial Risk – PDW & BOD

- A. Cost impact(s) of your decisions & costs of reversal, if req'd.

3. Health Risk – PDW & BOD

- A. Covid-19 Tested outer boundaries of Risk, esp Loss of Life.
- B. PDW was Ultra Conservative in all CV Decisions to protect their High-Risk Communities Nationally.
- C. Many Decisions were unpopular but were implemented across PDW Declarant-Controlled Communities.

4. Project/Market Risk – PDW

- A. Unanticipated Risk Factors arise or the housing market demand declines, leading to Project timeline delay.
- B. Any Project Timeline must remain Proprietary until Finalized.

SCM/AMM Financial Operations & Budgets — Sources & Uses of our Dues

1. **\$4.025M Revenue is the 2021 Budget. Rev Sources:**
 - A. Homeowner Dues (90%); New Home Reserve/Operations Contribs (6%); Misc. (4%).
 - B. SCM/AMM are non-profit entities but are not tax-exempt as under a 501(c)(4).

2. **Revenue is the only source of Funds used for:**
 - A. SCM / AMM / BI Operations;
 - B. Additions to Reserves (for the sole purpose of replacement of our Assets – financial one-way street);
 - C. Capital Improvements.

3. **SCM/AMM have no Debt, limited Leases & no formal funding commitments from PDW, or any other source.**

4. **Every PDW Community transitions from the Investment stage to a self-funded operation. SCM has been a self-funded operation since 2015; annual subsidies from PDW existed prior to 2015.**

5. **2021 Budget Cost Structure = Rev less Admin (30%); Utilities (26%); Maint (22%) & Reserves (22%) = \$115K surplus. \$50K of the surplus is allocated for Capital Improvements, \$65K for contingencies. – Yr-end '21?**

6. **This highlights the competition for limited funds in the Budgeting Process & also the absolute reqm't of adherence to Budget.**

Sun City Community Scorecard - 2021 Budget + Key Data

Sun City Mesquite (SCM - \$2,875K Rev- \$110/mo-dues)

**2021 HOA
Budget
\$4,025K Rev**
Up \$281K from 2020 – 7.5%

Anthem Mesquite Master Assoc
(AMM – \$1,083K Rev - \$44/mo-dues)

Branding Iron
(BI - \$67K Rev)

| Buildout of | 2020 | Bud 2021 |
|--------------------------------------|----------|----------|
| 5,000 homes | | |
| # Homes | 1,848 | 1,992 |
| % Buildout | 37% | 40% |
| # Residents | 3,400 | 3,665 |
| TDS Contract Finito --> May 11, 2022 | | |
| | Est 2025 | Est 2038 |
| # Homes | 2,568 | 4,440 |
| % Buildout | 51% | 89% |
| # Residents | 4,725 | 8,170 |

| HOA Cost Structure -SCM/AMM/BI | | | | |
|--------------------------------|----------|----------|----------|----------|
| P&L - % of Rev | Act 2018 | Act 2019 | Act 2020 | Bud 2021 |
| Admin | 33% | 27% | 31% | 29.6% |
| Utilities | 25% | 22% | 22% | 25.6% |
| Maint | 22% | 19% | 21% | 21.5% |
| Reserves | 20% | 32% | 26% | 21.7% |
| Total | 100% | 100% | 100% | 98.4% |
| % in Resv - SCM | 65% | 71% | 87% | 78% |
| % in Resv - AMM | 85% | 95% | 95% | 110% |
| % in Resv - BI | 90% | 95% | 95% | 90% |

| Avg Yrly % Incr in Resale \$/SF - 2016 - Dec 2020 | |
|---|----------------------|
| 7.7% - < 1,600 SF – | 49.7% of all Resales |
| 8.6% - 1,600 - 2,000 SF – | 24.8% of all Resales |
| 6.0% - 2,000 SF +- - | 25.5% of all Resales |

2016 - 2020 - 9 avg Resales/mo ~ 108/yr
vs '21 Bud ~ 12 avg New/mo or ~ 144/yr

From 2008 – 2021 (13 yrs), SCM/AMM Dues incr at an Avg Annual Rate = 1.9% (\$120/mo to \$154/mo)
From 2015 – 2021 (6 yrs), SCM/AMM Dues incr at an Avg Annual Rate = .9% (\$146/mo to \$154/mo)

Note: Annual rate of inflation – since 2008 – 1.6%; since 2015 – 1.9%

SCM Financial Operations – 2022 Budgeting Process

1. 2022 Budget begins with Revenue Projections from Dues & New Home Sales. Rev grew 7.5% from 2020 to 2021 Budget, so similar growth might be expected given 2021 New Home sales are on Budget. As a rough estimate, that might equate to a **\$300K increase in Rev from 2021 to 2022.**
2. Operating Cost estimates are calculated based on both inflationary increases & cost savings in the community. Example - Savings are expected in the conversion from Propane to Gas, however we know VVWD increased water rates + new Common Areas, so that must be absorbed. All Budget Line Items receive multiple detailed analysis from multiple professionals.
3. After 1 & 2 are completed, there may be excess funds which can be used in 2 ways: Capital Spending for New Assets or Increasing Reserves to fund Existing Asset Replacement. Must ensure our Reserve Balances are adequately funded, i.e., **% Reserved (critical!).**
4. 2021 Budget Cost Structure = Rev less Admin (30%); Utilities (26%); Maint (22%) & Reserves (22%) = **\$115K surplus.** \$50K of the surplus is allocated for Capital Improvements, \$65K for contingencies.

Sun City Community – Common Goals

3 Common Goals Between SCM Board of Directors & Sun City Homeowners

1. Maintain/Enhance our Existing Home Equity through consistently applied Governing Docs and exercising “duty of care”, “reasonable business judgment” & act as “fiduciaries” (NRS 116.3103)
2. Ensure Common Areas are turned over from PDW to HOA in High Quality Condition with Predictable Financial Impact.
3. Ensure HOA Dues are a Fair Value for the Goods & Services Provided.

3 Common Goals Between PDW & Sun City Homeowners

1. Sell More Homes at Higher Prices - That benefits our Home Equity.
2. Turn Over Common Areas in High Quality Condition with Predictable Financial Impact to HOA.
3. Maintain a focus on the value of the Golf Course and its Profitability.

| Buildout of 5,000 homes | 2020 | Bud 2021 |
|------------------------------------|----------|----------|
| # Homes | 1,848 | 1,992 |
| % Buildout | 37% | 40% |
| # Residents | 3,400 | 3,665 |
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| | Est 2025 | Est 2038 |
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Avg Yrly % Incr in Resale \$/SF - 2016 to Dec 2020

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% Incr in \$/SF - 2019 to YTD May 2021

15.7% - < 1,600 SF
 15.0% - 1,600 - 2,000 SF
 17.9% - 2,000 SF +

Sun City Community – Committees + Board Liaison

- 1 – **Finance – Meets Monthly to Analyze the Financials of SCM, AMM & BI:**
 - A. 5 Homeowners (1-BI) – Highly accomplished in Finance & Legal matters.
 - B. Invaluable addition to Community Providing Analytical Support to the Board of Directors.
 - C. 12 Mtgs covering Capital & Reserve items for BOD approval, Renovation \$, Insur, 2021 Budget, Cash Mgmt.

- 2 – **Architectural Review Cmtee (ARC) – Supports SCM Aesthetics & Standards via Design Guidelines:**
 - A. 4 Homeowners + 2 Staff meet 1st & 3rd Thurs each month.
 - B. 850 Applications proj YE 2021 vs 727 in 2020 up 17%.
 - C. Most common - Landscaping, Fencing, Paver Patio Ext, Awnings.
 - D. 46 Apps projected for pools in 2021 up 15% from 2020. 96% of ALL apps are approved “As Submitted” !

- 3 – **Covenants – Uphold CC&R’s, Design Guidelines & Community Rules & Regs**
 - A. 5 Homeowners support ARC & maintain Community Standards & Rules & Regs.
 - B. Reference Docs are listed on the web site under “Community Governance”. [suncitymesquite.org]
 - C. 2 Homeowner Hearings in 2021.
 - D. 1 Homeowner Hearing in 2020, 3 in 2019 & 5 in 2018.

- 4 – **Landscape – Preserve/Enhance HOA Common Areas + Environmental Assets:**
 - A. 2 - 3 Homeowners meet monthly or more frequently as necessary.
 - B. Landscaping review w/Kokopelli, water features, tree maint w/Arborist & Common Area acceptance review.
 - C. Advisory re: Water Conservation Methods/Application – Conversion of Turf Area under review.

- 5 – **Communications – Focus on Awareness in SCM & How it Communicates:**
 - A. 7 Homeowners + 2 Staff produce the Monthly Newsletter – Sun City Mesquite Times.
 - B. Monthly meetings held to plan next issue, assign writers & design layout.
 - C. Stories always welcome from any Homeowner !!!

Sun City Community – Pioneer Center Staff – 16 FTE's

1 – **Lifestyles** – Deborah Demos & Shawn Rice (also on Comm Cmtee – inputs to Pioneer Press/Newsletter):

- A. Utilize 120 Resident Volunteers annually for events, committees, parties, etc. saving \$\$\$.
- B. Recruit Businesses to sponsor events & activities to financially support a Breakeven Lifestyle Budget.
- C. In 2020 - \$2,500 of sponsorship + donations for 13th Anniversary Celebration.
- D. Offers a diversity of shows, concerts, parties & educational seminars. Driven by Resident interest & Feedback.

2 – **Compliance, Standards & Concierges** – Lori Arnone, Diane Ouelette, Mary Tillman + 12 PT Concierges:

- A. 2021 Proj - 35 ARC Apps/mtg (850 total) - up 17% from 2020 (727 total).
- B. Daily Mgmt of Multiple Compliance-related issues – “Everyone Notified ! “
- C. Focused on Quality Combo of Speed, Accuracy & Consistency – “Everyone Handled ! “
- D. Compliance frequently interacts with the Covenants Committee.
- E. Concierges provides 7-Day Front Desk Walk-in & Phone Support – Challenges w/Covid-19.
- F. Concierges provides Premier Cust Svc with a SMILE – They want “Everyone Happy ! “

3 – **Facilities Maint** – John Davis, Pablo, Steve, Dale & PT - Kevin – Area is short staffed

- A. All Bldg & Grounds Maintenance/Sppt – Facilities are 13 yrs old, still looking great !
- B. John Davis is actively involved in the Finance & Landscaping Committees on numerous maint projects.
- C. 50% of Maint time was spent supporting Lifestyle Activity set-up.

4 – **Community Mgr** – Phil Crapo & Seabreeze:

- A. Highly Competent, Award-Winning Management Team.
- B. Quality Focus on **Budgetary Mgmt of our Dues at the Direction of the Board of Directors.**
- C. John Davis & Lori Arnone are enrolling in a Sept class for their provisional Community Assoc Mgr (CAM) Certif.
- D. Following a 2 year internship under Phil, they will receive their CAM license.

End Of Formal Presentation

Q & A Guidelines

- 1. Raise Hand for Questions.**
- 2. Provide name & One (1) Question at a Time.**
- 3. Moderator will Repeat Question for all to hear.**
- 4. Answer given Uninterrupted, so all can hear.**
- 5. Back to # 1 for Next Question.**

Notes: SB146 update – web site, July 20th Board Mtg, Election