Dear Directors and Presidents,

At the meeting on November 18, 2015, I presented the proposed budget for 2016. There were some comments which needed to be addressed and, with your permission, I would like to do so now.

I am copying the document I presented below as a reference. At the end of that document, I will comment on many of the concerns which were brought up at the meeting.

**WHY AN INCREASE IN DUES FOR 2016?**

1. The actual cost of a $15.00 raise per home per year is $1.25 per month. This is less than a cup of coffee a month.

2. The 2015 road paving was done without any assessment or cut in regular services because the Board planned for it with the previous raise in dues. This proposal is the FIRST raise in dues in 20 years wherein part of the increase will go toward the regular costs of running the Master. For many years, the Master has been carefully utilizing the funds from the HSL settlement. Those funds are now gone and we need to look elsewhere to keep Dorado the beautiful community it is. This budget proposes that $7.00 go directly into roads and the remaining $8.00 go into other areas where costs are rising and have been rising for several years.

3. This area is aging and is prone to several problems for which the Master may be liable such as:
   A. Subsidence damage which will create problems with roadways, arroyos, irrigation systems, runoff after the monsoons, and plantings;
   B. Replacement of trees and bushes which are aging or are no longer able to be maintained because of their water consumption;
   C. Additional security measures such as lighting, refurbishing of walls;
   D. Electrical repairs and installation particularly at the West entrance if the hotel project does not begin in the next several months.

4. The demographics within Dorado are changing. Over the last 10 years, there have been more foreclosures and short sales. Dues are not collectible from some sales and that puts a strain on the Master budget for the regular bills.

5. Roads will need to be redone in approximately 5 years. Some of the estimates received for the recent roadwork this year were $80,000.00+. When the new roadwork is due, and the costs have increased, this $15.00 should cover all of those costs without fear of an assessment.

6. No matter how well planned the hotel project will be, there will be costs to the Master, including some legal questions which will have to be answered as the hotel project moves forward.

7. Some of the projects that this increase will allow for are also safety-related.
   A. Securing the tiles on the three towers at the East entrance;
   B. Lighting and reflectors at the East Entrance;
   C. Lighting on street signs along Dorado Blvd.;
D. Exit directions and stop signs on side streets;
E. Signage will need to be replaced or refurbished especially considering the increase in emergency vehicles which come into Dorado.

8. Finally, this is a good time to put that extra $1.25 per month per home to good use in preventing assessments in the future and guaranteeing the quality of life we have learned to expect in Dorado.

Here goes:

1. **15% versus $15 per year per house.** The proposed increase DOES constitute a 15% increase in the dues. However, the use of the word “percent” has a negative connotation in this context. If we were talking about a 15% increase on a $100,000.00 home, the amount would be $1,500.00. We are not talking about that – we are talking about a 15% increase on **$100.00**. We are talking about $1.25 per month per home, not $125.00 per month per home. Yes, the percent of the increase in dues payable to the Master Association is 15, but the amount needs to be separated from that concept of “percent” in this case.

2. **This is not Rio Nuevo.** Every penny which has been paid to the Master Association through dues or interest from the bank has been accounted for by check or statement. The money that is paid for dues goes toward projects that benefit all 551 homes. There are no kickbacks and no missing funds. Whatever money is allotted to a particular project is used OR returned to the General Funds. It doesn’t disappear into the ether. The Master Board has always been very frugal and responsible in managing dues and expenses.

3. **Why should we consider a $15.00 per house per year increase now when there is likely to be a carryover from 2015?** We will have a carryover **BECAUSE** the Master Association has been frugal and careful with finds **AND** **BECAUSE** of the previous increase which paid for the roads without causing anyone to impose an assessment. This increase will do the same thing. We know that the roads will cost a minimum of $80,000.00 when they need to be done again. It is more likely, the cost will be $100,000.00 or more. This miniscule increase should prevent ANY assessment for roads in the future. This $15.00 per house per year will also fund some other safety projects such as lighting and wash repairs. For the past several years, we have been augmenting costs with the remnants of the 1984 Settlement. That money is now gone and we need to be looking forward to make sure that all 551 homes protected.

4. **Why not just have an assessment when the time comes?** Assessments are bad management and they are a hardship on homeowners and neighbors. Any real estate professional will tell you that an association with a history of assessments is devalued because assessments are indicators of failure to plan. This community has a wonderful record as a whole and that keeps real estate prices consistent.

5. **Some specific questions were raised about the following increases reflected in the proposed 2016 budget:**
   A. **Landscaping:** We included an increase for several reasons: 1) It’s been several years since the Coyote Brothers have asked for a raise. If they choose to do so in 2016, we are
prepared; 2) We have a considerable number of plants and trees which are aging and will have to be removed and replaced. This will up the cost; 3) The Master managed to absorb much of the costs related to wash repairs in 2015. Each rain increases the amount of damage and those repairs will be costly.

B. **Legal:** No matter how the hotel project moves along, there will be some unforeseen questions that will have to be answered by professionals. Contracts are not easy to read and when the time comes for the Master to sign on behalf of the 551 homes, legal advice will be required. If that money is not used, it will, of course, be returned to the General Funds.

C. **Backflow:** The Tucson Police Department has begun a whole series of public announcements about preventing the theft of copper wiring and mechanical equipment from neighborhoods. They would not do so if vandalism and theft were not on the rise. We had some damage in the past and it is likely that we will have some in the future. Thieves find nice neighborhoods like ours tantalizing.

D. **Signage:** With the increased usage of the golf course area and the construction, signs will become a necessary fact of life. Maintenance will be required as vandalism increases (as noted above). The increased number of signs will need some increase in repair and maintenance. The map sign at the west entrance was destroyed in an auto accident. The map sign at the east entrance has bullet holes in it. Both signs need to be replaced.

E. **Street Sweeping:** The road work done during 2015 requires a twice a year sweeping to maintain the warranty.

F. **Utilities:** Both utilities have expressed a desire to raise rates once again. We need to be prudent and prepare.

G. **Property Management:** Fees have not been increased since we contracted with Expert HOA. We also need to prepare for an increase in property management services since we are experiencing a decrease in residents volunteering for the Board.

This proposed increase of $15.00 per house per year is enough to sustain the Association and cover any contingencies or emergencies which may arise. It is a prudent and timely increase which should be seriously considered especially since $1.25 per month per house will not impact any of our neighbors in any significant way. The $15.00 per house per year increase will be extremely beneficial in the long run and painless in the short term.

Cindy Schiesel, Chairperson
Budget/Audit Committee
Dorado Master HOA