



VICTORY[®] 2019
ANNUAL GOVERNANCE
ANNOUNCEMENT



December 1, 2018

Dear Victory Homeowner,

On behalf of the Boards of Directors, the Verrado District Association, Inc. ("VDA"), Verrado Community Association, Inc. ("VCA") and Verrado Assembly ("VA") produce an annual governance package to share with all Verrado homeowners in compliance with our governing documents.

Enclosed in this 2019 governance package, please find the following:

- 1) Budget Summary
- 2) Budgets
- 3) Governance Overview
- 4) Verrado Assessment & Fee Schedule

Additionally, the VCA wanted to take this opportunity to share the first in a series of communications about an important strategic initiative that will launch in 2019 to protect Verrado's urban forest, *Sustain Verrado Trees*.

With more than 24,000 trees in 32 different varieties (that's more trees than residents!), Verrado is known for its iconic trees. In fact, Verrado residents hold strong ties to community trees with the majority citing "inviting neighborhoods and streetscapes" as the number one reason they love living in Verrado (82%) and why they chose to live in the community (88%). Beyond the beauty and emotional ties this urban forest provides, it also benefits Verrado with cleaner air, cooler temperatures, storm water retention, and shade and erosion control.

As stewards of Verrado's unique landscape, the VCA is charged with responsible and sustainable management of community resources that prioritizes Verrado's long-term vision, including the tree-shaded streets. To that end, the VCA Board of Directors and Verrado's Founder, DMB, approved the first phase of *Sustain Verrado Trees*, a Parkway Renovation Program. Commencing in 2019 on the parkways 6' and smaller, this Parkway Renovation Program will protect Verrado's urban forest and also conserve resources and restore aging irrigation.

Parkways are the areas located between the curb and the sidewalk. As the trees in these parkways have grown, it has become increasingly challenging to grow turf and shrubs under the shade canopies. During this renovation program, the natural turf and/or decomposed granite and shrubs will be replaced with organic mulch from tree and shrub clippings in Verrado. In addition, the landscape team will repair and replace damaged irrigation lines and selectively prune tree roots to mitigate damage to sidewalks, streets, and asphalt.

The benefits of the Parkway Renovation Program include:

- Preservation of Verrado's iconic trees
- Reduction of water usage by over 82 million gallons annually
- Reduction of parkway and sidewalk maintenance costs
- Proactive mitigation of tree root damage to sidewalks, streets and asphalt
- Recycle 5 tons of green waste annually
- Enhancement of soil health, including reduced soil temperatures

Beginning March 2019, VCA's landscape partner, DLC Resources will begin the *Sustain Verrado Trees*, Parkway Renovation Program. Renovations will start in smaller parkways to test and apply lessons learned across the Program. Planning is in progress with more detailed communications including maps and timelines will be shared in the New Year as project planning progresses. Please note: the larger parkways along Verrado Way, Main Street, Hamilton Street, and Heritage Street will not be renovated.

For questions regarding information in this annual governance package, please contact the VCA at VCA@dmbcommunitylife.com or 623-466-7008. We also invite you to attend the VDA, VCA, and VA 1st Quarter Boards of Directors Meetings and Annual Membership meetings slated for March 19, 2019. Please watch for additional communication early next year regarding these meetings.

Sincerely,

Staff of Victory District Association, Inc., Verrado Community Association, Inc., Verrado Assembly

Managed by DMB Community Life, Inc.: people and places with purpose



Victory District Association, Inc.
Verrado Community Association, Inc. & Verrado Assembly
2019 Budget Notice
December 1, 2018

Annually, the Board of Directors for the Victory District Association, Inc. ("VDA"), Verrado Community Association, Inc. ("VCA"), and the Board of Trustees for the Verrado Assembly ("VA") prepare a budget and set an assessment level for the upcoming fiscal year.

The annual budget and assessment level is set at the direction of Verrado's founder, DMB, to meet the vision and plan for the community. It also fulfills the fiduciary requirements of the VDA, VCA and VA, ensuring operating expenses and reserve allocations are adequately funded in accordance with Article 7 of the Declaration of Covenants, Conditions and Restrictions for the Victory District, Chapter 12 of the Community Charter and Chapter 2 of the Covenant for Community.

After two years of steady assessment levels, the combined monthly assessment for Victory will increase for 2019 to \$219; this includes the VDA base assessment increase to \$105, the VCA base assessment increase to \$114, and the VA base assessment remains at \$0.

The 2019 budgets and assessments reflect the VDA, VCA and VA's efforts to responsibly manage our resources today and for the future, moving toward realizing DMB's long-term vision for Verrado, including:

- maintaining and operating Victory's important member-only amenity, The Victory Club™, exclusively through VDA assessments
- sustaining VA programs and events exclusively through the Community Enhancement Fee
- achieving increased efficiencies in VCA management of community landscapes and amenities

Please remember: Assessments are due in full on the 1st of each month; late charges will be assessed after the 15th of the month. If you use an Online Bill Pay service, please confirm the withdrawal amount for monthly assessments beginning January 1, 2019 (please also confirm your account number and mailing address, ensuring proper and timely payment).

The VCA encourages enrollment in the Automated Clearing House (ACH) Direct Debit program. Enrollment authorizes the VCA to withdraw the Board-approved monthly assessments of \$219 from your bank account between the 5th the 10th of each month. If you have questions regarding ACH enrollment or would like to receive your monthly statements via e-mail, please contact accounting@dmbcommunitylife.com.

By order of the Board of Directors,

Victory District Association, Inc. | Verrado Community Association, Inc. | Verrado Assembly
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Verrado Community Association, Inc. 2019 Budget

FEES

Verrado Community Association, Inc. Assessment	\$	114.00
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REVENUE

Community Association Assessment	\$	7,625,937
Special Service Area Assessment		139,680
CFD Reimbursement		252,000
Legal, Collection & Compliance Fees		77,980
Transfer & Disclosure Fees		115,088
Interest		3,600
Other Revenue		33,170

GROSS REVENUE	\$	8,247,455
Bad Debt		(99,035)

NET REVENUE	\$	8,148,420
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OPERATING EXPENSES

General & Administrative	\$	947,247
Utilities		2,460,408
Landscaping		3,506,027
Community Engagement		25,200
Repairs & Maintenance		260,228
Communications		42,020
Facilities		464,231

TOTAL OPERATING EXPENSES	\$	7,705,361
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TOTAL SURPLUS (DEFICIT)	\$	443,059
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Verrado Assembly 2019 Budget

FEES

Verrado Assembly Assessment	\$0.00
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REVENUE

Assembly Assessment	\$ -
Commercial Maintenance Fees	185,906
Transfer & Disclosure Fees	1,080,920
Interest	180
Special Events & Programs	56,837
NET REVENUE	<u>\$ 1,323,843</u>

OPERATING EXPENSES

General & Administrative	\$ 790,715
Community Engagement	291,041
Commercial Maintenance Expense	185,906
Communications	43,270
TOTAL OPERATING EXPENSES	<u>\$ 1,310,932</u>

TOTAL SURPLUS (DEFICIT)	<u><u>\$ 12,911</u></u>
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**Victory District Association, Inc.
2019 Budget**

FEES	
Victory District Association, Inc. Assessment	\$ 105.00
REVENUE	
Victory District Association Assessment	\$ 1,171,104
Reserve Fund	65,440
Program & Amenity	89,302
Start-Up Fees	41,370
NET REVENUE	<u>\$ 1,367,216</u>
OPERATING EXPENSES	
General & Administrative	\$ 887,318
Community Engagement	86,295
Program Events & Fitness	45,041
Facilities	547,363
Communications	22,196
TOTAL OPERATING EXPENSES	<u>\$ 1,588,213</u>
INCOME BEFORE RESERVES & SUBSIDIES	\$ (220,997)
DEVELOPER SUBSIDY	286,437
RESERVES	\$ (65,440)
TOTAL SURPLUS (DEFICIT)	<u><u>\$ -</u></u>



2019 VERRADO[®] GOVERNANCE OVERVIEW

Achieving the shared vision for Verrado is assisted by three distinct, yet complementary nonprofit entities, Verrado Community Association, Inc., (the “Community Association”), Verrado Assembly (the “Assembly”), and Victory District Association, Inc. (the “Victory Association”).

VERRADO COMMUNITY ASSOCIATION, INC.

The Community Association preserves Verrado’s special landscapes and unique neighborhood settings. Contact the Community Association about governance and operations, assessments and fees, landscape and maintenance of amenities and common areas including parks, community guidelines including compliance and design review applications.

The Community Association is responsible for maintaining Verrado amenities and common areas: The Center on Main[®] and Heritage Swim Park, major thoroughfares and parkways, path and trail system, natural washes, neighborhood and district parks, and landscape tracts funded by the Verrado CFDs. See *Verrado District 1 and Verrado Western Overlay Community Facilities Districts Disclosure Statement*.*

Governed by a Board of Directors and overseen by a Community Operations Manager, the Community Association enforces the *Community Charter* (the “Charter”)* – a flexible system of standards and procedures for the overall development, administration and preservation of the residential portion of Verrado. All residential property owners are members of the Community Association.

VERRADO ASSEMBLY

The Assembly fosters unique opportunities for social and civic engagement among Verrado residents. Contact the Assembly about events and activities, programs including recreation and Verrado Leadership[®], clubs and groups, park and facility reservations, volunteer and philanthropic opportunities, and resident communications.

Governed by a Board of Trustees, and overseen by an Executive Director, the Assembly administers the *Covenant for Community* (the “Covenant”)* – a comprehensive plan for fostering a unified sense of belonging, inclusiveness and pride of place in Verrado.

VICTORY DISTRICT ASSOCIATION, INC.

The Victory District is a 55 plus neighborhood within the Verrado community. Victory residents can enjoy the greater Verrado community and also exclusive access to the Victory Club. Contact the Victory Association about the Victory Club and resident age qualification requirements.

Governed by a Board of Directors, and overseen collaboratively by an Executive Director, Community Operations Manager, and Victory Club General Manager, the Victory Association enforces the Declaration of Covenants, Conditions and Restrictions (the “CC&Rs”)* – a set of guidelines establishing Victory as an age qualified neighborhood. All Victory residential property owners are members of the Victory Association.

ASSESSMENTS AND FEES

The Community Association, Assembly and Victory Association are funded by a Board approved, mandatory monthly assessment collected from all residential property owners. As of January 1, 2019 the assessments are as follows:

\$114.00	Community Association base assessment
\$0.00	Assembly base assessment
\$105.00	Victory Association base assessment

In addition to the above assessments, homes in certain neighborhoods may be subject to additional monthly Service Area Assessments for benefits or services provided by the Community Association not common to all owners.

*Note: Other assessments and fees may be applicable as delineated in the governing documents. All assessments and fees, as of January 1, 2019, are subject to change in accordance with the governing documents. Special use and consumption fees may be required for certain amenities, programs, events and activities. See the current year's Verrado Assessment & Fee Schedule.**

DESIGN GUIDELINES

To preserve the character and to maintain consistency in the quality of improvements within the Verrado community, Design Review is a free, mandatory and advance approval process for owners who want to modify the exterior of their home, including front yard landscape modifications. See *Residential Design Guidelines*.*

In addition to the *Residential Design Guidelines*, custom home/home site owners should refer to the *Custom Home Design Guidelines* and *Custom Home Design Guidelines - Regent Hills*.*

Note: Homeowners who do not secure pre-approval for design review are subject to a Retroactive Design Review Application Fee. Please see the current years' Verrado Assessment & Fee Schedule.

GOVERNING DOCUMENTS

The Charter, Covenant and CC&Rs for Verrado are documents in accordance with Arizona regulations regarding the establishment of nonprofit organizations, and cannot be changed without a specific vote by Verrado property owners. If approved, these changes become amendments and are recorded with the Maricopa County Recorder's Office. Please be advised that failure to abide by the governing documents can result in specified legal remedies and/or fines. The *Bylaws** outline the manner in which the Community Association, Assembly and Victory Association should be overseen and govern internal affairs such as voting, elections and meetings.

*Governing documents may be amended periodically. All current governing and financial documents are available on verrado.com.

CONTACT INFORMATION

Community & Victory Associations VCA@dmbcommunitylife.com or 623-466-7008
Assembly verradoassembly@dmbcommunitylife.com or 623-466-7000

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Verrado Assessment & Fee Schedule

Victory District Association, Inc., Verrado Assembly & Verrado Community Association, Inc.,

Adopted November 13, 2018 | Effective January 1, 2019

Monthly Assessments	
Verrado Community Association, Inc. (Community Charter for Verrado, Chapter 12, Section 12.2 (b))	\$114
Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a))	\$0
Victory District Association, Inc. Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.2.1)	\$105
David Weekley Mountainside Service Area Assessment - Victory District (Community Charter for Verrado, Chapter 12, Section 12.2(b))	\$80
Frank Special Service Area Assessment (Community Charter for Verrado, Chapter 12, Section 12.2(c))	\$88
Pinnacle West Service Area Assessment - Marketside District (Community Charter for Verrado, Chapter 12, Section 12.2(c))	\$17
Apartment - Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a)) (Commercial Covenant for Verrado, Exhibit C)	\$0
Apartment Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$53
Commercial - Verrado Assembly Assessment (Covenant for Community for Verrado, Chapter 2, Section 2.3(a)) (Commercial Covenant for Verrado, Exhibit C)	\$0
Commercial Maintenance Charge (Commercial Covenant for Verrado, Chapter 4, Section 4.3; Exhibit C)	\$53
Property Transfer Fees	
(ARS 33-1806 Resale of units; information required; fees; civil penalty; definition) (DMB Community Life, Inc. Management Contract 2018, unless otherwise stated)	
Builder Transfer	
First Home Buyer Transfer Fee; per lot	\$100
Builder Community Recreation Fee (Covenant for Community for Verrado - Section 2.3(g))	\$250
Capitalization of the Assessment - 1/6 of the Annual Assessment (Community Charter for Verrado, Chapter 12, Section 12.9)	\$228
Upfront Monthly Assessments Collected at Closing - 2 mo.	\$228
Resale Transfer	
Resale Transfer Fee	\$300
Resale Disclosure Fee	\$75



Community Enhancement Fee (Covenant for Community for Verrado, Section 2.3(f))	½ of 1% of Gross Sales Price + \$400
Prepaid Monthly Assessment Collected at Closing - 2 mo.	\$228
Victory District Builder Transfer (In Addition to Above Builder Fees)	
First Time Home Buyer Transfer Fee per Lot	\$100
Start-Up Fee - 1/6th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.13) (Builder to First Purchaser)	\$210
Reserve Fund - 1/4th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.14) (Builder to First Purchaser; Resale Owner to Owner)	\$315
Prepaid Monthly Assessment Collected at Closing - 2 mo.	\$210
Victory District Resale Transfer (In Addition to Above Resale Fees)	
Resale Transfer Fee	\$100
Reserve Fund - 1/4th of the Annual Assessment (Declaration of CC&R's for Victory, Article 7, Paragraph 7.14) (Builder to First Purchaser; Resale Owner to Owner)	\$315
Prepaid Monthly Assessment Collected at Closing - 2 mo.	\$210
Builder-to-Builder Transfer	
Builder-to-Builder Transfer Fee; per lot	\$50
Non-Exempt Transfer	
Any Non-Exempt Transfer Other Than a Sale (Covenant for Community for Verrado, Section 2.3(f))	½ of 1% of the Estimated Fair Market Value + \$400
Delinquency & Legal Fees	
(Community Charter for Verrado, Chapter 12, paragraph 12.5) (Current Delinquency Account Collection Process) (DMB Community Life, Inc. Management Contract 2018, unless otherwise stated)	
Late Fee (Assessed monthly on the 16th)	\$15
Demand Fee (Assessed after the 2nd month Delinquent)	\$35
Pre-Lien Fee (Assessed after the 3rd month Delinquent)	\$70
Collection Agent Fee	\$125
Payment Agreement Default Letter	\$85
Record Notice of Lien	\$185
Delinquency Lawsuit	\$275 & up



Post-Judgment Collection Service	\$135 & up
Property Setup Fees	
(ARS 33-1806 Resale of units; information required; fees; civil penalty; definition) (ARS 33-1806.01 Rental property; member and agent information; fee; disclosure) (DMB Community Life, Inc. Management Contract 2018, unless otherwise stated)	
Tenant Account Set-up Fee	\$25
Foreclosure Set-up Fee	\$400
Administrative Transfer Set-up Fee (Applicable for Community Enhancement Fee Exempt Transfers Covenant for Community for Verrado Section 2.3(f) (iv))	\$75
Third-Party Disclosure Fee (homewisedocs.com)	\$25
Resale Rush Fee - 72 hours	\$100
Resale Update Fee - After 30 days	\$50
Schedule of Monetary Penalties for Noncompliance	
(Community Charter for Verrado, Chapter 8, Sections 8.2(a) (i) & 8.2(a) (vii)) (Community Charter for Verrado, Chapter 12, Section 12.4 (b))	
Amenity Violation	\$100
Animals & Pets	\$50
Commercial Vehicle, Recreational Vehicle, Inoperable Vehicle Violation	\$150
Exterior Architectural Maintenance; Missing/Damaged Elements	\$150
Landscape Maintenance Violation(s)	\$150
Short-Term Property Rental	\$500
Specific Assessment - Self-Help	\$150 & up
Trash/Recycling Container Stored in Unapproved Location / Unapproved Signage	\$25
Unapproved Architectural Modification(s)	\$200
Residential Design Review Submittal Fees	
(Community Charter for Verrado, Chapter 5, Section 5.2(d))	
Residential Application	\$0
Commercial Application	\$50
Retroactive Design Review Application Fee (<i>non-refundable fee for work completed prior to Design Review Approval</i>)	\$50
Major Addition or Modification to Existing Home (<i>i.e. guest house, main home square footage expansion</i>)	\$1.00/sq.ft. under roof for each submission;



	minimum fee of \$500 & maximum fee of \$2,000
Custom Home Design Review Fees	
Custom Home Design Review Application Fee Parcels 3.101, 5.505, 5.701, 5.802, 5.803, 5.804 (Community Charter for Verrado, Chapter 5, Section 5.2 (d)) Payable to Verrado Community Association, Inc. <i>(Includes one (1) complete review and report per each defined step in the Design Review Process.)</i>	\$4,500
Additional Review Fee <i>(For conceptual, preliminary or final design submittals that do not comply with the Design Guidelines; or do not comply with previous stipulations. One (1) review per each defined step in the Design Review Process is included with the Custom Home Design Review Application Fee as noted above.)</i>	\$750/submission
Incomplete Submittal Fee <i>(Submittals that are incomplete; or do not provide all submittal requirements; or do not address all previous stipulations; or do not provide all specifically requested information.)</i>	\$750/each incomplete submission
Major Modification to a Building Envelope Application Fee <i>(When requesting to move the proposed building envelope more than 10' outward from the original building envelope.)</i>	\$500
Lot Tie / Lot Split / Minor Land Division Application Fee	\$500
Incomplete Pre-Construction Meeting Fee <i>(Assessed to applicants and/or contractors that do not provide all of the specifically required submittal information at the time of the scheduled pre-construction meeting.)</i>	\$250
Additional Construction Compliance Inspection Fee <i>(For more than one (1) frame inspection and more than two (2) Final Inspections.)</i>	\$250/inspection
Retroactive Field Change Fee	\$250/field change
Consultation with the Design Review Committee/Consultant	\$200/hour
Construction Deposit (Builder Agreement) Payable to Verrado Community Association, Inc.	\$10,000
Development Fee Parcels 3.101, 5.802, 5.803, 5.804 (Founder Agreement) Payable to DMB White Tank, LLC	\$7,000
Development Fee Parcels 5.505, 5.701 (Founder Agreement) Payable to DMB White Tank, LLC	\$10,000
Water Meter Reimbursement Fee (Founder Agreement) Payable to DMB White Tank, LLC	\$3,985 - \$4,240
<i>In the event a Custom Home Design submission is retracted from Design Review prior to final approval, a pro-rated portion of the Custom Design Review Application Fee may be refunded at the sole discretion of the Design Review Committee.</i>	



Park Reservations	
Available at: Founders Park, Hamilton's Run, Hillcrest Park, King's Green, Village Commons, Walton Park, Cambridge Plaza, Park Meadows	
Park Reservation Non-Wedding - 3 hour minimum	\$10/Hour
Park Reservation Wedding - 3 hour minimum	\$50/Hour
Celebration Lawn (6am - 10pm)	\$250/Day
The Center on Main™ Facility Rentals	
Board Room - Non-Wedding - 3 hour minimum	\$12.50/Half-Hour
Board Room - Wedding - 5 hour minimum	\$17.50/Half-Hour
<i>Board Room Reservations include 20 people allowed in the pool during the reservation</i>	
Multipurpose Room - Non-Wedding - 3 hour minimum	\$25/Half-Hour
Multipurpose Room - Wedding - 5 hour minimum	\$32.50/Half-Hour
<i>Multipurpose Room Reservations include 40 people allowed in the pool during the reservation</i>	
Heritage Swim Park Facility Rentals	
Heritage Swim Park Ramada - 3 hour minimum (20 people allowed in the pool during reservation)	\$20/Hour
The Giving Tree Pavilion - 3 hour minimum (20 people allowed in the pool during reservation)	\$20/Hour
The Center on Main™ & Heritage Swim Park Facility Violations & Fines	
Broken Glass In/Near Pool(s) Resulting in Pool Closure	Pass through cost from service provider
Facility Reservation Time Exceeded	\$25/15 minutes beyond scheduled start/end of reservation
Damage/Lack of Proper Cleaning	Pass through cost from service provider
Undisclosed/Unapproved High Risk Vendor (i.e. bounce house, bartender)	\$500
Victory Club	
Exclusively for use by Victory residential property owners & their guests	
Fitness Guest Fee	\$5
Amenity Access Cards (A maximum of 3 Cards per Lot)	
First & Second Card - Supplied as a Courtesy for new Owners	\$0



Third or Replacement Card	\$25/Card
Minors' Fitness Room Eligibility Card or Replacement Card	\$15/Card
Vehicular Gate Access Fob	
First Gate Fob - Supplied as a Courtesy for New Owners	\$0
Additional/Replacement Fobs	\$40/each

VICTORY DISTRICT ASSOCIATION, INC.

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