



December 2023

Dear Arroyo Roble Resort Homeowner,

Happy Holidays to all Arroyo Roble Resort Homeowners!

The Budget process has been completed and I wanted to update everyone on what the Arroyo Roble Resort is looking forward to in 2024.

You should have received your 2024 Arroyo Roble Resort Maintenance fee invoice over the past week via email or mail. We have also posted the information on the Arroyo Roble Resort website on the Owners Information section (www.arroyoroble.com). If you did not receive your billing invoice, please contact Ms. Diane Randall (Director of Accounting) at 928-282-7777 ext. 1148, or accounting@arroyoroble.com. Please note that the 2024 maintenance fees are due **in full** prior to **January 1, 2024**. Payments received after January 25, 2024 will incur the required late fees of \$17.60 (1.667%) per month per the Resort's CC&R's. Also, you will not be able to make reservations until your 2024 maintenance fees are paid in full.

The 40th Annual Arroyo Roble Resort Council of Homeowners Meeting was held on November 1, 2023, in the Rojo Roca Room of the Arroyo Roble Resort. Homeowners and the Board of Directors discussed the daily operations of the resort, including the capital expenditures in process for 2023, and the schedule of upcoming capital expenditures for 2024.

The Board of Directors have established the maintenance fees for the year 2024, to be **\$1,060.00 per interval**, which is a 9% increase. (For reference, the 2023 increase was 9.1%). The change in the maintenance fee will cover the anticipated operating expenses and limited capital expenditures for 2024.

Below is an overview of the 2023 challenges faced by the resort and the reasoning for the increase in maintenance fees for 2024. While this increase seems to be exceedingly high, this past year's costs to the resort for supplies and services have increased tremendously and the staff continues to do its best to keep the increase to a minimum.

The Arroyo Roble management, staff, and your Board of Directors have had several significant challenges this year! The major factors that affected 2023 include the following:

Annual Maintenance Fee Increase factors:

- **Property insurance premiums** increased for 2023/2024 by over **\$42,000** based on changes to the Northern Arizona insurance market and the Federal Wildfire

- Risk Score for our area. This will cause an minimum increase of over **\$21,000** in 2024.
- **Inflationary pressures** – costs to the resort for supplies and services increased over 15 - 20% during 2023 due to market costs and inflationary pressure. Some villa supplies increased in cost by over 100% this past summer and are expected to increase more in 2024.
 - **2023 Sedona Snowmageddon**: Sedona received the largest snowstorm in over 29 years in February 2023 which caused over **\$35,000** in clean-up costs. The resort lost 2 100+ foot trees and over 150 branches as a result of the wet storm. One of the falling trees also broke one of the main natural gas lines on the property, causing an outage and an additional **\$15,000** in repair costs.
 - **Water Line Breaks**: The Resort also experienced a Main Water Line break under the main driveway and other breaks on the property which cost over **\$35,000**.
 - **Sewer Line Repairs**: The largest unanticipated cost item for 2023 has been the repairs and replacement of the main property Sewer Line Pumping Stations and Equipment. The resort started to have failures in the sewer pumping equipment in late November 2022 and we have spent over **\$170,000** in repairs and replacements to equipment to essentially replace the entire Sewer System and Back-up Generator System. The final piece of the problem was in an unknown/undocumented valve (incased in concrete) that failed. The valve was found outside the property line, near the connection to the City of Sedona sewer lines. This valve was repaired in late October 2023, and we believe that this was the final piece of the Sewer Line problems that caused the issues for the past year.

I want to assure you that, with the outstanding staff we have here, we have been able to handle all these issues AND as we address each issue, we are always looking for ways to improve things so that the impact of any future issues will be reduced to a minimum. The above-mentioned unanticipated costs for 2023 postponed the majority of our intended capital expenditures and added up to over **\$250,000** in unanticipated costs that were taken from the Resorts' Reserve accounts.

Additionally, the resort has received less maintenance fee revenues due to the Arroyo Roble Resort owned inventory. This inventory of approximately 200 intervals, which have been taken back from homeowners over the past couple of years, are actively available for rent and resale at this time. However, this also means that we have over \$200,000 less in maintenance fee collections each year as a result. The Board of Directors are in the process of finalizing a rental program agreement with a professional rental company to offer this inventory to the general public for rent, so we can recover the lost revenues until the intervals are resold.

The above-mentioned unanticipated costs in 2023 and the uncollected maintenance fees for the resort owned inventory has caused a shortfall of operating funds for 2023. As a result, the Board of Directors established a Short-Term Line of Credit to continue our day-to-day operations for 2023. The Short-Term Line of Credit is anticipated to be repaid prior to the end of December 2023.

I think that it is worth noting that our Maintenance Fees are still significantly lower than other Timeshares in Sedona and the 2024 Maintenance Fee of \$1,060.00 per interval breaks down to less than \$152.00 per night. The nightly average for hotels/motels in the Sedona area is over \$350.00 per night (plus 13.5% tax) for an average of \$397.25. This amounts to \$2,780.75 for your seven days compared to \$1,060.00 – a savings of over \$1,720 for a 1300 sq. ft. villa instead of a 450 sq. ft. hotel room...a bargain for all of us, I think!

Also, in January 2024, we will be launching the **NEW ON-LINE RESERVATION SYSTEM**. The new system will allow you to book your reservations online (based on current availability at that moment) including being able to select from which specific villa you reserve (i.e., New Creekside, Old Creekside, single level, etc.). The system is in the final testing stages with Board of Director members and “volunteer” homeowners and is almost complete. We look forward to this wonderful step forward in the reservations process of the Arroyo Roble Resort.

The Board of Directors has also begun a "Villa Modernization/Renovation Project". Our beautiful resort has been showing “her age” these past few years and there is a need to make upgrades and changes to the resort to modernize and keep the property at its best for the next few years.

The upgrades will take place over the next 2 or 3 years and will include new downstairs flooring (already in progress), new bathroom and kitchen upgrades and much more. Once the plans are finalized, we will share the information with everyone. The scope of the improvements and the costs are being finalized by the Board of Directors and we anticipate the information to be sent out by March 2024.

During this process, the Board of Directors is discussing the need to have a “Special Assessment” over the next year to fund the depletion of our Reserve funds (and the immediate need to replenish Reserves), as well as fund the resort "Villa Modernization/Renovation Project". While final decisions on a Special Assessment have not been made, the Board of Directors sees this as an opportunity to resolve many of the upcoming capital expenditure needs of the resort and modernize the villas at the same time. By having many capital projects completed at one time, the resort will quickly improve while saving money in the future.

We understand that this will raise many questions regarding the scope of the projects as well as the final cost. Please be assured that we will provide you with the information as

soon as possible. The Board of Directors firmly believes that, by using a "Special Assessment" to fund these projects, we will improve the resort's ability to attract new homeowners to purchase time here as well as improve the experience for all the current homeowners. The goal will be to have the resort sold out again, as close to 100% as possible, within the next few years, and the operations back to normal.

Per the direction of the Board of Directors, the budget for 2024 reflects changes in individual resort departments and continual capital expenditures.

Suggestions by the attending homeowners present at the annual meeting will be looked at and addressed over the next budget cycle year. The suggestions mainly centered on the continuation of the capital improvement plan and interior improvements. Specific requests were discussed and will be taken into consideration as time and money permits. A copy of the 2023 and 2024 Budget is attached for your reference.

And finally, THANK YOU to Ralph and his incredible staff for keeping our Resort beautiful and well maintained!!

The entire staff of the Arroyo Roble Resort and your Board of Directors wishes everyone a wonderful holiday season! We look forward to your next visit in 2024.

Sincerely,

David C. Brown

David C. Brown,
President of the Board of Directors

Ralph Woellmer

Ralph Woellmer,
General Manager/Director of Resort Operation

	Jan to Sept 2023	2023 Budget	2024
	Thru 9/30/2023		9% increase
	Maint. Fee -	970.50	\$1,060.00
Income	40-000 · INCOME		
	41-400 · MTCE Fees #1	2,562,480.00	3,706,198.39
	ARR Owned Inventory	-147,516.00	-204,000.00
	Total Maintenance Fee	2,414,964.00	3,502,198.39
	41-410 Potential Rental Income	13,200.00	191,100.00
Total 40-000 · INCOME		2,428,164.00	3,693,298.39
Expense			
52-000 · HOUSEKEEPING			
	Total 52-001 · Housekeeping Supplies	49,048.32	74,400.00
	Total 52-002 · Furnishings Replacements	5,707.97	15,600.00
Total 52-000 · HOUSEKEEPING		54,756.29	90,000.00
53-000 · BUILDINGS AND GROUNDS			
	Total 53-001 · Building Repair & MAINTENANCE	38,517.13	40,224.00
	Total 53-002 · EQUIPMENT Purchase	15,499.50	6,384.00
	Total 53-003 · Building SUPPLIES	12,740.68	22,704.00
	Total 53-004 · EQUIPMENT Maintenance	31,424.83	36,858.48
	Total 54-000 · Grounds SUPPLIES	8,775.78	13,806.00
	Total 54-001 · Grounds EQUIPMENT Purchased	3,875.78	7,044.00
	Total 54-002 · Grounds MAINTENANCE	31,858.58	11,468.00
Total 53-000 · BUILDINGS AND GROUNDS		142,692.28	138,438.48
61-000 · UTILITIES			
	Total 61-001 · Electricity	133,073.58	185,796.00
	Total 61-002 · Gas	33,504.45	49,800.00
	Total 61-003 · Water	66,283.21	78,000.00
	Total 61-004 · Waste	76,415.66	86,230.00
	Total 61-005 · Telephone and Cable	46,209.71	72,000.00
Total 61-000 · UTILITIES		355,486.61	471,876.00
70-000 · GENERAL & ADMINISTRATIVE			
	Total 70-001 · Insurance	239,382.90	307,325.19
	Total 70-002 · Property Tax	37,638.25	76,000.00
	Total 70-003 · Office Expense & Printing	112,252.62	134,532.00
	Total 70-004 · Legal/Accounting/Computer	37,794.19	66,804.00
	Total 70-006 · Health Plan	129,199.50	162,348.00
Total 70-000 · GENERAL & ADMINISTRATIVE		556,267.46	747,809.19
73-000 · WAGES			
	Total 73-001 · Resort Wages	1,365,366.13	1,825,366.68
	Total 73-002 · Payroll Taxes	94,397.20	114,690.00
	Total 73-003 · Benefits	16,516.34	21,600.00
	73-004 · Workers Compensation Insurance	7,947.00	12,000.00
Total 73-000 · WAGES		1,484,226.67	2,082,704.00
Total Expense		2,593,429.31	3,530,877.68
Net Ordinary Income		-30,949.31	162,420.71
Total Other Income		31,192.69	48,197.88
Other Expense			
Total 83-000 · OTHER EXPENSE		0.00	3,204.00
90-545 · Capital Expenditures		254,651.22	449,004.00
Total Other Expense		254,651.22	3,204.00
Net Other Income		-223,448.53	207,414.59
Net Income		-254,397.84	369,835.30
90-545 · Capital Expenditures			368,390.00
Balance - Net Income - Capital Expenditures			1,445.30
2024 Maintenance Fee Breakdown	3489	1060	\$3,693,298.39
Operations Budget Portion		953	\$3,324,908.39
Capital Expenditures Portion		107	\$368,390.00