



CITY AUDITOR'S OFFICE

DC Ranch CFD: Proposed Maintenance Fee

March 19, 2025

REPORT NO. 2502

CITY COUNCIL

Mayor Lisa Borowski
Vice Mayor Jan Dubauskas
Barry Graham
Adam Kwasman
Kathy Littlefield
Maryann McAllen
Solange Whitehead



March 19, 2025

Honorable Mayor and Members of the City Council:

Enclosed is the report for *DC Ranch CFD: Proposed Maintenance Fee*, which was included on the Council-approved FY 2024/25 Audit Plan at the request of the City Manager on behalf of the District Board. The objective of this review is to evaluate the reasonableness of maintenance reimbursement proposed by the DC Ranch Community Council and Association to be funded by property taxes levied by the District.

The Community Council and Association request reimbursement for the District's portion of landscape and maintenance performed by the Association's staff. Our review found that some of the paths and trails initially contemplated were not actually constructed and financed by District bonds, and Market Street Park is not part of the District's infrastructure. As well, certain types of services are not required or addressed by the agreements and will need further consideration before approving maintenance reimbursement. Overall, a maintenance contract that details the maintenance areas and requirements needs to be established.

If you need additional information or have any questions, please contact me at (480) 312-7851.

Sincerely,

Lai Cluff, CIA
Acting City Auditor



REPORT HIGHLIGHTS

March 2025

DC Ranch CFD: Proposed Maintenance Fee

Report No. 2502

WHY WE DID THIS AUDIT

This review was requested by the City Manager on behalf of the DC Ranch Community Facility District (District). This engagement was completed as a limited review to evaluate the reasonableness of proposed maintenance fee to be funded by the District.

BACKGROUND

The DC Ranch Community Facility District was formed to finance and acquire or construct amenities that were subsequently dedicated to the City for public use.

Maintenance of certain City-accepted infrastructure is funded through an additional tax levy for operations and maintenance.

In June of 2024, through the annual budget process, the DC Ranch Community Council requested an increase in the maintenance budget from \$60,000 to \$322,381 each year.

WHAT WE FOUND

Clarifications to the maintenance areas are needed: Assumptions about paths and trails maintenance areas were inaccurate, and Market Street Park is not part of the District's existing public infrastructure.

In compiling its maintenance fee proposal, DC Ranch relied primarily on the Bond Feasibility Studies for information on the District's assets. However, some proposed projects were not actually financed.

- Market Street Park is not part of the City or District infrastructure and maintenance costs have not been reimbursed in the past. This accounts for 33% of the maintenance request, or \$108,207.
- Desert Greenbelt Path & Trail (Reata Wash Trail) is maintained by the City. The originally proposed project was not funded by the District-issued bonds but the property was conveyed to the City to construct and maintain as flood control improvements. Proposed maintenance of this path and trail was estimated at \$45,172.
- Section H Path & Trail was included in the proposed projects but was not funded as the District had reached its maximum bonding authority of \$20 million. Proposed maintenance was estimated at \$17,735.

Proposed base labor rates are similar to a City maintenance worker's pay, but maintenance levels are higher than required by the approved Maintenance Guidelines.

Specifically, we found that:

- Indirect rates to cover landscape supplies should not be added to maintenance labor rates when maintenance supplies/materials are charged additionally.
- The frequency of maintenance for some assets is higher than required by the Guidelines.
- Security for Paths & Trails is not required by the agreements and account for about \$36,000.
- Utility costs provided include meters in non-District areas, and some meters had no usage and should be deactivated.

WHAT WE RECOMMEND

The District Manager should work with City staff and DC Ranch to clarify the maintenance areas and negotiate a new contract for Board approval. Maintenance work should conform with the Maintenance Guidelines.

TABLE OF CONTENTS

OBJECTIVE.....	2
BACKGROUND	2
Table 1. Proposed annual maintenance fee, submitted February 2024.....	3
FINDINGS AND ANALYSIS	4
1. Clarifications to the maintenance areas are needed: Assumptions about paths and trails maintenance areas were inaccurate, and Market Street Park is not part of the District’s existing public infrastructure.....	4
Table 2. Proposed landscape and maintenance amount related to Desert Greenbelt Path & Trail (now Reata Wash Trail).....	6
2. Proposed base labor rates are similar to a City maintenance worker’s pay, but the maintenance services levels are higher than required by the approved Maintenance Guidelines.....	7
Figure 1. Hourly rate breakdown.	7
Table 3. Proposed water and electricity cost.....	9
Table 4. Some reported water billings were not on District Paths & Trails.....	10
Table 5. Summary of questioned amounts.	11
SCOPE & METHODOLOGY	12

OBJECTIVE

This review of DC Ranch Community Facility District (District) proposed maintenance fee was included in the City Council-approved Audit Plan for FY 2024/25 at the request of the City Manager on behalf of the District Board. The objective of this review is to evaluate the reasonableness of maintenance reimbursements proposed by the DC Ranch Community Council and Association that would be funded by property taxes levied by the District.

BACKGROUND

Formed in 1997, the DC Ranch Community Facilities District is a special purpose taxing district and separate political subdivision under Arizona statutes. The District was formed to finance acquisition or construction of public infrastructure. As such, it can levy taxes and issue bonds independent of the City. Property owners within the District boundaries pay for District infrastructure and functions through secondary property tax assessments. A portion of this tax levy is stipulated for operations and maintenance of certain public infrastructure.

- The City Council serves as the District Board of Directors.
- City staff provides administrative support for the District Board and related costs are reimbursed by the District.
- The City Engineer is currently designated as the District Manager.

Since 2005, the District has paid the DC Ranch Association an annual amount of about \$60,300 for landscaping and maintenance of the paths and trails dedicated to the District. In February of 2024, DC Ranch Community Council representatives (DC Ranch) met with City management to propose increasing the annual maintenance budget from \$61,000 to \$322,381. The request is summarized in Table 1, on page 3.

Along with adjustments for the reduction of property tax revenues resulting from a County court case and increases in home values, the City Treasurer estimated that the higher maintenance amount would contribute to an overall increase of about 44% to the District property tax amounts for FY 2024/25. In its June 25, 2024, Board meeting, the District approved approximately one-third of the requested maintenance budget, or \$107,000, for FY 2024/25.

Related Agreements

These agreements, and their subsequent amendments, related to maintenance of District infrastructure were negotiated in the late 1990's as DC Ranch was under development:

- *District Development, Financing Participation and Intergovernmental Agreement (IGA)*, along with Amendments 1 and 2, executed 1997 thru 2002. The IGA was established between the DC Ranch Developer, the District, and the City. Amendment 1 authorized the District to award and manage operations and maintenance contracts for City-accepted infrastructure within the District. The contracts would be funded through an additional tax levy for operations and maintenance.¹
- *Dedication, Easement, and Maintenance Agreement (DEMA)* executed in 1996 between the Developer, the DC Ranch Community Council, the City, and the District provides additional descriptions of the types of dedications, easements, and maintenance

¹ Section 4.2 of the Intergovernmental Agreement establishes the maximum rate of the Operations & Maintenance tax levy at \$0.30 per \$100 of secondary assessed valuation of all real and personal property in the District.

responsibilities. Three Supplements to the original agreement and their associated Maps of Dedications were added in 1998 through 2001. Maintenance standards were established in the “*DC Ranch Community Facilities District Maintenance Guidelines*” issued in 1999 as part of the Second Supplement to the DEMA.

Requested Maintenance Fee

Landscaping and maintenance of the paths and trails acquired by the District have been completed by the DC Ranch Association’s in-house staff. According to invoices from the Association, the annual fee of \$60,326.30 was established by a bid proposal it submitted in March 2005. However, details on the scope of the prior maintenance contract are no longer available. DC Ranch’s February 2024 proposed fee is summarized below, in Table 1.

Table 1. Proposed annual maintenance fee, submitted February 2024.

	Paths & Trails	Market Street Park	Total
Landscaping	56,788	34,549	91,337
Plant Replacement	45,312	1,689	47,001
Maintenance	61,967	27,016	88,983
Utilities & Admin	50,108	44,953	95,061
	\$214,175	\$108,207	\$322,382

SOURCE: Summarized maintenance request submitted by DC Ranch in February 2024.

In addition to Market Street Park (a 25,000 sq ft park next to the condominiums to the east of Market Street), the maintenance request estimated costs for the following paths and trails:

	Bond Issuance Year	Path (linear feet)	Trail (linear feet)
Desert Greenbelt Path & Trail	1998	12,843	12,843
Pima Rd Path & Trail	1998, 1999	5,695	3,550
Internal Loop Path	1998, 1999	7,644	n/a
Thompson Peak Path & Trail	1998	8,382	7,927
Deer Valley Trail	1998, 1999	295	1,652
Section H (size approx.)	2002	14,332	n/a

SOURCE: Auditor summary of the maintenance request submitted by DC Ranch, and related Bond Feasibility Studies.

According to DC Ranch representatives, information on the paths and trails was primarily obtained from the feasibility studies completed for each bond issuance and amounts were estimated based on a combination of recent costs, workload information provided by their maintenance staff, and overhead allocation rates based on observations of past costs and industry practices.

FINDINGS AND ANALYSIS

1. Clarifications to the maintenance areas are needed: Assumptions about paths and trails maintenance areas were inaccurate, and Market Street Park is not part of the District's existing public infrastructure.

The last maintenance contract, referred to as the “2005 bid proposal” in the DC Ranch invoices, was not retained in District or DC Ranch records. According to the *Dedication, Easement, and Maintenance Agreement* (DEMA), the approved Maintenance Guidelines would be used to obtain bid proposals for the maintenance work and establish a Maintenance Agreement with the winning bidder. Some information from that bid proposal was included in the DC Ranch invoices: the total square footage of paths and trails in Phase 1, 2, and 3 of development and the maintenance rate per sqft. However, no information was included on the work performed.

The absence of contract terms has made it difficult for both City staff and DC Ranch representatives to clearly define the maintenance requirements, including which areas should be maintained and what work will be performed. Much of the information used by DC Ranch to develop its the maintenance fee estimates were based on the descriptions of paths and trails to be constructed with District Bond proceeds – specifically, information from the Bond Feasibility Studies. However, those studies, completed in 1998 through 2002, discussed planned uses of the Bond proceeds that were not all constructed as planned. A new maintenance agreement needs to be developed and approved by the District to clarify the maintenance areas and outline requirements moving forward.

A. Market Street Park was not conveyed to the City and/or District, nor funded by District bonds. Maintenance costs have not been previously reimbursed.

One-third of the proposed maintenance budget (\$108,207 or 33%) is for landscape and maintenance of Market Street Park, located just east of the Market Street center, adjacent to a condominium development (see aerial photo on page 5). The park is approximately 25,000 square feet and was constructed in 2002. At that time, the condominium developer conveyed it to the DC Ranch Community Council for maintenance as public open space. While the conveyance “*does not preclude future dedication [of the park] to the City of Scottsdale or other public body, subject to acceptance of such dedication...*”, based on City Real Estate and Planning staff’s research, there is no record of this park having been dedicated and accepted by the City or the District.

According to the District Development IGA, only maintenance of City-accepted infrastructure (parks, paths, and trails), acquired or financed by District Bonds, may be funded through the O&M Tax Levy.²

The Market Street Park was not funded by the District Bonds issued to acquire public infrastructure, and maintenance guidelines do not address parks.

1. In the Bond Feasibility Studies, future construction of neighborhood parks was contemplated, but the studies did not identify specific parks to be financed. In 1998, three neighborhood parks near the school site were contemplated for future financing, but these were never built. In the 1999 bond feasibility study, about

² Second Amendment to *District Development, Financing Participation and Intergovernmental Agreement*, June 17, 2002. “The ‘O&M Tax Levy’ provided for in the Agreement shall only be applied to the purposes originally set forth in the Agreement (the first paragraph of Exhibit B).”

\$485,000 was earmarked for potential financing of two neighborhood parks, but no plans had been developed.

2. District records show that in August 2001, the DC Ranch construction manager submitted its final draw for District path and trail improvements funded by the 1998 and 1999 bonds. It did not include costs for park construction and research of District records did not find invoices for park construction.
3. The District-approved *Maintenance Guidelines*, attached to the Second Supplement to the DEMA, did not include park maintenance requirements. Subsequently, the 2005 maintenance proposal from the DC Ranch Association, which was based on the Maintenance Guidelines, only referenced maintenance for paths and trails.



Wooden bridge next to Park is on District path – DC Ranch included about \$10,500 related to replacing the wooden bridge in its Market Street Park maintenance costs. In February 2025, this amount was increased by about \$41,000 to include additional labor, supplies and materials. While the Park is not District infrastructure, this bridge is located on the “Internal Loop Path” – added to the construction scope in the Third Supplement to the DEMA, which was accepted by the City with the rest of the Internal Loop Path. According to DC Ranch, minor routine maintenance is performed on the bridge, but in 2024 the entire bridge was replaced, resulting in a large capital expense. The original bridge lasted almost 25 years. Based on our review of the submitted costs and discussion with the City cost estimator, the reported 650 labor hours appears excessive.

B. Desert Greenbelt Path & Trail, now Reata Wash Trail, is a City-maintained trail.

The Reata Wash Trail runs along where the Desert Greenbelt Path & Trail was initially planned to be constructed. Though described as a concrete path with an adjacent trail in the Bond Feasibility Studies, only a nature trail now exists. On its *Resident Path and Trail System Map*, DC Ranch labels this a “City of Scottsdale Trail”.

Though proposed as part of the bond projects, the 1998 Bond issuance was reduced by the amount allocated for this project due to timing concerns. In a separate dedication agreement between the DC Ranch Developer and the City, the Desert Greenbelt property (Reata Pass Wash) was conveyed to the City in 1998 for the primary purpose of constructing and maintaining flood control improvements.³



SOURCE: Photo taken by Auditor at Reata Wash Trail.

³ *Dedication, Temporary Construction Easement, and Open Space Easement (Desert Greenbelt)*, COS contract No. 9800028, executed March 10, 1998.

According to Transportation Planning staff, maintenance of this trail is City responsibility and primarily involves ensuring that the trail is clear of over-grown vegetation or storm debris. Observations of the trail show that it is clear and walkable and the area around it is natural desert vegetation (see photo). Minimal landscape maintenance was observed.

Table 2. Proposed landscape and maintenance amount related to Desert Greenbelt Path & Trail (now Reata Wash Trail).

	Desert Greenbelt Qty	All Paths & Trails Qty	% of Total	Total Proposed P&T Maintenance	Desert Greenbelt Est. Cost
Landscaping labor, supplies, and materials -- (sqft)	154,116	404,540	38%	\$ 56,788	\$ 21,635
Plant Replacement, labor, supplies, plants, and materials -- (No. of plants)	3,082	8,091	38%	45,312	17,262
Concrete path maintenance -- (sqft)	77,058	209,154	37%	3,679	1,355
Drinking fountains	1	8	13%	6,540	818
Path Signage	60	178	34%	2,180	735
Path Wayfinder Signage	15	83	18%	1,136	205
Split Rail Fencing -- (linear ft)	10,400	17,754	59%	2,943	1,724
Stone Retaining Walls -- (sqft)	2,568	7,403	35%	3,361	1,166
Underpass on Trail	1	5	20%	681	136
Waste Receptacles	1	26	4%	3,543	136
Utilities & Security			0	50,108	-
Other P & T assets ¹				37,904	-
Total Cost				\$ 214,175	\$ 45,172

¹ Other assets include: benches, seat nodes, bike racks, dog waste receptacles, graffiti removal, light bollards, light poles, picnic tables, transit stations.

SOURCE: Auditor analysis of proposed paths and trails maintenance cost detail submitted by DC Ranch.

Much of the proposed maintenance amounts estimated by DC Ranch were based on the size of the paths and trails originally planned to be constructed. Table 2, above, extracts the maintenance quantities and amounts attributed to Desert Greenbelt, totaling approximately \$45,172.

C. “Section H Path and Trail” was not constructed.

The maintenance proposal includes 14,332 linear feet of concrete path described as “Section H. Path and Trail” in the 2002 Bond Feasibility Study. This series of bond projects proposed were roadways that included portions of Thompson Peak Parkway, Union Hills/Legacy, and 94th St. These projects were prioritized, with the path and trail falling at the bottom of the list. Construction contracts approved by the District included the road projects but did not include the path and trail project. Currently, the only trail in proposed area runs south from Legacy Blvd, west of 94th Street, and is marked as “resident-only” in the DC Ranch Path

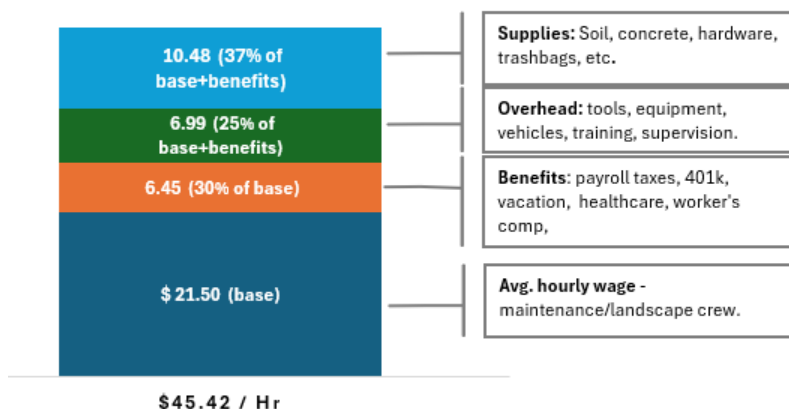


and Trails Map (trail marked red in map extract). Sidewalks along the roadways are expected as part of any city road project. Costs attributed to Section H totaled approximately \$17,735.

2. Proposed base labor rates are similar to a City maintenance worker's pay, but the maintenance services levels are higher than required by the approved Maintenance Guidelines.

In its maintenance proposal, DC Ranch applied an hourly rate of \$45.42 per hour that was all inclusive of hourly wages, employment benefits, supervision, tools, equipment, supplies, and materials. Figure 1 below breaks down the hourly rate.

Figure 1. Hourly rate breakdown.



SOURCE: Auditor summary of proposed hourly labor rate.

- A. The base rate plus employee related benefits, totaling \$27.95 per hour, is similar to the City's midpoint rate for a Maintenance Worker I. Overhead and materials rates are general estimates and landscape materials were included in maintenance labor.**

The additional \$17.47 per hour for overhead and supplies is based on DC Ranch maintenance staff's general estimates of the indirect maintenance costs. As shown in Figure 1, an additional 25% is added for tools, equipment, vehicles, training and supervision, and an additional 37% is added for maintenance supplies. Examples of maintenance supplies included: soil, concrete, hardware, and trash bags. Including these supplies and materials as an indirect cost is reasonable since it is difficult to track how much is used for maintenance of District areas as opposed to other Association landscaped areas. However, the cost for maintenance of public assets, such as benches, tables, and waste receptacles added 37% for supplies and materials, as well as additional amounts for maintenance-specific materials.

- B. Some proposed maintenance levels appear higher than required by the approved guidelines.**

In 1999, the District commissioned maintenance guidelines intended to define the general responsibilities of the landscape maintenance organization. These guidelines were incorporated into the DEMA through the Second Supplement and were used to obtain maintenance bids for landscape work. The guide describes various landscaping zones but does not identify their locations as construction and development of DC Ranch was still in progress. However, the public paths and trails would generally fit into the

“Natural Landscape Zones”, which are intended to replicate natural desert conditions and require little or no cultural maintenance once they have become established. There are several areas where the proposed work appears to exceed the Guidelines:

1. **The frequency of inspections and maintenance of assets is higher than guidelines** – Proposed maintenance labor costs include very regular cleaning and inspection of public assets. The figure below provides a comparison to the maintenance guidelines.

	DC Ranch Proposed	Guidelines
Site Furniture (tables, benches, trash receptacles, bike racks, etc)	Cleaning: <i>Daily</i> Inspections: <i>Weekly</i> Power washing: <i>Monthly - yearly</i>	Check for general soundness: <i>Annually</i> Check for vandalism: <i>Daily</i> Trash removal: <i>Weekly or more if needed.</i>
Path Signage	Cleaning: <i>Weekly</i> Inspections: <i>Weekly</i>	No maintenance required, Review for potential issues: <i>Annually</i>
Re-lamping (light poles and light bollards)	Inspections: <i>Weekly</i> Painting: <i>Annually</i> Electrical repair: <i>Monthly</i> Bulb replacement: <i>Weekly (bollards), Annually (light poles)</i>	Group re-lamping: <i>every 5 years</i> , Inspections and cleanings: <i>perform during Group re-lamping.</i> Spot re-lamping: <i>as needed.</i> Electrical inspections: <i>every 2 years.</i>
Security	Monitored cameras and patrolling security.	No security requirements.

Although the Maintenance Guidelines recommend group re-lamping every 5 years, this may be too long. Based on the 10,000-hour lamp life for the Bollard lights, a shorter frequency (every 2 to 3 years) may be more appropriate. However, establishing a schedule for group re-lamping (changing out a large group of bulbs on a scheduled basis) could improve labor efficiency. Proposed lighting maintenance for the Paths and Trails total about \$27,300.

2. **Plant replacement not covered by the Maintenance Guidelines** – The proposed maintenance work includes replacement of plants based on the average years of life historically observed by DC Ranch maintenance crews, about 16 years, and the square footage of landscaped areas. For paths and trails, this was just over 500 plants replaced each year (about 97% of these were 5-gallon shrubs), totaling about \$45,300.

Actual plants replaced may vary from year to year and DC Ranch’s proposal is reasonable for estimating these costs. However, the maintenance guidelines do not provide a cyclical plant replacement schedule and indicates that plants needing replacement should be identified and requested from the District. Specifically in the case of Saguaros, the Guidelines state that they should not be replanted without direction from the District Manager. The Association replaced 4 this fiscal year, at a cost of approximately \$900 each. Before approving plant replacement costs, the Guidelines should be further evaluated.

3. **Security cameras and patrol is not required** – About \$36,000 of the proposed amount was for monitored security cameras and security patrol of the Paths and Trails. According to DC Ranch, cameras are located at 5 underpasses along the paths and a portion of the security guard’s time is dedicated to monitoring the cameras and patrolling the paths and trails (approximately 2 hours per day). The number of total hours allocated for contracted security appears reasonable, but the supplies and overhead rates, an additional \$15.30 per hour, intended to cover the use of DC Ranch’s golf cart, supplies, and general supervision appears high. For example, for one full-time guard, cost recovery for overhead-only would be over \$30,000 per year.

Existing terms in the DEMA or Maintenance Guidelines do not require security, and it is not typically provided at City-maintained Paths and Trails. According to Parks & Recreation staff, security cameras are used only at certain maintenance facilities or recreation centers. Security guards are not staffed at parks, paths, or trails and the Police Department would be contacted if any issues arise.

4. **Utility costs included non-District areas** – The DEMA specifies that water and electricity will be provided by DC Ranch using its existing utility lines and the District shall pay a proportionate share of the costs. In its initial February 2024 maintenance request, DC Ranch included about \$22,000 for utilities, as shown in Table 3 below.

At our request for utility invoices, in February 2025 DC Ranch updated its annual utility cost estimate to approximately \$52,700, also shown in Table 3 below. According to representatives, the initial cost estimate for water was based on average costs of 3 meters (at \$64/month) and projected; however, they later found that several of the other meters were significantly higher than \$64/month.

Table 3. Proposed water and electricity cost.

	Paths & Trails	Market Street Park
Feb 2024 Request		
Water	2,592	5,932
Electricity	11,360	1,950
	\$13,952	\$7,882
Feb 2025 Revised Amt <i>(based on actual CY 2023 invoices and utility rate increases)</i>		
Water	33,994	6,448
Electricity	10,290	2,000
	\$44,284	\$8,449

SOURCE: Auditor summary of amounts submitted by DC Ranch in February 2024 and in February 2025.

The water invoices provided by DC Ranch matched their requested amounts, with adjustments for estimated rate increases. However, the total amount requested shows significantly higher water usage than what we estimate for the number of

plants in the area maintained, even when assuming the highest summer watering-levels.⁴

Closer review of the water usage information shows that several of the water meters are not on District paths and trails. Two of these are along a “resident-only” path on the northern part of Desert Camp Drive and one is located at the DC Ranch Community Center. While DC Ranch only allocated 30% of the Community Center meter to District use, even 30% is substantially higher than some of the other meters, and there is a second meter adjacent to the Community Center, closer to Thompson Peak Pkwy.

The 2 water meters with the highest usage (est. \$21,000 per year) are also adjacent to DC Ranch open spaces and should be reviewed to evaluate the appropriate allocation of water use.

Additionally, we noted 3 meters with no usage were billed at an average of \$860/year for base fees and taxes – these totaled about \$2,577 of the requested amount. DC Ranch should consider deactivating these meters when they are not in use.

Table 4. Some reported water billings were not on District Paths & Trails.

	# of meters	Annual Est. Amt
Located near a District path or trail	2	785
Likely Partial District usage, located near other DC Ranch facilities	2	20,916
Not located near District path or trail	3	9,716
No Usage, only base fees	3	2,577
	10	\$33,994

SOURCE: Auditor analysis of calendar year 2023 water bills provided by DC Ranch.

According to DC Ranch, they have had their watering schedules assessed in the past in order to optimize water conservation and it may not necessarily align with the Maintenance Guidelines.

Similarly for electricity costs, 3 of the 8 electric meter locations were along Desert Camp Drive, portions of which are designated “resident-only”. These accounted for about 28% of the estimated annual costs, or about \$3,000. Other meters may also provide electricity for broader areas. Further review of the meter coverage area would be needed to determine the appropriate allocation of electricity.

Table 5, on page 11, summarizes the proposed maintenance amounts submitted by DC Ranch in February 2024 and the amounts that are not covered by the existing agreements or Maintenance Guidelines, as well as proposed amounts that require further evaluation. The Bridge replacement costs that were included in the Market Street Park amounts are pulled out and adjusted for amounts submitted later.

⁴ Watering quantities and frequencies from “Landscape Watering by the Numbers”, published by the *Water – Use it Wisely* campaign, developed by Arizona regional partners, including Scottsdale Water. Watering schedules provided in the DC Ranch Maintenance Guide suggest higher watering schedules when the plants are first installed, but significant reduction once established.

Table 5. Summary of questioned amounts.

	DCR Proposed Amt	Questioned Amounts	Notes
PATHS & TRAILS			
Landscaping	56,788	(29,682)	Labor rate and overall cost/sq ft appears reasonable; however, specific prior costs to support overhead and supplies allocations were not available. \$29,682 - landscaping attributed to Desert Greenbelt and Section H.
Plant Replacement	45,312	(45,312)	DC Ranch developed a cost allocation method. However, the Maintenance Guidelines do not require routine plant replacement. District Manager approval needed for replacements. \$23,683 - Plant Replacement attributed to Desert Greenbelt and Section H.
Maintenance	61,967	(21,216)	Supplies and materials rate of \$10.48/ hr. was applied to maintenance hours, though additional maintenance supplies were requested. Frequency of some maintenance work is more than required. \$9,541 - Maintenance attributed to Desert Greenbelt and Section H.
Utilities	13,952	(5,765)	Some utility meters are not located near District paths and trails and several need further evaluation to determine the proper usage allocation.
Security	36,156	(36,156)	Not covered in Maintenance Guidelines. Also, allocation of patrol hours is reasonable, but overhead allocations appear too high.
Paths & Trails Subtotal	\$214,106	(\$138,063)	
MARKET STREET PARK			
Landscaping	34,549		
Plant Replacement	1,689		
Maintenance	16,469		
Utilities	7,882		
Security	5,526		
Insurance	31,545		
Wooden Bridge	10,547	<i>tbd</i>	<i>Estimate for annual maintenance of the wooden bridge to be provided by DC Ranch and included in Path maintenance.</i>
Park Subtotal	\$108,209	(\$108,209)	Market Street Park was not acquired by the District or conveyed to the City. Repair/replacement cost for Bridge shown below.
Replacement of bridge at Market Street Park		\$28,620 to \$34,740	One-time Bridge replacement: Bridge is located on District path. \$16,383 materials and supplies invoices + labor (labor is adjusted 50% to 75% of reported hours to align with scope of work <i>and</i> excludes the added rate for supplies).
Total	\$322,382	(\$211,599)	

SOURCE: Auditor analysis of District agreements, dedication documents, as well as cost information submitted by DC Ranch.

Recommendations:

The Community Facility District Manager should:

1. Work with City staff and DC Ranch to clarify the maintenance area that is District responsibility, including the applicable landscape maintenance requirements for those areas.
2. Obtain competitive landscape maintenance bid proposals or negotiate a new contract for District Board approval. The proposed work should conform with the Maintenance Guidelines. As needed, develop revised Guidelines for approval by the District Board.

SCOPE & METHODOLOGY

This work was performed as a limited review to focus specifically on the proposed maintenance costs and does not constitute an audit in accordance with *Government Auditing Standards*. A full audit would typically have an expanded scope, require further assessment of internal controls and additional file documentation. However, this review was conducted in accordance with the ethics, independence, professional judgment, and competency provisions of the *Government Auditing Standards*.

We performed the following steps:

- Reviewed related contracts, agreements, and maps of dedication:
 1. ***Dedication, Easement and Maintenance Agreement (No. 96-0868792)*** dated December 2nd, 1996, between DC Ranch LLC, DC Ranch Community Council, Inc., and the City of Scottsdale. Additionally, subsequent Supplemental Agreements:
 - *Supplement to Dedication, Easement and Maintenance Agreement*, December 24, 1998, and the associated *Map of Dedication for DC Ranch Public Trail Easements (First Phase)*, Book 489, Page 23.
 - *Second Supplement to Dedication, Easement and Maintenance Agreement*, September 10, 1999, and the associated *Map of Dedication for DC Ranch Public Trail Easements (Phase 2)*, Book 512, Page 02. Exhibit B of the Second Supplement contains the *Community Facility District DC Ranch Maintenance Guidelines* (Maintenance Guidelines).
 - *Third Supplement to Dedication, Easement and Maintenance Agreement*, August 28, 2001, and the associated *Map of Dedication for DC Ranch Public Trail Easements (Phase 3)*, Book 580, Page 22.
 2. ***District Development, Financing Participation and Intergovernmental Agreement, Contract No. 970049***, dated April 15, 1997, including Amendment No. 1, dated October 1, 1999, and Amendment No. 2, dated June 17, 2002.
 3. Feasibility studies completed for the District in connection with the proposed issuance of General Obligation Bonds to finance public infrastructure (Series 1998, 1999, and 2002).

- Met with DC Ranch representatives to obtain supporting documentation and review information provided.
- Worked with the City Attorney's Office, Real Estate, Finance, and Planning staff to research related easements and dedications and legal agreements. Additionally, met with Community Services and Transportation Planning staff to gain an understanding City landscape and maintenance practices.

City Auditor's Office

Lai Cluff, Acting City Auditor
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Mel Merrill, Senior Auditor
Mandi Bradley, Auditor

Audit Committee

Councilman Barry Graham
Councilwoman Maryann McAllen
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