

**PLEASE READ THIS LETTER CAREFULLY, THEN COMPLETE THE ATTACHED BALLOT
AND RETURN IT IN THE ENCLOSED ENVELOPE BY JANUARY 31, 2008**

Dear Desert Shores Homeowner,

Your Board of Directors is seeking your opinion and advice as we prepare the Annual Budget for Fiscal Year 2008-9 and make plans for the future of our community.

We have just completed a ten-year financial projection for Desert Shores Community Association. It anticipates that energy and water expenses will continue to grow in excess of six percent (6%) per year, and other operating expenses will continue to grow at about three percent (3%) per year. These expenses are driven by the same inflation that we all experience in our household budgets, and there is little we can do about them.

In addition, the Association's most recent Reserve Study recommended that we increase contributions to the Reserve Fund by one percent per year.

What this means is that the period of constant member assessments (we haven't raised them since 2003) is coming to an end, sooner or later. **Happily, we will not have to raise assessments in 2008.**

The major discretionary item in our Association budget is "common area improvements". Examples of common area improvements include the landscape retrofit project, new signage, the "micro park" at Mariner and Regatta, and the primary entrances. Future common area improvements could include remodeling of the clubhouse and lagoon area.

Common area improvements are investments above and beyond those necessary to maintain and replace existing common elements. Their purpose is to protect and increase the value of your homes by keeping the amenities and common areas offered by Desert Shores competitive with newer communities. Note that just because you prefer a certain level of spending for common area improvements, we won't necessarily spend that amount or automatically raise assessments. We will continue to make sound business decisions based on the desirability of a project, economic and operating conditions at the time, and competing needs that should take priority—particularly impeccable maintenance of the wonderful assets we already have.

Over the past five years, we have spent an average of about \$270,000 per year on common area improvements. The maximum was in 2004-5, when we spent over \$700,000 on the landscape retrofit.

WE WANT YOUR GUIDANCE ON HOW MUCH DESERT SHORES SHOULD BE SPENDING ON COMMON AREA IMPROVEMENTS. We have prepared four scenarios that differ in the amount of common area improvement spending. Each scenario consists of a different level of common area improvements. Please review the following and then use the ballot to select the scenario you prefer. **None of the scenarios requires an increase in 2008 assessments.**

Please note that your preferences will be used only to develop budgets for the Association. Decisions on how and when to actually spend money on common area improvements will, as in the past, be decided on a project by project basis in regular Board meetings.

The common area improvement choices are: none, below average, average, and above average. These are described below.

No Common Area Improvements

In this scenario, there would be no budget for common area improvements, so there would be no more projects like those listed above (unless we had a separate capital improvements assessment). Instead, the Association would maintain existing common elements and repair or replace them as necessary.

Below Average Common Area Improvements

In this scenario, we would budget about half the amount we averaged over the last five years, i.e. \$135,000 in 2008-9. This amount would be adjusted for inflation in successive years.

An example of a project that could be funded in one year with this choice is constructing lagoon shade structures and additional picnic areas, or remodeling the clubhouse without moving walls.

Average Common Area Improvements

In this scenario, we would budget the same amount in 2008-9 as we did in 2007-8 (\$179,000), increase to \$200,000 in 2009-10, and reach \$270,000 (adjusted for inflation) in 2010-11.

An example of a project that could be funded in one year with \$270,000 is upgrading and resurfacing the playground area and lagoon, and adding lighting.

Above Average Common Area Improvements

In this scenario, we would budget \$250,000 for 2008-9, and increase to \$375,000 in 2009-10. Thereafter, this amount would increase with inflation.

An example of a project that could be funded in one year with \$375,000 is renovation of the clubhouse while moving several interior walls.

The following table summarizes the **four** scenarios and their **ten-year** impact on your assessments, assuming that the full amount will be spent on common area assessments each year **from now until 2018**.

Scenario	Common Area Improvements	First Assessment Increase Could Likely Be Delayed Until	Total Increase in Monthly Assessments by the Year 2018*	Example Average Monthly Assessment Increase (each year, beginning in Column 3 year)*	Compound Annual % Increase in Assessments	
					If started in 2009	If started as late as possible (column 3 year)
I.	None	2012	\$21.71	\$3.10	3.5	5.3
II.	Below Average	2010	\$28.50	\$3.17	4.5	5.0
III.	Average	2009	\$34.10	\$3.41	5.2	5.2
IV.	Above Average	2009	\$39.92	\$3.99	5.9	5.9

*For condominiums, the monthly increase is half this amount.

Thank you for your cooperation.

Sincerely,
Board of Directors, Desert Shores Community Association

PLEASE COMPLETE, DETACH AND MAIL THIS BALLOT IN THE ENCLOSED ENVELOPE BY JANUARY 31, 2008. YOU CAN ALSO DROP IT OFF AT THE OFFICE OR FAX IT TO 254-1345

I prefer the following scenario for common area improvements:

I. ____ II. ____ III. ____ IV. ____

Name _____

Property Address _____