

2023 Budget Ratification Meeting Notice Hunter's Ridge Homeowners Association

Dear Hunter's Ridge Homeowner,

Hunter's Ridge Homeowners Association (HR-HOA) is a nonprofit organization and must develop its annual budget according Washington State Law and the associations governing documents (CC&R's). Significant changes have been made to HOA Laws that impact the budget approval process and the timing of budgeting.

A 2023 Budget Ratification Meeting will be held on December 15, 2022 6:30 pm - 7:30 pm PT as a teleconference meeting via Zoom.

Join Zoom Meeting

<https://us02web.zoom.us/j/84363208814?pwd=WW5KU1BHbUFtcXZvQ21Dc1l3U3ZHZz09>

Meeting ID: 843 6320 8814

Passcode: 820179

Call in

Number: +1 253 205 0468 US

Meeting ID: 843 6320 8814

Passcode: 820179

Meeting Agenda Items:

1. Call to Order & Introductions to Board Members (Alyson Miller, President)
2. Budget Review & Question Period (David MacLeod, Treasurer)
3. Ratification of the 2023 Budget

Disclosure. The Washington Uniform Common Interest Ownership Act (WUCIOA) establishes standards for budget ratification and supersedes all HOA governing documents (CC&R's & By-Laws) and provisions in RCW 64.38 of the Washington Homeowners Association Act. Under WUCIOA (RCW 64.90.525) the board must: (1) adopt a budget, (2) within 30 days of adoption, provide copies of the budget to the owners along with a budget summary, (3) set a budget ratification meeting between 15 and 50 days after providing the budget to the members, (4) give owners an opportunity to vote on the budget at that meeting, (5) the budget is ratified unless a majority (n=54) of the total votes (n=106) in the association reject the budget (not just the votes of the members present at the meeting). Even if there is no quorum, the budget is ratified, (6) if the budget is rejected, or if notice is not provided, the prior budget is still in effect. RCW 64.90.525 also sets specific requirements for information that must be included in the budget. HR-HOA has not been compliant with RCW 64.90.525 and prior to 2023 the budget was approved without notification or ratification by homeowners. All of the above requirements will be met in the 2023 budgeting process.

Sincerely,

Board of Directors,
Hunter's Ridge Home Owners Association

**2023 Board Adopted Budget
Hunter's Ridge Homeowners Association**

Revenue		
Assessments (\$ 355 x 106 lots)	\$ 37,630	
Assessment Late Fees (\$ 25)	100	
Bank Interest	<u>10</u>	
Total Revenue		\$ 37,740

Operating Expenses

Administrative Expenses

Accounting (assessments, financial statements, SOS filing)	\$ 3,000	
Mailings (budgeting, lawn maintenance)	300	
Mail Box Rental	280	
Reserve Study	1200	
Special Events (picnic, holiday light contest, annual board meeting raffle)	1,455	
Teleconferencing (monthly board meetings)	220	
Web Services (web site, domain name, email)	<u>320</u>	
Total Administrative Expenses		\$ 6,775

Fixed Expenses

Federal Income Tax Filing	\$ 60	
Insurance	2,217	
Secretary of State Filing (SOS)	<u>20</u>	
Total Fixed Expenses		\$ 2,297

Maintenance Expenses

Lawn Maintenance Common Areas	\$ 10,742	
Bark Landscape Circles*	1,500	
Bark Playground Area*	2,700	
Sprinkler Backflow Testing	<u>140</u>	
Total Maintenance Expenses		\$ 15,082

Utility Expenses

Water Utility	<u>\$ 1,300</u>	
Total Utilities		\$ 1,300

Total Operating Expenses		\$ 25,454
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Capital Improvement Expenses

Vegetation (front entrance)*	\$ 4,000	
Irrigation System (front entrance)*	11,000	
Total Capital Improvement Expenses		\$ 15,000

Reserve Fund Contributions		\$ 16,110
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Total Operating Expenses, Capital Improvement Expenses, Reserve Fund Contributions		\$ 55,564
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* Scheduled 2023 Reserve Fund Expense

2023 Annual Budget Summary

Hunter's Ridge Homeowners Association

Dear Homeowner,

On November 27, 2022, the Board of Directors (Board) of Hunter's Ridge Homeowners Association (HR-HOA) adopted an annual budget for the fiscal year beginning January 1, 2023 and ending December 31, 2023. The board believes the budget is reasonable and meets the funding needs of HR-HOA. The Board requests that homeowners consider ratification of the enclosed proposed budget.

Budget Summary

Projected Revenues. HR-HOA revenues are derived from annual assessments on 106 lots, assessment late fees and bank interest. Assessment statements are sent to homeowners at the beginning of January with a due date of January 30. Accounts that are 30 days past due are assessed a \$ 25 late fee. Annual assessments have remained at \$ 200 per lot since 2013. Due to increases in operating expenses and Washington State Law (RCW 64.90.525) requiring annual reserve fund contributions, the board is proposing that annual assessments be increased to \$ 355 per lot, effective January 1, 2023. This will provide HR-HOA with sufficient revenues (\$ 37,740) to cover projected operating expenses and reserve fund contributions. Special assessments are not anticipated in 2023.

Projected Operating Expenses. The board is proposing a budget of \$ 25,454 for common operating expenses. Administrative expenses account for 27% of the 2023 operating budget. Accounting services are the major expense (44%) and rates will remain flat in 2023. However, in 2022 other operating expenses unexpectedly increased by \$ 3,905 or 18% of revenues (lawn maintenance-22%; picnic-58%, Secretary of State filing-100%, web services-16%, reserve study-unbudgeted). These cost increases have been factored into the 2023 budget. Since this inflationary trend will likely continue in 2023, a 10% increase has been added to minor administrative costs (i.e. mail box rental, teleconferencing, web services & picnic). Additionally, an annual reserve fund study has been added as an operational expense.

Fixed expenses are projected to be \$ 2,297 and represent a minor (9%) component of the 2023 operating budget. The greatest expense is insurance (liability, property, directors & officers liability and fidelity), and rates will not increase in 2023. However, we anticipate an increase in rates when the contract is renewed in 2024.

Maintenance accounts for 59% of the 2023 operating budget. Lawn maintenance will increase to \$10,742 in 2023, but it's important to note that rates have remained the same since 2016. To reduce expenses from lawn maintenance, bark was used as a ground cover at the front entrance rather than reseeding with grass. This measure should save HR-HOA \$ 1,200 annually and \$ 6,000 over a 5 year period. We will continue to refresh the bark in the 7 landscaping circles, around the park playground equipment and the front entrance in alternating years. Refreshing bark is a scheduled reserve fund expense in 2023 and will not be paid with assessment revenue.

Utility expenses (\$ 1,300) account for 5% of the operating budget. Replacing the irrigation system at the front entrance will result in resumption of water usage and back flow testing. The board unanimously voted to rely on existing street lights to illuminate the new entranceway sign and electrical utility expenses will be eliminated in 2023.

Projected Capital Improvement Expenses. The board proposes a capital improvement expense of \$15,000 in 2023 to complete the Phase-2 landscaping at the front entrance. This project will include planting of vegetation (\$4,000) and an irrigation system (\$11,000). In total, we project that \$ 60,800 will be spent on reconstruction of the front entrance; Phase-1 landscaping (\$26,841), neighborhood entrance sign (\$18,959) and Phase-2 landscaping (\$15,000). These expenses have been spread out over a three year period (2021-2023) and have been paid from cash reserves (\$101,600) generated from the land sale at the front entrance.

Projected Reserve Fund Contributions. The board commissioned a Level 1 full reserve study with site visit to determine if current assessments were adequate to address repair and replacement projects over the next 30 years. The study was completed on 11/18/22 for the fiscal year 2023 by a reserve study professional (Reserve Study Group, Seattle WA). The study meets the requirements of RCW 64.90.525. The board proposes to adopt the following reserve study recommendations: (1) utilize a fully funded (100%) reserve strategy with a projected starting balance of \$ 100,500. The reserve account would be funded from HR-HOA savings and would provide a current surplus in reserve funding of \$ 3 per lot. (2) regular assessments budgeted for contribution to the reserve fund account of \$ 152 per lot (\$ 16, 110 annual total).

In summary, the board proposes to (1) increase annual assessment rates to \$ 355 per lot to cover operating expenses (\$ 25,454) and annual reserve fund contributions (\$ 16,110), (2) establish a fully funded reserve account (\$ 100, 500) and (3) complete Phase-2 landscaping of the front entrance (\$ 15,000). In 2023, total expenses (\$ 55,564) will exceed total revenues (\$ 37,740) generating a net loss of \$ 17,824. This deficit will be paid from the reserve fund. We express our appreciation to our homeowners who have been diligent in paying their assessments and allowing us to maintain the neighborhood.

Sincerely,

David MacLeod,
Treasurer, Hunter's Ridge HOA