

CRHOA Annual Meeting Agenda

Wednesday January 22, 2020
Puyallup Public Library
Sign- in 6:45 p.m.
Meeting 7:00 p.m. – 9:00 pm.

Email: board@crystalridgehoa.org

Website: www.crystalridgehoa.org

1. Sign in 6:45 PM
2. Call to Order 7:00 PM
3. Introduction of Board Members, Committee Members, Vista Community Management and Homeowners
4. Homeowner Questions and Answers and Open Forum 7:10 PM
5. Open the Annual Meeting 7:40 PM
6. Proof of Notice of Meeting – Vista Community Management
7. Financial Results and Forecast
 - a. 2019 Actual Results
 - b. 2020 Budget
 - i. Operations
 - ii. Capital Expenditures
 - c. 2021 to 2049 Forecast
8. 2020 Budget Vote: Distribute Proxies & Ballots – Jenny Ross, Registrar 8:00 PM
9. Volunteer Committees 8:10 PM
 - a. CR Entrance Monument Design Committee
 - i. Announce Volunteers
 - ii. Vote to Appoint
 - b. Security Committee – Block Watch
 - i. Announce Volunteers
 - ii. Vote to Appoint
 - c. Rules & Regulations Committee
 - i. Announce Volunteers
 - ii. Vote to Appoint
 - d. Architectural Control Committee
 - i. Announce Volunteers
 - ii. Vote to Appoint

e. Nominating Committee

i. Recognize Committee Members

8:30 PM

10. Adjourn the Annual Meeting

8:30 PM

11. Open Discussion and Q&A

a. Budget

b. Reserve Report

c. Rules & Regulations

d. Nominating Committee and the 2021
Elections

e. CR Drive Monument

f. Communications

g. Play Lot

h. Voting

i. Other

8:50 PM

12. 2020 Budget and Board Election Voting Results

a. Announce results of the Board elections – Jenny Ross, Registrar

b. Announce Results of 2020 budget vote – Jenny Ross, Registrar

8:50 PM

13. New Business

9:00 PM

14. Adjourn

Crystal Ridge Homeowners' Association of Puyallup

Notice of 2020 Annual Meeting

January 7, 2020

Dear Crystal Ridge Homeowners,

Enclosed is a packet of materials for the Annual Crystal Ridge Homeowners' Association meeting, Wednesday, January 22, 7:00 PM, Puyallup Public Library, North Room.

Included in the packet is:

1. The agenda for the meeting—includes both a review of the 2020 draft budget and the 2019 Reserve Study.
2. A document outlining voting procedure
3. A ballot to vote for one available seat on the Board of Directors. For your convenience and to encourage greater participation, voting for the Board is by mail only. Please use the blue secrecy envelope to return your ballot on or before Friday, January 17, 2020. Ballots received after this date will not be counted.
4. A statement by each candidate
5. A proxy for voting to ratify the 2020 budget. Per the RCWs budget voting must be in person at the meeting or by a proxy designated by the homeowner. Completed proxies must be received on or before January 17, 2020, to be counted.
6. The 2020 draft budget
7. A Budget Report

Volunteers are the backbone of the HOA. In 2020 volunteers are needed to serve on the Monument Design Committee, the ACC, the Rules and Regulations Committee, the Welcome Committee, and the Security Committee (aka NNO). Please consider volunteering; your help is always appreciated.

We look forward to hearing from you and seeing you at the annual meeting. Seating is limited so please arrive early to sign in. Please review the materials in the enclosed packet and send any questions or suggestions to board@crystalridgehoa.org. All questions and answers will be posted to the Crystal Ridge website at www.crystalridgehoa.org.

Best regards,

Board of Directors

Crystal Ridge Homeowners' Association of Puyallup Voting Procedure

Instructions for returning the Board of Directors election ballot:

All voting for the election to the Board is by mail only. The enclosed ballot includes two candidates and a space for a write-in candidate. Also enclosed is a blue "Vista" envelope. Please return your completed ballot in this blue envelope. Voting is secret so please do not sign or include a return address on the envelope. The ballots are numbered to prevent duplication—not for tracking purposes. The Board candidate receiving the most votes of all votes cast shall be declared the winner.

Instructions for returning the budget proxy:

Per the Revised Code of Washington (RCW), all voting for the approval or rejection of the budget must be in person or by proxy. Please first consider attending the meeting in person. If you are unable to attend, please select a neighbor to vote on your behalf by proxy. You may instruct your neighbor to vote to accept or reject the budget or you may allow your neighbor to vote per his or her discretion. Please return the completed proxy to Vista Community Management, attention Jenny Ross at P.O. Box 73144, Puyallup, WA 98373, no later than Friday, January 17, 2020, 5:00 pm. Proxies received after this date will not be included in the vote. Do not place the proxy in the blue Vista ballot envelope. Mail the proxy in a separate envelope. Your proxy will be delivered to your designee when they arrive at the annual meeting. Per the RCW, unless the budget adopted by the Board is rejected by a majority of the total voting power of the association the budget adopted by the Board of Directors is ratified.

Voting Requirements:

Per the bylaws of the Crystal Ridge Homeowners' Association (a) owners of property in *The Estates* are entitled to two (2) votes and owners of property in *The Classics* are entitled to one (1) vote $[(80 \times 2) + 221 = 381 \text{ total votes}]$, and (b) property owners who owe the HOA any past due amounts (not including 2020 assessments) are not eligible to vote and did not receive a ballot or proxy. Property owners in *The Estates* received two (2) ballots and two (2) proxy statements and owners of property in *The Classics* received one (1) ballot and one (1) proxy statement.

Board Member Nomination Application

To serve on the Board, a member must:

- Be in good standing: No violations and current on all assessments and fines
- Attend all Board meetings and promptly respond to email correspondence
- Work cooperatively with the Board and the management company
- Read and be familiar with the HOA governing documents
- Serve a minimum three (3) year term
- Agree to abide by and sign the CR HOA Board Code of Conduct

If you are interested in becoming a Board Member please return this application to the Nominating Committee in care of Vista Property Management. You will be contacted by the Nominating Committee between December 20th and January 7th.

Describe your leadership experience, education, and any other background that would be valuable to the Crystal Ridge Homeowners' Association. Use additional pages if necessary.

For the past 10 years I have organized/help run a surgical team in Guatemala
BA in Education / BSN Nursing
Served in the medical field for 30 years working with families
most under heavy stress. I work well with others as well as
able to lead teams, committees and projects.

What goals/objectives do you have for the Crystal Ridge Homeowners' Association in the coming years? Describe in detail. Use additional pages if necessary.

I would like to see better communication between the
Board members and Community. Transparency!!

I would like my name added to the ballot to be a Board Member.

Name Jane P. Lecher Email [REDACTED]

Address [REDACTED]

Phone [REDACTED] Date 12.11.19

Signature Jane P. Lecher

Board Member Nomination Application



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- Read and be familiar with the HOA governing documents
- Serve a minimum three (3) year term
- Agree to abide by and sign the CR HOA Board Code of Conduct

If you are interested in becoming a Board Member please return this application to the Nominating Committee in care of Vista Property Management. You will be contacted by the Nominating Committee between December 20th and January 7th.

Describe your leadership experience, education, and any other background that would be valuable to the Crystal Ridge Homeowners' Association. Use additional pages if necessary. With my years of experience in business, leadership, and community service I bring to the Crystal Ridge Homeowners' Association a versed person who looks out for the betterment of the community. With years of running businesses I bring the knowledge of finances, dealing with vendors, and holding those who you hire accountable. Through my years of leadership, I have learned how to listen; how to take in ideas, criticisms, critiques and make something productive and useful out of them. In serving my community I have found how important an open line of communication is. Many issues can stem from a lack of sharing knowledge or a breakdown in the lines of communication.

What goals/objectives do you have for the Crystal Ridge Homeowners' Association in the coming years? Describe in detail. Use additional pages if necessary.

With the skills I bring to the Crystal Ridge Homeowners' Association I intend to continue our flourishing trend. We have seen strong positive property value growth along with the constant improvement of the community we live in. I look forward to ensuring that as a community we are properly funded all the while continuing to improve the look, function, and safety of our community. I look to find ways to further open communication between the board and the residents of Crystal Ridge.

I would like my name added to the ballot to be a Board Member.

Name EMORY GEARHART Email _____

Address _____

Phone _____ Date 12/18/19

Signature [Signature]

Crystal Ridge Homeowners' Association
Annual Meeting
Budget Ratification Proxy

You are invited to vote to ratify or reject the 2020 budget as adopted by the Board of Directors of the Crystal Ridge Homeowners' Association of Puyallup, at the Annual Meeting, Wednesday, January 22, 2020, 7:00 PM, Puyallup Public Library.

Please review the enclosed budget report and email any questions to the Board at board@crystalridgehoa.org. Questions and responses will be posted to the CRHOA website at [www. http://crystalridgehoa.org/](http://crystalridgehoa.org/)

You may attend the annual meeting and vote in person or you may complete the proxy statement below and designate another homeowner to vote as you direct or on your behalf at the annual meeting. Budget ratification voting via the mail is not permitted under Washington State law.

Please return the completed proxy to Vista Community Management, attention Jenny Ross at P.O. Box 73144, Puyallup, WA 98373, no later than Friday, January 17, 2020, 5:00 pm. Proxies received after this date will not be included in the vote. Your proxy will be delivered to your designee when they arrive at the annual meeting.

Proxies will NOT be accepted at the Annual Meeting on January 22, 2020.

Per the Revised Code of Washington ("RCW") unless the budget adopted by the Board of Directors is rejected by a majority of the total voting power of the association the budget adopted by the Board of Directors is ratified.

PROXY

I / We _____ am / are the owner(s) of the property located at _____
in the Crystal Ridge Homeowners' Association of Puyallup and hereby authorize and appoint _____
_____ to be my / our
proxy and represent my / our vote on the 2020 budget at the annual meeting to be held at 7:00 p.m. on
January 22, 2020.

Email Address: _____

Signature of Homeowner

Date: _____ Signature: _____

Date: _____ Signature: _____

This proxy shall expire 11 months from the date above.



PO Box 73144 Puyallup, WA. 98373

253-881-3034

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

The 2020 budget was unanimously adopted by the Board during the November 4, 2019 Board meeting. The budget and reserve report were discussed during the meeting. The meeting was open to all homeowners.

The budget was subsequently revised to increase the amount allocated to tree removal and replacement. Voting to adopt the revised budget was held via email on January 5, 2020. The vote was 5 FOR, 0 AGAINST and 0 ABSTAINING. (One Board member did not vote and another was ineligible to vote.)

The primary purpose of adopting the next year's budget in the current year is to set assessments and commit to capital spending projects for the upcoming year.

The Revised Code of Washington ("RCW") and our governing documents require that homeowners approve or reject the budget. The budget is ratified by the homeowners unless a majority of homeowners (191 votes of 381 votes) reject the proposed budget. Homeowners are voting on the 2020 Budget not the forecast. The 2020 budget is presented in the gray shaded areas of the charts included below.

All homeowners eligible to vote were sent a budget proxy. Eligible homeowners may vote in person at the annual meeting or by proxy to ratify or reject the 2020 budget. Please see the By-Laws Article VII(b) for information regarding ineligible homeowners.

A discussion of the revised 2020 budget adopted by the Board and thirty-year forecast are presented below.

Assessments:

The initial assessments in 1993 were \$360 for The Estates and \$240 for The Classics. Assessments have been increased from time to time over the years and the proposed budget increases the 2020 assessment by 5% year-over-year to \$782 for The Estates and \$521 for The Classics. This represents a \$16 average annual increase for The Estates and \$10 for The Classics since 1993.

The Association By-Laws allow the Board to increase annual assessments by up to 10% per year without a vote of the homeowners. An increase of more than 10% per year requires approval of two-thirds (254 votes) of the homeowners.^{1 2} The increase in assessments is driven primarily by construction inflation assumptions in the Reserve Report and RCW requirements to adequately fund the Reserve Fund in an amount sufficient to maintain and replace the assets of the Association over the life of the assets. The RCW requires a thirty-year forecast.

¹ Bylaws Article XI Section 3(d) the maximum annual assessment may not be increased each year more than ten percent (10) above the maximum assessment for the previous year without a vote of the membership.

² CC&Rs Article X Section 3: Homeowners in The Estates (80 homes) are entitled to two votes and homeowners in The Classics (221 homes) are entitled to one vote.

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

Expenses:

Expenses of the Association are included in the budget and generally fall into two categories. Expense such as insurance, accounting, reserve report, property tax, landscaping, collection (legal) and utilities are mandatory. Other expenses are subject to the discretion of the Board. These include management fees, social activities, office supplies, web hosting. The Board believes that communications via the mail and website are important to provide information to homeowners and social activities are important to develop a strong community. In addition, few, if any, properties of our size are self-managed.

Collections:

It is expected that all homeowners pay assessments on time, however, there are typically a few homeowners that do not pay their assessments or are only motivated to make payments under threat of legal action. This can include liens, fees and even foreclosure. The Association is represented by legal counsel to process such collection activity. Thus, the Board has allocated expense items that include legal collection fees and an Allowance for Bad Debt.

The By-Laws provide that any amount more than 30 days past due is subject to 12% interest. In addition, the Association may bring legal action against the homeowner or foreclose on a lien against the property including interest, fees and attorney fees.

As a result of past collection activity, the Association has paid significant legal expenses over the years. These expenses are charged to the specific homeowner in addition to late fees and interest. As of December 31, 2019, the Association is owed \$16,980. Of this amount one homeowner represents \$13,311.

2013-2018 Past Due Assessment	\$	3,833.91
2019 Assessments		1,762.28
Late Fees		1,875.00
Interest Due		158.69
Violation Fines		1,450.00
Legal Fees		7,900.12
Total	\$	16,980.00

Capital Expenses:

The physical assets and remaining useful life ("RUL") expected life of Association assets are:

Monuments:

- 1) CR @ Shaw Entrance Monument- To be replaced in 2020
RUL is expected to be 25 + years
- 2) Janell Estates Entrance Monument – Two at Shaw Rd and 15th Ave SE
RUL 25 years
- 3) The Estates Entrance Monuments – Two at CRD SE and CLL SE
RUL 25 years
- 4) The Estates Entrance Monuments – Two at CLL SE and 15th Ave SE
RUL 25 years

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

Trees: RUL of new trees is 20 to 25 years (about 400 trees have been replaced over the past 9 years) - Annual

- 1) Approximately 900 total street trees –

Irrigation: Requires annual repair and replacement (original system was installed in the early 1990s) – Annual repair

- 1) 8 Water meters
- 2) 8 Control Stations
- 3) Approximately 700 Heads/Risers

Landscaping: Requires annual repair, replacement and maintenance – Weekly Maintenance

- 1) Approximately 2.5 miles of grass mow strip (mowers cover approx. 7 miles)
- 2) All Shrubs and landscape at the Monuments

Play Lot:

- 1) Bench – RUL 30 years
- 2) Bench/Table – RUL 30 years
- 3) Play Structure – RUL 30 years
- 4) Landscape and irrigation system – Weekly and Annual

The Estates Fence:

- 1) Approximately 1,000 lineal feet of fence along the rear property line of 20 lots. The fence represents the division of The Estates from The Classics.
RUL 19 years

Mailbox Structures:

- 1) 32 structures. All structures are aged beyond their useful life and will be removed and not replaced
RUL 0 years
- 2) Some structures have owner installed secured locking boxes, mail drop and package lockers (with and without pedestals)

Reserve Report:

The most recent Reserve Report was completed in October 2019. The timing of the report was coordinated with the completion of the play lot and The Estates fence. These two projects represented both a significant expense and replacement of the most decayed and unsafe assets owned by the Association.

The purpose of the Reserve Report is to compare the current Capital Reserve Balance and projected balance to the reserve fund required to maintain and replace the assets of the Association in the future (forecast period is 30 years). Based on the current useful life of the

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

aggregate of the Association's assets the reserve fund balance is projected to be only 39% of the Required Fully Funded Balance at the end of 2020.

The Estates fence and play lot are new and represented an expense of about \$115,000. These two capital expenses significantly depleted the Reserve Fund balance.

The Board has historically funded Capital Expenses on a "funds available basis". This has had the effect of deferring needed capital expenses until funds were available with the benefit of keeping annual assessment increases to a minimum. Based on the recent Reserve Report, the Board set a goal of minimum 100% funding for the Capital Reserve Fund. The Board understands that not only is this a conservative position but also one that minimizes the need for significant annual assessment increases or potential special assessments.

In addition, based on internet research it is recommended that HOAs maintain a minimum of three months Operating Expense Reserve. The Board has maintained a \$10,000 Operating Reserve balance in the past but has increased it to \$15,607 as of January 1, 2020. Maintaining three months reserve in 2021 and beyond will effectively triple the Operating Reserve to approximately \$32,000 to \$36,000.

These funding strategies are expected to result in the Board's ability to improve and maintain the Association's assets on a timelier basis with the adverse effect of more regular, although minimal, annual assessment increases.

Operating Budget 5 Year Forecast

Operating Budget assumes:

- 1) 5% increase in assessments in 2020 and 3% thereafter
- 2) 3% annual construction cost inflation
- 3) Audit fees for 2018 & 2019 paid in 2020 and annual audits thereafter
- 4) Continued management company fees: No increase in fees and no change in management company in 2020
- 5) Continued Liability and D&O insurance
- 6) Continued Social Activities
- 7) Legal Fees for collections and other corporate purposes
- 8) 2.5% allowance for uncollected assessments
- 9) Reserve Report every three years
- 10) Office supplies/postage for annual meeting notices, assessment invoicing, and other
- 11) Web hosting service
- 12) Landscaping: No increase in fees and no change in landscape company in 2020. Due to service issues in 2019 the landscape company agreed to 1) replace the Janell Estates monument at no charge (estimate was \$2,850, and 2) waive the \$3,750 holdback for tree replacement in The Estates. The Board held back a portion of an irrigation repair invoice due to irrigation issues in 2018 in the event trees died as a result of lack of water. No trees required replacement and the landscape company agreed to waive payment. The total settlement to compensate the HOA for service shortfalls in 2019 was \$6,600. This represents about 1 month of service and a saving to the HOA.

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

- 13) Total projected 2020 income exceeds total expense by \$48,351. These funds will be applied to 2020 capital expenses, additions to the reserve and operating reserve funds.

2020 Operating Budget and 2021 to 2024 Forecast

CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION OPERATING & CAPITAL BUDGET & RESERVE FUND					A	B	C	D	E
					BUDGET 2020	2021	2022	Forecast 2023	2024
				# of Lots					
3	INCOME	"The Estates" (2020 \$782)		80	\$62,537	\$ 64,413	\$ 66,346	\$ 68,336	\$ 70,386
4		"Classics" and "Janell Estates" (2020 \$521)		221	\$115,054	\$ 118,506	\$ 122,061	\$ 125,723	\$ 129,494
5	TOTAL ASSESSMENT INCOME				\$177,591	\$ 182,919	\$ 188,406	\$ 194,058	\$ 199,880
6									
7	EXPENSES								
8	Accounting/Tax Fees (Audit for 2018 & 2019)				\$4,400	\$ 2,100	\$ 2,150	\$ 2,200	\$ 2,250
9	Management Company Fee				\$24,000	\$ 24,720	\$ 24,720	\$ 24,720	\$ 24,720
10	Director & Officer Insurance				\$1,900	\$ 2,000	\$ 2,100	\$ 2,200	\$ 2,300
11	Property Liability Insurance				\$4,800	\$ 4,900	\$ 5,000	\$ 5,100	\$ 5,200
12	Yard Sale, Welcome Cmte & Block Watch Activities				\$700	\$ 725	\$ 750	\$ 775	\$ 800
13	Legal Fees - Collections				\$3,000	\$ 3,250	\$ 3,500	\$ 3,750	\$ 4,000
14	Legal Fees - Association				\$2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
15	Allowance for Bad Debt (2.5% of Assessments)				\$3,400	\$ 4,573	\$ 4,710	\$ 4,851	\$ 4,997
16	Reserve Report				\$0	\$ -	\$ -	\$ 1,700	\$ -
17	Printing, Postage & Office Supplies				\$2,500	\$ 2,600	\$ 2,700	\$ 2,800	\$ 2,900
18	Web Hosting				\$200	\$ 210	\$ 220	\$ 230	\$ 240
19	Property Tax				\$700	\$ 720	\$ 740	\$ 760	\$ 780
20	Landscaping				\$70,000	\$ 72,100	\$ 74,263	\$ 76,491	\$ 78,786
21	Utilities (Water & Power)				\$11,250	\$ 11,500	\$ 11,750	\$ 12,000	\$ 12,250
22	TOTAL EXPENSES				\$129,350	\$ 131,898	\$ 135,103	\$ 140,077	\$ 141,723
23	INCOME AVAILABLE FOR CAPITAL EXP. AND RES. FUND				\$48,241	\$ 51,021	\$ 53,303	\$ 53,981	\$ 58,158

2020 Capital Budget & Operating and Reserve Fund 2010 to 2024 Forecast

- 1) Reserve Fund: The Reserve fund beginning balance includes accumulated funds plus \$117,200 received from the City of Puyallup as compensation for the pending demolition, easement deed and future replacement of the entrance monument at CRD and Shaw Road. The City opened negotiations for this project 3 years ago at \$60,000. The Board and the City did not agree on the value and the City proceeded with the Shaw Rd improvements. Upon completion of the project the City concluded that the existing monument created a potential vehicle and pedestrian safety hazard and elected to block the northbound right turn lane on Shaw Road. Negotiations were reopened in late 2018 and concluded in September 2019. (See the September 4, 2019 Board meeting minutes.)

- 2) Tree Replacement: The Board has historically authorized the replacement of twenty-five street trees annually. However, replacement was suspended in 2019 due to other pending capital expenses including irrigation repair and play lot completion.

The Board previously prioritized tree removal and replacement as follows: 1) trees with roots interfering with infrastructure (street lights, fire hydrants and water service), 2) trees interfering with intersection line of sight (traffic safety), 3) tree roots uplifting sidewalks (City will not repair sidewalks unless existing tree roots removed), and 4) diseased trees.

Trees that are removed from areas 1 – 3 will not be replaced. Trees may not be planted within 10 feet of a driveway apron approach and all replacement tree species are per City of Puyallup requirements.

The Board has budgeted for the removal of 71 trees and replacement of fifty-five trees in 2020 including five trees that died but are under warranty from the landscape company. Please note if a tree is removed and replanted in the mow strip in front of or adjacent to your home, you will receive a Gator Bag (irrigation bag reservoir). The homeowner is responsible for regularly filling the bag with water to maintain the tree. The tree warranty offered by the landscape company excludes homeowner negligence and tree death resulting from a lack of water. The homeowner is also financially responsible for replacing the tree if it is determined that the tree died from lack of water.

- 3) Irrigation Repair and Maintenance: The existing irrigation system was installed in the early 1990s. The system is in constant need of repair and replacement. Heads and risers, backflow devices, controllers, wiring, valves and other portions of the system are in constant need of repair and replacement. The landscape company also provides irrigation services to the Association. The landscape company energizes and tests the system in the Spring and shuts it down in the Fall. The system experiences operational issues every year.
- 4) The Estates Fence: The Estates fence maintenance is the responsibility of the Association. Maintenance of the fence became the responsibility of the Association in a July 1993 amendment to the CC&Rs. The fence is located on the westerly boundary between The Estates and The Classics. This section of fence measures approximately 1,000 lineal feet and was replaced in its entirety in 2019. The fence requires staining every five years to maintain its approximate twenty-year useful life. The 2020 budget includes an amount of \$5,500 for staining labor and materials.
- 5) Monument Lighting: The existing lighting at the Estates entrance monuments requires replacement. The 2020 budget for replacement with LED lighting is \$5,000.
- 6) Monument Maintenance: The Estates entrance monuments require cleaning. The 2020 budget includes \$4,000 for this purpose.
- 7) Mailbox structures: All thirty-two mailbox structures are at the end of their useful life and will be demolish over the next five years. They will not be replaced. In their place it is expected that homeowners will join the neighbors and install metal cluster locking mailboxes. Many homeowners have already installed secure locking mailboxes and have done so at their expense. The structures covering these existing metal locking mailboxes will be removed however the existing metal locking mailboxes will remain in place. The cost of new metal locking mailboxes that will replace all non-locking boxes will be at the homeowner's expense. The City and the Post Office both require new subdivisions to install such boxes. The Board of Directors decided for the general safety

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

and security of the homeowners of Crystal Ridge that locking mailboxes are in the best interest of all homeowners in Crystal Ridge.

- 8) Play Lot: The play lot was completely remodeled and replaced in 2019. Subsequent to completion many homeowners have requested additional equipment suitable for three to five-year old children. The 2020 budget includes \$4,000 for equipment and installation. There remains a \$1,000 amount from the 2019 budget to complete the landscaping along the east and south fences.
- 9) CRD Entrance Monument: The monument at Crystal Ridge Drive at Shaw Road will be demolished by the City in 2020. The Association received \$117,200 in compensation from the City of Puyallup for replacement of the monument and a deed for a portion of the monument easement. The Board has budgeted \$55,000 in 2020 to design and construct a replacement monument.

Operating Reserve:

The Board has established an Operating Reserve in an amount approximately equal to three months of annual expenses. This is an increase from \$10,000 compared to prior years. Research of best practices and experience led to the decision to increase the reserve. Increasing the reserve will allow the Board to schedule projects (tree replacement, irrigation repair, etc) late in the prior year and contractually commit to projects at the beginning of the year rather than wait for collection of annual assessments.

Capital Expense Reserve Fund:

The balance in capital Reserve Fund at the beginning of 2020 is \$168,000 and includes prior year's funding plus the amount described in note 9 above. The recently completed Reserve Study resulted in the five-year forecasted Reserve Fund requirements depicted in the chart below. (See the complete 2019 Reserve Study posted to the CR HOA website at <http://crystalridgehoa.org/Board/CRHOA%20Reserve%20Study%20-%202020%20II%20v6.pdf>.)

The Board has established a policy of maintaining a minimum of 100% Projected Reserve Fund to Required Fully Funded Reserve Fund per the Reserve Report. The chart below indicates excess reserves of \$10,00 to \$18,000 per year. This represents a reasonable contingency amount within the Reserve Fund.

The chart below represents the five-year forecast of expected capital Reserve Fund spending and Operating and Reserve Fund Balances. These amounts could change and should be recast in conjunction with the next reserve report.

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

2020 Capital Budget and Capital & Reserve Fund Forecast:

	A	B	C	D	E
	BUDGET	Forecast			
	2020	2021	2022	2023	2024
CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION					
CAPITAL BUDGET & RESERVE FUND					
CAPITAL BUDGET & RESERVE FUND					
RESERVE FUND BEGINNING BALANCE	\$168,000	\$56,010	\$68,800	\$80,986	\$91,654
OPERATING FUND BEGINNING BALANCE	\$15,607	\$32,338	\$32,974	\$33,776	\$35,019
TOTAL BEGINNING OPERATING AND RESERVE FUNDS	\$183,607	\$88,348	\$101,774	\$114,762	\$126,673
PLUS					
FUNDS FROM OPERATIONS	\$48,241	\$51,021	\$53,303	\$53,981	\$58,158
TOTAL FUNDS AVAILABLE FOR RESERVE EXPENSES	\$231,848	\$139,369	\$155,077	\$168,744	\$184,831
LESS					
RESERVE EXPENSES					
Tree Replacement	\$60,000	\$25,750	\$26,523	\$27,318	\$28,138
Irrigation Repair/Maintenance	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
"Estates" Fence Repair, Staining & Concrete Sealer	\$5,500	\$-	\$-	\$-	\$-
Repair/Replace Monument Lighting	\$5,000	\$-	\$-	\$-	\$-
Repair/Clean 7 Monuments	\$4,000	\$-	\$-	\$-	\$-
Remove Mailbox Structures (32 structures)	\$0	\$1,545	\$3,183	\$3,825	\$4,502
Play Lot Equipment (Child Ages 3 to 5)	\$4,000	\$-	\$-	\$-	\$-
CRD Entrance Monument Replacement	\$55,000	\$-	\$-	\$-	\$-
Total Reserve Spending	\$143,500	\$37,595	\$40,315	\$42,070	\$43,895
NET RESERVE FUNDS	\$24,500	\$18,415	\$28,485	\$38,916	\$47,759
PLUS: ADDITIONS TO RESERVE FUND	\$31,510	\$50,385	\$52,501	\$52,738	\$57,746
RESERVE FUND YEAR END BALANCE	\$56,010	\$68,800	\$80,986	\$91,654	\$105,505
PER LOT ADDITIONS TO RESERVE FUND	\$105	\$167	\$174	\$175	\$192
FULLY FUNDED RESERVE FUND BALANCE PER RESERVE REPORT	\$142,231	\$58,896	\$68,822	\$77,797	\$86,592
RESERVE FUND BALANCE OVER/(SHORT)	(\$86,221)	\$9,904	\$12,164	\$13,857	\$18,913
FULLY FUNDED RESERVE PERCENTAGE (1)	39%	117%	118%	118%	122%
NET CASH AT YEAR END					
TOTAL BEGINNING OPERATING AND RESERVE FUNDS	\$183,607	\$88,348	\$101,774	\$114,762	\$126,673
PLUS: FUNDS FROM OPERATIONS	\$48,241	\$51,021	\$53,303	\$53,981	\$58,158
LESS: RESERVE SPENDING	\$143,500	\$37,595	\$40,315	\$42,070	\$43,895
CASH AT YEAR END	\$88,348	\$101,774	\$114,762	\$126,673	\$140,936
CASH ALLOCATED TO RESERVE FUNDS	\$56,010	\$68,800	\$80,986	\$91,654	\$105,505
CASH ALLOCATED TO OPERATING FUNDS	\$32,338	\$32,974	\$33,776	\$35,019	\$35,431

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

2025 to 2030 Capital Budget & Reserve Fund Forecast

CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION		A	B	C	D	E	F
		Annual Forecast					
		2025	2026	2027	2028	2029	2030
65	3.0% Construction Cost Inflation Rate						
66	Beginning Reserve Fund Balance	\$ 105,505	\$ 112,685	\$ 94,102	\$ 100,057	\$ 111,720	\$ 123,053
67	Less: Tree Replacement (2)	\$ 28,982	\$ 29,851	\$ 30,747	\$ 31,669	\$ 32,619	\$ 33,598
68	Irrigation Repair/Maintenance (2)	\$ 11,593	\$ 11,941	\$ 12,299	\$ 12,668	\$ 13,048	\$ 13,439
69	"Estates" Fence Repair, Staining & Play Lot Concrete Sealer	\$ 6,376	\$ -	\$ -	\$ -	\$ -	\$ 7,392
70	Remove Mailbox Structures (32 structures)	\$ 4,823	\$ -	\$ -	\$ -	\$ -	\$ -
71	The Estates Property Line (1,000 lf) Fence Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
72	The Estates Monument Fence Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
73	Entry Monument Repair (CR Drive @ Shaw Rd)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
74	Janel Estates Entrance Monument Fence Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
75	Repair/Replace Monument Lighting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
76	Repair/Clean 7 Monuments	\$ -	\$ 4,776	\$ -	\$ -	\$ -	\$ -
77	Replace Play Lot Chain Link Fence	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,258
78	Replace Play Lot Cedar Fence Link Fence	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
79	Replace Play Lot Bark	\$ -	\$ 5,015	\$ -	\$ -	\$ -	\$ -
80	Replace Play Lot Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
81	Replace Play Lot Bench (2040) and Table (2050)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
82	Total Projected Reserve Fund Expenses (3)	\$ 51,774	\$ 51,583	\$ 43,046	\$ 44,337	\$ 45,667	\$ 56,687
83	Reserve Expense Per Reserve Report (3)	\$ 51,588	\$ 46,807	\$ 43,046	\$ 44,337	\$ 45,667	\$ 56,687
84	Ending Reserve Fund Balance	\$ 53,731	\$ 61,102	\$ 51,057	\$ 55,720	\$ 66,053	\$ 66,366
85	Plus: Reserve Fund Contributions	\$ 58,954	\$ 33,000	\$ 49,000	\$ 56,000	\$ 57,000	\$ 69,000
86	Average 5 Year Reserve Fund Contributions						
87	Ending Reserve Fund Balance	\$ 112,685	\$ 94,102	\$ 100,057	\$ 111,720	\$ 123,053	\$ 135,366
88	Required Fully Funded Reserve Fund Balance Per Reserve Report	\$ 94,492	\$ 93,800	\$ 99,568	\$ 110,883	\$ 122,787	\$ 135,306
89	Fully Funded Reserve Fund Percentage	119%	100%	100%	101%	100%	100%
90	Notes: (1) Recommend a) minimum 100% Reserve Funding, and b) positive annual net reserve fund contributions						
91	(2) Expenses >1% of annual expensed are treated as Reserve Expenses.						
92	(3) Differences between Projected & Reserve Report Expense for the years 2031 to 2049 are due to expense timing and differences in calculation methodology.						
93							
94							
95							

2035 to 2049 Capital Budget and Reserve Fund Forecast: The following chart represents the balance of the forecast period per the 2019 Reserve Report. When comparing this chart with those contained in the 2019 Reserve Report you will note some differences in the amounts. This is due to differences in assumed annual assessment increases, inflation calculation methodology and timing of expenses. These differences are not material given the extended time period forecast and the expected three-year refresh cycle of the Reserve Report.

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

	5 yr. Increment Forecast			
	G 2035	H 2040	I 2045	J 2049
CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION				
3.0% Construction Cost Inflation Rate				
Beginning Reserve Fund Balance	\$ 135,366	\$ 181,853	\$ 119,538	\$ 184,768
Less: Tree Replacement (2)	\$ 183,029	\$ 212,181	\$ 245,976	\$ 226,848
Irrigation Repair/Maintenance (2)	\$ 73,498	\$ 85,205	\$ 98,776	\$ 90,173
"Estates" Fence Repair, Staining & Play Lot Concrete Sealer	\$ 10,082	\$ 11,688	\$ 13,549	\$ 15,250
Remove Mailbox Structures (32 structures)	\$ -	\$ -	\$ -	\$ -
The Estates Property Line (1,000 lf) Fence Replacement	\$ -	\$ 52,605	\$ -	\$ -
The Estates Monument Fence Replacement	\$ 6,504	\$ -	\$ -	\$ -
Entry Monument Repair (CR Drive @ Shaw Rd)	\$ -	\$ -	\$ 2,094	\$ -
Janelle Estates Entrance Monument Fence Replacement	\$ -	\$ 2,535	\$ -	\$ -
Repair/Replace Monument Lighting	\$ -	\$ -	\$ -	\$ -
Repair/Clean 7 Monuments	\$ 6,232	\$ 7,224	\$ 8,375	\$ 9,709
Replace Play Lot Chain Link Fence	\$ -	\$ -	\$ -	\$ -
Replace Play Lot Cedar Fence Link Fence	\$ -	\$ 3,682	\$ -	\$ -
Replace Play Lot Bark	\$ 6,168	\$ 7,586	\$ -	\$ 9,329
Replace Play Lot Equipment	\$ -	\$ 76,609	\$ -	\$ -
Replace Play Lot Bench (2040) and Table (2050)	\$ -	\$ -	\$ -	\$ 2,348
Total Projected Reserve Fund Expenses (3)	\$ 285,513	\$ 459,315	\$ 368,770	\$ 353,657
Reserve Expense Per Reserve Report (3)	\$ 336,669	\$ 452,933	\$ 367,665	\$ 333,125
Ending Reserve Fund Balance	\$ (150,147)	\$ (277,462)	\$ (249,232)	\$ (168,888)
Plus: Reserve Fund Contributions	\$ 332,000	\$ 397,000	\$ 434,000	\$ 404,000
Average 5 Year Reserve Fund Contributions	\$ 36,371	\$ 23,908	\$ 36,954	\$ 47,022
Ending Reserve Fund Balance	\$ 181,853	\$ 119,538	\$ 184,768	\$ 235,112
Required Fully Funded Reserve Fund Balance Per Reserve Report	\$ 182,081	\$ 118,663	\$ 183,983	\$ 234,402
Fully Funded Reserve Fund Percentage	100%	101%	100%	100%
Notes: (1) Recommend a) minimum 100% Reserve Funding, and b) positive annual net reserve fund contributions				
(2) Expenses >1% of annual expensed are treated as Reserve Expenses.				
(3) Differences between Projected & Reserve Report Expense for the years 2031 to 2049 are due to expense timing and differences in calculation methodology.				

Summary:

The Board's primary goals in 2020 are;

- 1) Establish a monument design committee to design a new entrance monument at CR Drive and Shaw Road.
- 2) Contract for and construct a new entrance monument at CR Drive and Shaw Road.
- 3) Seek candidates to stand for election in January 2021 to replace four Board members whose terms end in January 2021.
- 4) Continue to work with Vista Community Management and Olympic Landscape to improve the look of Crystal Ridge and the satisfaction of the homeowners.
- 5) Purchase and install additional play equipment in the play lot and complete the landscaping.
- 6) Remove and replace 55 new trees and remove 71 trees.
- 7) Maintain a conservative financial profile consistent with a fully funded Reserve and Operating Fund.

Budget Summary Requirements per Revised Code of Washington ("RCW") 64.38.025:

- a) The current amount of regular assessments budgeted for contribution to the reserve account, the recommended contribution rate from the reserve study, and the funding plan upon which the recommended contribution rate is based;
 - i. The current regular assessments budgeted for contribution to the reserve account for 2020 is \$30,000 per year or \$99 per lot.

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

- ii. The Reserve Report recommends a contribution amount of \$30,000 per year or \$99 per lot in 2020.
 - iii. Per the reserve report the Association will need to increase contributions by 6.32% annually starting in 2022 to keep up with inflation and stay on a fully funded track.
 - iv. The funding plan to increase reserve contributions is a 5% assessment increase in 2020 and 3% increases in each year from 2021 to 2025. This will result in a \$105/lot contribution in 2020 and a funded reserve account by the end of 2021.
- b) If additional regular or special assessments are scheduled to be imposed, the date the assessments are due, the amount of the assessments per each owner per month or year, and the purpose of the assessments;
- i. Assessments are due January 31 of each year. The assessment increase per home over a five-year period will average approximately \$25/per year for The Estates and \$16/year for The Classics
 - ii. The purpose of the assessments is to meet operational expenses, increase the balance in the reserve account and fund capital expenses as prioritized by the Board of Directors with input from homeowners.
- c) Based upon the most recent reserve study and other information, whether currently projected reserve account balances will be sufficient at the end of each year to meet the association's obligation for major maintenance, repair, or replacement of reserve components during the next thirty years;
- i. Based on the assumptions set forth in this report the projected reserve balance is sufficient to meet the Association's obligations for maintenance, repair and replacement of Association assets during the next 30 years.
 - ii. Note that the Play Lot, Estates Fence were newly constructed in 2019. These two assets represent the largest periodic expenses of the Association. These projects significantly depleted the reserve account. Tree replacement is now the largest annual expense of the Association.
- d) If reserve account balances are not projected to be sufficient, what additional assessments may be necessary to ensure that sufficient reserve account funds will be available each year during the next thirty years, the approximate dates assessments may be due, and the amount of the assessments per owner per month or year;
- i. The thirty-year projection assumes 3% annual assessments increases will be sufficient to contribute a range of annual reserve contributions between \$35,000 to \$69,000. The Association's reserve contribution results from annual revenues in excess of operating expenses ranging from \$48,000 to \$69,000 per year for the five-year forecast 2020 to 2024. These funds will be applied to the operating reserve account and the capital reserve account.
- e) The estimated amount recommended in the reserve account at the end of the current fiscal year based on the most recent reserve study, the projected reserve account cash balance at the end of the current fiscal year, and the percent funded at the date of the latest reserve study;

Crystal Ridge Homeowners' Association of Puyallup (the "Association")

2020 Budget, Reserve Report and Forecast Report to Homeowners

- i. The Reserve Report recommends an end of 2020 reserve account balance of \$142,000. The projected reserve account balance is \$56,010 or 39% funded.
 - ii. The projected reserve account balance at the end of 2021 is \$68,800 or 117% funded based on a \$50,385 contribution to the reserve account.
 - iii. The Board set a goal of a minimum of 100% reserve account funding at the end of each year.
- f) The estimated amount recommended in the reserve account based upon the most recent reserve study at the end of each of the next five budget years, the projected reserve account cash balance in each of those years, and the projected percent funded for each of those years; and
- i. Reserve Report recommends a fully funded reserve balance for the five-year period 2020 to 2024 is \$142,231, \$58,896, \$68,8223, \$77,797 and \$86,592.
 - ii. Assuming no increase in assessments, the projected reserve amount balance for the five-year period 2020 to 2024 would be \$56,101, \$67,163, \$73,464, 75,158 and \$76,673.
 - iii. Assuming no increase in assessments, the projected reserve percentage funded for the five-year period 2020 to 2024 is 39%, 114%, 107%, 97%, and 89% and will continue to decline.
- g) If the funding place approved by the Association is implemented, the projected reserve account cash balance in each of the next five budget years and the percent funded for each of those years.
- i. Assuming a 5% assessment increase in 2020 and 3% in 2021, 2022, 2023 and 2024 the reserve account balance for the five-year period 2020 to 2024 is \$56,010, \$68,800, \$80,986, \$91,654, and \$105,505
 - ii. Assuming a 5% assessment increase in 2020 and 3% for 2021, 2022, 2023, and 2024 the projected reserve percentage funded for the five-year period 2020 to 2024 is 39%, 117%, 118%, 118%, and 122% and declining thereafter.

Conclusion:

The Crystal Ridge Homeowners' Association exhibits adequate liquidity and funding resources per the recommended assessment increases to meet the needs of the Association and the responsibilities of the Board of Directors as described in the 2019 Reserve Report, Bylaws, Declaration of Covenants, Conditions and Restrictions of the Association and Revised Code of Washington ("RCW.").

The Board recommends homeowners vote affirmatively to ratify the 2020 budget.

Sincerely,

Board of Directors
Crystal Ridge Homeowners' Association of Puyallup
January 2020

24		A
25	CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION	BUDGET
26	CAPITAL BUDGET & RESERVE FUND	2020
27		
28		
29	<u>CAPITAL BUDGET & RESERVE FUND</u>	
30	RESERVE FUND BEGINNING BALANCE	\$168,090
31	OPERATING FUND BEGINNING BALANCE	\$10,000
32	TOTAL BEGINNING OPERATING AND RESERVE FUNDS	\$178,090
33	PLUS	
34	FUNDS FROM OPERATIONS	\$48,241
35	TOTAL FUNDS AVAILABLE FOR RESERVE EXPENSES	\$226,331
36	LESS	
37	RESERVE EXPENSES	
38	Tree Replacement	\$60,000
39	Irrigation Repair/Maintenance	\$10,000
40	"Estates" Fence Repair, Staining & Concrete Sealer	\$5,500
41	Repair/Replace Monument Lighting	\$5,000
42	Repair/Clean 7 Monuments	\$4,000
43	Remove Mailbox Structures (32 structures)	\$0
44	Play Lot Equipment (Child Ages 3 to 5)	\$4,000
45	CRD Entrance Monument Replacement	\$55,000
46	Total Reserve Spending	\$143,500
47	NET RESERVE FUNDS	\$24,590
48	PLUS: ADDITIONS TO RESERVE FUND	\$25,904
49	RESERVE FUND YEAR END BALANCE	\$50,494
50	PER LOT ADDITIONS TO RESERVE FUND	\$86
51	FULLY FUNDED RESERVE FUND BALANCE PER RESERVE REPORT	\$142,231
52	RESERVE FUND BALANCE OVER/(SHORT)	(\$91,738)
53	FULLY FUNDED RESERVE PERCENTAGE (1)	36%
54		
55	<u>NET CASH AT YEAR END</u>	
57	TOTAL BEGINNING OPERATING AND RESERVE FUNDS	\$178,090
58	PLUS: FUNDS FROM OPERATIONS	\$48,241
59	LESS: RESERVE SPENDING	\$143,500
60	CASH AT YEAR END	\$82,831
62	CASH ALLOCATED TO RESERVE FUNDS	\$50,494
63	CASH ALLOCATED TO OPERATING FUNDS	\$32,338

**CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION
OPERATING & CAPITAL BUDGET & RESERVE FUND**

A
**BUDGET
2020**

		# of Lots	
1	Construction Cost Inflation		3%
2	Annual Assessment Increase		5%
3	INCOME		
	"The Estates" (2020 \$782)	80	\$62,537
4	"Classics" and "Janell Estates" (2020 \$521)	221	\$115,054
5	TOTAL ASSESSMENT INCOME		\$177,591
6			
7	EXPENSES		
8	Accounting/Tax Fees (Audit for 2018 & 2019)		\$4,400
9	Management Company Fee		\$24,000
10	Director & Officer Insurance		\$1,900
11	Property Liability Insurance		\$4,800
12	Yard Sale, Welcome Cmte & Block Watch Activities		\$700
13	Legal Fees - Collections		\$3,000
14	Legal Fees - Association		\$2,500
15	Allowance for Bad Debt (2.5% of Assessments)		\$3,400
16	Reserve Report		\$0
17	Printing, Postage & Office Supplies		\$2,500
18	Web Hosting		\$200
19	Property Tax		\$700
20	Landscaping		\$70,000
21	Utilities (Water & Power)		\$11,250
22	TOTAL EXPENSES		\$129,350
23	INCOME AVAILABLE FOR CAPITAL EXP. AND RES. FUND		\$48,241