

**Crystal Ridge HOA Annual Meeting  
Wednesday, January 22, 2020**

Email: [board@crystalridgehoa.org](mailto:board@crystalridgehoa.org)

Website: [www.crystalridgehoa.org](http://www.crystalridgehoa.org)

**Board Members Attending:**

Mark Crawford, Peggy Kloes, Tim Evans, Patti Lundell, Emory Gearhart,  
Chong Lam

**Vista Representative:**

Jenny Ross

**Homeowners Attending: 18 (Vista Management maintains sign-in records)**

**Scheduled Meetings: Held at Puyallup Public Library, 7:00 - 9:00 PM**

Wednesday, February 5, 2020, Board Meeting, **CANCELLED**

Wednesday, March 4, 2020, Board Meeting, Board Room

**Proceedings:**

- 1. Call to order and Board Member quorum established - 6 of 7 members present.**
- 2. Minutes:** The minutes of the December 4, 2019, Board Meeting were approved via email and posted to the website; **VOTE 6 YES; 0 NO.**
- 3. Homeowners Questions and Answers; Open Forum:**
  - (1)** Why the change in election procedures to mail-in ballot for election of Board members? A: The 2020 election for one Board of Directors seat was changed to conform to the Bylaws, Article V, Section 1. Nomination, and Section 2. Election. The Bylaws provide for nominations by a Nominating Committee and for elections by mail-in ballot. Voting by mail is intended to allow for greater participation from homeowners who cannot attend the Annual Meeting. We received 47 ballots by mail plus 6 at the meeting (see 2 below), the largest number of votes ever submitted for a Board election. Voting to ratify the budget must be in person at the Annual Meeting per RCW.
  - (2)** Homeowners suggested more time be given for ballots to be returned. Some homeowners were not able to mail their ballots in time to meet the deadline and

an exception was approved so that 6 ballots brought to the meeting could be counted.

(3) Suggested that in the future the annual meeting notice, ballots, and budget be mailed separately from other information. It was felt there was too much information in the packet that was sent to homeowners before the Annual Meeting.

(4) Suggested that future candidates submit a CV with a brief account of education, qualifications, experience, years living in the community, and the contribution they will make to the HOA.

(5) A 1993 amendment to the CC&Rs classified the fence separating the Classics and the Estates as an HOA maintenance item. The fence was replaced in 2019 and will be stained in 2020. Some homeowners were disappointed with the workmanship by the fence contractor. It was suggested that any future fence replacement (estimated to be replaced in 2039) should be done by a fence builder not a general contractor.

(6) Again a tree was knocked down on Crystal Ridge Drive by a car leaving the roadway. Vista has asked for a bid from Olympic for removal and replacement and has filed a claim with the driver's insurance carrier.

(7) 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. The balance of the money has been applied to the Reserve Account. Volunteers are needed for the Monument Design Committee. Please contact the Board if you would like to volunteer.

#### **4. Open the Annual Meeting and Proof of Notice of Meeting:**

Vista mailed the annual meeting packet and the notice of the meeting to homeowners on January 6, 2020.

#### **5. Financial Results and Forecast:**

**Please refer to Addendum of these Minutes:** 2020 Budget, Reserve Report and Forecast Report to Homeowners (a copy was mailed to all homeowners in the 2020 Annual meeting packet)

#### **6. 2020 Budget Voting Results:**

Ballots for ratifying the 2020 budget were distributed to homeowners. Six homeowners volunteered to help Registrar Jenny Ross of Vista count the votes. **The 2020 Budget was ratified by a vote of 27 approved; 4 rejected** (18 homeowners attending, 6 Board members, and 7 proxies).

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 voted on the 2020 Budget; voting on the forecast is not required.

**7. Volunteers are needed for committees:**

**CRD Entrance Monument Design  
Security Committee - Block Watch  
Rules and Regulations  
Architectural Control (ACC)  
Nominating  
Welcome  
Play Lot Maintenance**

Volunteers do the work of the HOA and are very much appreciated. If you can help on any committee, please contact the Board by email to volunteer.

**8. Board Election Results:**

Six homeowners helped open envelopes and count the ballots. There were 53 votes: 32 — Emory Gearhart, 20 — Jan Pilcher, and 1 for other. Emory Gearhart was re-elected for a 3-year term.

(6 Board Members' terms expire in 2021.)

**Meeting adjourned at 9:05 PM**

**ADDENDUM**

**Crystal Ridge Homeowners' Association of Puyallup (the "Association")  
2020 Budget, Reserve Report and Forecast Report to Homeowners**

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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.<sup>1 2</sup> 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.

### 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

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<sup>1</sup> 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.

<sup>2</sup> 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.

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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.

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

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 15<sup>th</sup> 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 15<sup>th</sup> Ave SE RUL  
25 years

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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

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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.

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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.

- 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					# of Lots	A BUDGET 2020	B 2021	C 2022	D Forecast 2023	E 2024
3	<b>INCOME</b>	"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	<b>TOTAL ASSESSMENT INCOME</b>				<b>\$177,591</b>	<b>\$ 182,919</b>	<b>\$ 188,406</b>	<b>\$ 194,058</b>	<b>\$ 199,880</b>	
6										
7	<b>EXPENSES</b>									
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	<b>TOTAL EXPENSES</b>				<b>\$129,350</b>	<b>\$ 131,898</b>	<b>\$ 135,103</b>	<b>\$ 140,077</b>	<b>\$ 141,723</b>	
23	<b>INCOME AVAILABLE FOR CAPITAL EXP. AND RES. FUND</b>				<b>\$48,241</b>	<b>\$ 51,021</b>	<b>\$ 53,303</b>	<b>\$ 53,981</b>	<b>\$ 58,158</b>	

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 install 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

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.

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2020 Capital Budget and Capital & Reserve Fund Forecast:

	A	B	C	D	E	
	BUDGET	Forecast				
	2020	2021	2022	2023	2024	
24						
25	<b>CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION</b>					
26	<b>CAPITAL BUDGET &amp; RESERVE FUND</b>					
27						
28						
29	<b>CAPITAL BUDGET &amp; RESERVE FUND</b>					
30	RESERVE FUND BEGINNING BALANCE	\$168,000	\$56,010	\$68,800	\$80,986	\$91,654
31	OPERATING FUND BEGINNING BALANCE	\$15,607	\$32,338	\$32,974	\$33,776	\$35,019
32	<b>TOTAL BEGINNING OPERATING AND RESERVE FUNDS</b>	<b>\$183,607</b>	<b>\$ 88,348</b>	<b>\$ 101,774</b>	<b>\$ 114,762</b>	<b>\$ 126,673</b>
33	<b>PLUS</b>					
34	<b>FUNDS FROM OPERATIONS</b>	<b>\$48,241</b>	<b>\$51,021</b>	<b>\$53,303</b>	<b>\$53,981</b>	<b>\$58,158</b>
35	<b>TOTAL FUNDS AVAILABLE FOR RESERVE EXPENSES</b>	<b>\$231,848</b>	<b>\$139,369</b>	<b>\$155,077</b>	<b>\$168,744</b>	<b>\$184,831</b>
36	<b>LESS</b>					
37	<b>RESERVE EXPENSES</b>					
38	Tree Replacement	\$60,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138
39	Irrigation Repair/Maintenance	\$10,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ 11,255
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	\$ 1,545	\$ 3,183	\$ 3,825	\$ 4,502
44	Play Lot Equipment (Child Ages 3 to 5)	\$4,000	\$ -	\$ -	\$ -	\$ -
45	CRD Entrance Monument Replacement	\$55,000	\$ -	\$ -	\$ -	\$ -
46	Total Reserve Spending	\$143,500	\$ 37,595	\$ 40,315	\$ 42,070	\$ 43,895
47	<b>NET RESERVE FUNDS</b>	<b>\$24,500</b>	<b>\$18,415</b>	<b>\$28,485</b>	<b>\$38,916</b>	<b>\$47,759</b>
48	<b>PLUS: ADDITIONS TO RESERVE FUND</b>	<b>\$31,510</b>	<b>\$50,385</b>	<b>\$52,501</b>	<b>\$52,738</b>	<b>\$57,746</b>
49	<b>RESERVE FUND YEAR END BALANCE</b>	<b>\$56,010</b>	<b>\$68,800</b>	<b>\$80,986</b>	<b>\$91,654</b>	<b>\$105,505</b>
50	<b>PER LOT ADDITIONS TO RESERVE FUND</b>	<b>\$105</b>	<b>\$167</b>	<b>\$174</b>	<b>\$175</b>	<b>\$192</b>
51	<b>FULLY FUNDED RESERVE FUND BALANCE PER RESERVE REPORT</b>	<b>\$142,231</b>	<b>\$ 58,896</b>	<b>\$ 68,822</b>	<b>\$ 77,797</b>	<b>\$ 86,592</b>
52	<b>RESERVE FUND BALANCE OVER/(SHORT)</b>	<b>(\$86,221)</b>	<b>\$9,904</b>	<b>\$12,164</b>	<b>\$13,857</b>	<b>\$18,913</b>
53	<b>FULLY FUNDED RESERVE PERCENTAGE (1)</b>	<b>39%</b>	<b>117%</b>	<b>118%</b>	<b>118%</b>	<b>122%</b>
54						
55	<b>NET CASH AT YEAR END</b>					
57	<b>TOTAL BEGINNING OPERATING AND RESERVE FUNDS</b>	<b>\$183,607</b>	<b>\$88,348</b>	<b>\$101,774</b>	<b>\$114,762</b>	<b>\$126,673</b>
58	<b>PLUS: FUNDS FROM OPERATIONS</b>	<b>\$48,241</b>	<b>\$51,021</b>	<b>\$53,303</b>	<b>\$53,981</b>	<b>\$58,158</b>
59	<b>LESS: RESERVE SPENDING</b>	<b>\$143,500</b>	<b>\$37,595</b>	<b>\$40,315</b>	<b>\$42,070</b>	<b>\$43,895</b>
60	<b>CASH AT YEAR END</b>	<b>\$88,348</b>	<b>\$101,774</b>	<b>\$114,762</b>	<b>\$126,673</b>	<b>\$140,936</b>
62	<i>CASH ALLOCATED TO RESERVE FUNDS</i>	<i>\$56,010</i>	<i>\$68,800</i>	<i>\$80,986</i>	<i>\$91,654</i>	<i>\$105,505</i>
63	<i>CASH ALLOCATED TO OPERATING FUNDS</i>	<i>\$32,338</i>	<i>\$32,974</i>	<i>\$33,776</i>	<i>\$35,019</i>	<i>\$35,431</i>

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

2025 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.

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CRYSTAL RIDGE HOMEOWNERS' ASSOCIATION		G	H	I	J
		-----5 yr. Increment Forecast----->			
		2035	2040	2045	2049
65					
66					
67					
68	3.0% Construction Cost Inflation Rate				
69	Beginning Reseve Fund Balance	\$ 135,366	\$ 181,853	\$ 119,538	\$ 184,768
70	Less: Tree Replacement (2)	\$ 183,029	\$ 212,181	\$ 245,976	\$ 226,848
71	Irrigation Repair/Maintenance (2)	\$ 73,498	\$ 85,205	\$ 98,776	\$ 90,173
72	"Estates" Fence Repair, Staining & Play Lot Concrete Sealer	\$ 10,082	\$ 11,688	\$ 13,549	\$ 15,250
73	Remove Mailbox Structures (32 structures)	\$ -	\$ -	\$ -	\$ -
74	The Estates Property Line (1,000 lf) Fence Replacement	\$ -	\$ 52,605	\$ -	\$ -
75	The Estates Monument Fence Replacement	\$ 6,504	\$ -	\$ -	\$ -
76	Entry Monumnet Repair (CR Drive @ Shaw Rd)	\$ -	\$ -	\$ 2,094	\$ -
77	Janell Estates Entrance Monment Fence Replacement	\$ -	\$ 2,535	\$ -	\$ -
78	Repair/Replace Monument Lighting	\$ -	\$ -	\$ -	\$ -
79	Repair/Clean 7 Monuments	\$ 6,232	\$ 7,224	\$ 8,375	\$ 9,709
80	Replace Play Lot Chain Link Fence	\$ -	\$ -	\$ -	\$ -
81	Replace Play Lot Cedar Fence Link Fence	\$ -	\$ 3,682	\$ -	\$ -
82	Replace Play Lot Bark	\$ 6,168	\$ 7,586	\$ -	\$ 9,329
83	Replace Play Lot Equipment	\$ -	\$ 76,609	\$ -	\$ -
84	Replace Play Lot Bench (2040) and Table (2050)	\$ -	\$ -	\$ -	\$ 2,348
85	Total Projected Reserve Fund Expenses (3)	\$ 285,513	\$ 459,315	\$ 368,770	\$ 353,657
86	Reserve Expense Per Reserve Report (3)	\$ 336,659	\$ 452,933	\$ 367,665	\$ 333,125
87	Ending Reserve Fund Balance	\$ (150,147)	\$ (277,462)	\$ (249,232)	\$ (168,888)
88	Plus: Reserve Fund Contributions	\$ 332,000	\$ 397,000	\$ 434,000	\$ 404,000
89	Average 5 Year Reserve Fund Contributions	\$ 36,371	\$ 23,908	\$ 36,954	\$ 47,022
90	Ending Reserve Fund Balance	\$ 181,853	\$ 119,538	\$ 184,768	\$ 235,112
91	Required Fully Funded Reserve Fund Balance Per Reserve Report	\$ 182,081	\$ 118,663	\$ 183,983	\$ 234,402
92	Fully Funded Reserve Fund Percentage	100%	101%	100%	100%
93	Notes: (1) Recommend a) minimum 100% Reserve Funding, and b) positive annual net reserve fund contributions				
94	(2) Expenses >1% of annual expensed are treated as Reserve Expenses.				
95	(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;

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- i. The current regular assessments budgeted for contribution to the reserve account for 2020 is \$30,000 per year or \$99 per lot.
  - 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

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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;
  - 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:

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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