

CREEK AT CHESTER HOMEOWNERS ASSOCIATION
4811 S. Coyote Creek Lane
Spokane Valley, WA 99206

December 20, 2022

TO: Chester Creek Homeowners

FR: HOA Board of Directors

RE: **Summary of December 12, 2022, Annual Meeting**

Dear Neighbors,

The Board would like to recognize the many members who braved the snow to attend the Association's Annual Meeting. Unfortunately, several regular attendees could not make this year's meeting due to illness but still chose to support our Association through their Proxy participation. We thank them and wish them a speedy recovery. We also had new members who purchased their homes this year attend. Everyone is welcome and we thank all those who made the time to participate.

After the Board concluded the customary order of business, HOA President, James Pappas, provided attending members a detailed presentation showing the results of our December 2022 Reserve Study and the state of the Association's finances.

James's financial analysis used the forecasted and actual 2022 Budget and the 2023 future Proforma to show how hyperinflation of the last year has impacted the Association's finances and financial planning.

Overall, the Association's Operating Expenses suffered a 22% increase over what was planned. This was due in large part to the same hyperinflationary impacts that have affected our local and national economies. Those services most impacted by rising fuel and labor costs – such as contractor services for grounds and roads maintenance – were affected the most. Below are just a few of the areas that were most affected and the percentage over which carefully budgeted costs were exceeded due to inflationary increases.

- Landscape Maintenance +27%*
- Snow Removal +74%**
- Utilities (water & electricity) +74%***

To be clear, these substantial increases the Association experienced were not due to budgeting or forecasting inaccuracies but were the direct result of inflationary costs passed on by service providers to the Association. As just one example, when the cost of fuel and the cost of

insurance needed to run a snow plowing operation increases, those increases in the plowing company's operating costs are passed directly on to customers through increased pricing. This is the reason why snowplow charges have risen 20% over last winter season.

While we all hope inflation will remain stable or possibly improve in the coming year, no one can accurately predict the coming changes. This has made traditional budget forecasting based on average inflationary growth using GAAP principles incredibly challenging. Nevertheless, the Board presented a well-analyzed budget and has anticipated next year's operating costs to increase by 5%, instead of the traditional 3% we have experienced on average prior to 2021.

The Association's income from Dues automatically increases each year by 3%, but that does not resolve the 22% deficit that has resulted from the culmination of hyperinflation in 2022. The Association is also required to make steady financial contributions to our Reserve Account every year. What the Board has done thus far is to hold off making the full Reserve Account deposit in order to ensure it has the operating funds needed to cover inflation-driven increases to the Operating Budget. The transfer of Reserve funds from the Operating Budget will be made in late December and the Board will have final numbers to better determine what impact the inflationary increases has had on the Budget and Reserve funding.

To meet our statutorily required Reserve funding and budget requirements, the Association has two options: 1) increase annual Dues (increasing annual dues would mean that any additional amount assessed would be due each consecutive year), or 2) levy a Special Assessment (which is due only once).

Since the 2023 Budget was ratified at the Annual Meeting, dues cannot be further increased for 2023 to make up for the inflationary losses, so the Board is reviewing the option of a Special Assessment. This option was presented and discussed at the Annual Meeting. A request was made by Member Bob Alberti that the Board wait until at least the end of First Quarter 2023 (April 1st) to reassess inflationary impacts to the Budget and reevaluate how much is needed for a Special Assessment to make up for the inflationary deficit. The Board agreed and will convene again sometime in Spring.

The vote in favor of the 2023 Budget was unanimously carried and approved by attendees and all proxy votes. A reminder that HOA dues in 2023 will be \$816.00 and are payable in full each March with the option to pay half in March and the remaining half in September.

Under Article 5, Section 5.10 of the Bylaws, the Board has unanimously moved to dissolve the COMMUNITY SAFETY & SECURITY EXPLORATORY COMMITTEE effective August 1, 2022. Due to time constraints, the Board did not include this announcement at the Annual Meeting.

The Board noted that Member Grant Williams has recently sent out a proposal to all Owners asking them to support a vote to amend the CC&Rs by changing the recreational vehicle policy. Due to mail delays, the Board extended the December 8, 2022, deadline to return votes and therefore did not have the results by the day of the meeting. The Board will verify the results of

Grant's proposal and, if he received the required number of Owners to support his proposal, will send out a separate official Notification and Ballot for all Owners to vote on amending the Declaration of CC&Rs. James reminded attendees that Association Members will only receive the Notice and Ballot if the proposal has the required number of supporting votes. He also reminded attendees that Grant's proposal letter was not a vote to legally amend the CC&Rs, but, rather, whether to put the proposal to an official vote. If enough members agree to put the proposal to vote, then the Board will send official Notice and Ballot to vote on officiating the amendment.

Member Dave Baird brought forth the topic of community security by sharing with attendees the armful of empty Amazon packages that were opened and robbed from his porch the day before the meeting. It was mentioned that several attempted thefts by thieves who were casing homes in our community in the early morning hours were prevented in recent months by Owners making their presence known and the thieves driving out and away. Attending Members engaged in several minutes of fruitful discussion about their shared concerns and the continuing need for added security from thieves and car prowlers. The Board encouraged all concerned homeowners to continue the discussion among themselves and with other homeowners and, if enough Owners are compelled, to make a motion that the Board could present to all Homeowners for consideration.

As always, should you have any questions about the contents of the meeting or its results and vote, or other matters pertaining to the Association, please feel welcome to reach out to the Board President by email or phone.

In partnership,

Your Chester Creek Board

Website: www.chestercreekhoa.com

Email: board@chestercreekhoa.com

President: James Pappas 509.863.7023

*A portion of the increase in landscaping costs was due to an increase in needed repairs in addition to an increase in the labor costs of those repairs. While the increase in labor cost will remain, the expected repairs are anticipated to go down and reduce our overall costs in 2023.

**A portion of the increase in snowplowing costs was due to heavier than anticipated snow in the 21-22 winter season. Not only has the cost of snowplowing increased by 20%, but we also had an increased need to have snow plowed. The combination of increased pricing and increased frequency contributed to the overall 74% increase. Since snowfall is unpredictable and can only be budgeted based on the average assumptions. There will also be years in which snowfall is less than predicted and our corresponding costs less than budgeted.

***A portion of the increase in water costs was due to increased water usage necessary to revive the grass in tree lawns that dried out from repeated automatic sprinkler system breakdowns this year. In 2022, the increase in water cost was 104% due to both an increase in water cost and water usage. While the increase in cost will remain, the expected usage is anticipated to go down considerably and reduce our overall water and utility costs in 2023.

Reserve Studies, Meeting Minutes, and Budget/Finance documents are updated periodically and available on the HOA website.