

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

January 26, 2024

TO: Chester Creek Homeowners

FR: HOA Board of Directors

RE: **2023 Financial Summary and State of the Association Notice**

Dear Chester Creek HOA Neighbors,

To reduce costs, the Board of Directors has decided it will be sending an Annual Report to all Owners in lieu of holding year-end, in-person meetings. Attendance has been historically sparse and the benefit to the few attending members does not justify the expense to everyone.

The following **Annual Report** package includes the following items:

1. **HOA Financials:** 2023 expense summary and proposed 2024 budget.
2. **Reserve Funding:** Reserve status and general condition report.
3. **State of the Association:** Notice of general information on changes to the HOA and upcoming issues of concern for Homeowner-Owners (herein "Owners").
4. **Budget Voting Ballot.**

We ask that you please take the time to review the information provided carefully. There are important updates regarding **Association** contact information, items that require your attention, and changes taking effect.

If, after reviewing the Annual Report, you have any questions, please feel welcome to call or email the Board at the updated contact information provided below.

In partnership,

Your Chester Creek Board  
President, James Pappas

Email: [board@chestercreekhoa.com](mailto:board@chestercreekhoa.com)

Phone: 509-000-0000

\*Note: Words Capitalized and in **bold** are official terms recognized in the CC&Rs.

## HOA Financials

Overall, the Association's 2023 **Operating Expenses** (OE) were 20% less than planned. This was due in large part to the Board's effort to actively control expenses and limit its engagement with professional services. It is important to note that any savings in CY23 will make a negligible impact on the Association's overall finances, which also includes Reserve funding requirements.

The "savings" attained in 2023 have been directed to the **Reserve Account** (RA) to help offset our perennial RA shortfall that the current Board addressed and took action to mitigate in 2021.

Included with this package is our **Operating Budget** (OB) document. It shows what was budgeted for 2023 compared to what was spent in 2023, and a budget forecast for the coming 2024 year. The document should be looked at as three (3) columns titled **2023 Budgeted**, **2023 Actual** (highlighted grey), and **2024 Projected**. Each column is read from top to bottom. The percentages on the right of the 2023 columns show the percentage of change (called a variance) between what was planned and what was spent. It is useful to know the variance because it helps identify large changes in planned expenses and account for inflationary impacts.

The budget line item most impacted in 2023 was "**General Maintenance**." General Maintenance is for repair costs of small items that are not recurring and are not anticipated in the **Reserve Study**. In 2023, the **Board** had to replace the Association's automatic sprinkler control system. This is a good example of a General Maintenance item because we do not anticipate needing to replace this item with any regularity and it is not contemplated in the **Reserve Study**; therefore, it is not a regularly budgeted item. While we budget for minimal maintenance expenditures, the fortuitous failure of the automatic sprinkler system far exceeded our budgeted costs resulting in a one-time, 173% increase in General Maintenance expenses.

To help offset the unanticipated expense for replacing the automatic sprinkler control system, the **Board** elected to skip spraying the field for noxious weeds in 2023. The spraying contractor was consulted and advised that missing one year of spraying and resuming the next would not result in a surge of noxious weeds or harm to the field.

To avoid missing needed scheduled services like spraying, legal consultation, and reserve inspections, due to unexpected maintenance, the **Board** has increased the General Maintenance budget for 2024.

While the "**Total Operating Expenses**" were less than budgeted for 2023, they are anticipated to resume to planned levels in 2024. This is due to an expected increase in all expenses under the Maintenance category: General Maintenance, Landscaping, Spray Services, and Snow Removal. It is important to note that the budgeted Maintenance category expenses for 2023 were \$19,271, and the anticipated expenses for 2024 are \$19,200. From a year-over-year perspective, we are planning for a relatively stable expense for overall Maintenance costs.

Maintenance expenses for landscaping, snow removal, and weed control account for approximately 50% of the Association's entire annual **Operating Expenses**. Should costs for any of these services increase, fuel prices rise, or we experience a heavy snowfall, the cost for these services could increase by 20% or more than budgeted.

The 2022 **Reserve Study** recommends that to have sufficient funding to repair or replace Association owned assets (called "Components") we should allocate \$20,400 each year to the **Reserve Fund**. Components include items like roads, sidewalks, water drains, signs, and chain link fencing. The \$20,400 reserve recommendation is called a "Reserve Fund target."

Prior to the current **Board's** tenure in 2020, the Association was 50% or more underfunded each year to meet the Reserve Fund target. The current **Board** made an adjustment in 2021 to our Budget including an automatic annual increase in **Dues** to keep on pace with regular inflation. Keeping on pace with regular inflation is necessary for our effort to maintain consistent contributions to the **Reserve Fund** each year. Since then, we have been targeting an adjusted \$16,500 annual **Reserve Contribution**. In the calendar years 2021 – 2023, the **Board** has reduced our **Reserve Contribution** shortfall to around 25%. This means we have contributed 25% more to the **Reserve Fund** in each of the past three (3) years than in the years previous.

The Budget accounts for Reserve Funding requirements. Put simply, the Association's "income" comes in the form of annual **Dues**, fees, and fines from which we deduct our yearly **Operating Expenses** (OE). What "remains" is used to fund the **Reserve Account**. Our Reserve Fund "target" comes from the **Reserve Study** and is shown on the budget as "**Reserve Target**." Like all other expenses, we track variance of our Reserve Target to determine how well we are meeting our \$16,500 reserve budget. The current **Board** has been consistently within 12% of meeting this goal each year. We were overfunded slightly this year due to the one-time cost savings measures taken by the **Board**, but we are expected to drop to 13% of Reserve Target in 2024.

In summary, despite the unexpected, high cost for an automatic sprinkler system control module replacement, the Association ended 2023 financially sound and in a good position for the coming year. This was solely due to the **Board's** active management of Association finances and its fiscally conservative position on expenditure and Reserve funding.

## Reserve Funding

Per statutory requirement, our Association has a **Reserve Account** and conducts **Reserve Studies** (ref. RCW 64.38). These statutes govern the Association's responsibility for conducting **Reserve Studies** and managing the **Reserve Fund**. Part of those requirements, as outlined in the Association's **Declarations** (Article 3; 3.1.2), is our reporting of the **Reserve Fund** status.

Below is information regarding the most recent 2022 **Reserve Study**, its recommendations, and our current Reserve Funding status.

Based on the 2022 **Reserve Study**, the recommended "Baseline Funding" minimum required to keep Reserves from dropping below a \$0 balance at any time in its 30-year projection is \$1,670 a month, or \$20,400 annually. When the current **Board** met with **Owners** in 2021, it proposed major corrections to our budget and offered several options for improving Reserve Funding. Attending **Owners** voted unanimously to adopt a Reserve Funding option that maintains approximately 80% of the funding recommended by the 2021 **Reserve Study**. The option approved by **Owners** proposed an annual reserve funding target of \$16,500 (\$1,375/month).

Since then, \$16,500 has been the annual Reserve Target we have adopted into the Budget and use as part of the annual **Base Assessments** budgeted for contribution to the **Reserve Account**. The item at the bottom of the Budget labeled "**Total Reserve Contribution**" shows how much the Association was able to fund the Reserves based on the year's expenses. The current **Board** has been consistently within 12% of meeting this goal each year.

### Required Reserve Budget Reporting Information

1. Current annual Assessment budgeted for contribution to the **Reserve Account**: \$16,500.
2. Recommended contribution rate from the 2022 **Reserve Study**: \$20,400.
3. The Funding Plan is 80% of the recommended contribution as voted by **Owners** in 2021.
4. No **Special Assessments** were made or are currently planned.
5. Based on the 2022 **Reserve Study**, the **Reserve Account** balance will be insufficient to meet the Association's obligation to fully maintain reserve components during the next thirty (30) year period.
6. A **Special Assessment** may be needed in future years based on Component replacement needs. We are unable to determine the cost to each **Owner**.
7. Fully Funded Reserve Balance recommended in 2022 **Reserve Study**: \$109,760.
8. Percent Funded as of 2022 **Reserve Study**: 54.7%
9. Current Reserve Funding (i.e., balance) as of CYE 23: \$80,072.12.

10. Five-Year Recommended Funding from 2022 **Reserve Study**:

10.1. CY 2024 - \$122,844

10.2. CY 2025 - \$146,107

10.3. CY 2026 - \$169,000

10.4. CY 2027 - \$197,773

10.5. CY 2028 - \$197,313

11. Five Year funding projection based on current funding plan (% variance from Study):

11.1. CY 2024 - \$95,029 (-25%)

11.2. CY 2025 - \$109,986 (-25%)

11.3. CY 2026 - \$124,943 (-26%)

11.4. CY 2027 - \$139,900 (-29%)

11.5. CY 2028 - \$154,857 (-22%)

Even though the **Board** has successfully maintained our revised Reserve Funding plan, the Association will not be able to overcome the persistent ~25% funding deficit created by the considerable underfunding in the years prior to 2020. The only way to correct for early underfunding would be for the **Board** to issue a **Special Assessment** to collect the funds needed to bring the Reserve Balance to the Fully Funded levels recommended in the 2022 **Reserve Study**.

The current plan – as was ratified by **Owners** voting for the current Reserve Plan at the 2021 meeting – has our **Reserve Fund** “mostly” budgeted to approximately 80% of what is recommended for being fully funded. The recommended 80% of funding figure was chosen as the best option for the Association to meet its regular needs for Component repair/replacement without the need for a large **Dues** increase or **Special Assessment** levied to each **Owner**.

Of course, the plan cannot anticipate fortuitous events that result in the need for catastrophic repair. Should such an event happen, the **Board** will evaluate the funding available from the **Reserve Account** at that time and determine if a **Special Assessment** is needed to cover costs. This is completely a “what if” scenario and cannot be anticipated or estimated.

The 2021 **Owners’** vote for the current Reserve Funding plan was chosen as they felt it represented the best option to balance the need for future reserves with making a significant increase to annual **Dues**. While the plan seems to have been successful going into its fourth year, it does not guarantee that a future significant increase in **Dues** or **Special Assessment** will not be needed.

## State of the Association

It is recommended that every **Owner** read this section. While the topics below may only affect some **Owners**, they apply to all **Owners**.

### HOUSE MAINTENANCE REQUIRED

The average age of our neighborhood is now ten years old, and some homes are showing the need for maintenance. It has been brought to the attention of the **Architectural Review Committee** (ARC) and the **Board** by several association **Owners** that some homes are showing excessive exterior wear and are in need of painting. The paint used when these homes were constructed new was designed to only last ten years and that is why some homes are showing faded and worn. It is the responsibility of every **Owner** to keep their **Unit** (home and land) in clean and attractive condition and in good repair (Section 6.3).

It is highly recommended that if your home is showing faded paint or the paint has worn sufficiently enough to exposure the material beneath that you plan to repaint your home this year. The **ARC** is giving **Owners** a courtesy notice to address the issue in 2024. **Homes that are not repaired in the coming year will be required to be painted in 2025.** The **ARC** and **Board** wish to avoid mandating repair under penalty, so if this applies to you, please address it promptly. If you wish to discuss the issue with the **ARC** or **Board**, please send an email or call to make arrangements for one of us to visit.

### RECREATIONAL VEHICLE USE PROHIBITION

The rules of the Chester Creek Association mirror closely with State and local laws. Spokane County does not permit the on-road use of motorized recreational vehicles: ATVs, UTVs, Side-by-sides, offroad dirt bikes, and other offroad vehicles not licensed explicitly for on-road use. Regardless of State and County laws, the **Board** has the express authority under the **Declarations** to adopt and publish rules governing the use of **Common Areas** and the personal conduct of **Owners** and their guests (Article V, 5.10.a). As such, **the Board has unanimously agreed to prohibit the use of all recreational vehicles on Association property and roads.**

The **Board** has a fiduciary duty to all association **Owners** to protect them from legal liability and from exposure to harm. Recreational vehicles are designed specifically for offroad use where the dangers of bodily injury and property damage like that found in a residential neighborhood are not present. To uphold its fiduciary responsibility, the **Board** has ruled that the use of any motorized recreational vehicle or a vehicle primarily designed for offroad use is strictly prohibited on all HOA property. If you are not sure a vehicle fits the Association's definition of recreational vehicle, you are urged to contact the **Board** for clarification before using it.

Violations of this policy are subject to a \$1,000 fine per occurrence including responsibility for any incurred costs, interest, and legal expenses. The **Board** anticipates that **Owners** can

understand the importance of taking this measure for the safety and protection of all **Owners** and their families and will cooperate with this rule.

## **VINAL FENCE REPAIR**

When the neighborhood was designed, it was the intention of the developer and builder that all vinyl fencing belongs to the **Owner** of the **Unit** on which the fence is constructed. This was verified by the **Board** in 2021 with the **Developer**. As such, the Association owns no vinyl fencing, which is why it is not a Component in the **Reserve Study** asset list. If a vinyl fence on your lot is damaged, you are responsible for repairing it. Repairs are required to be completed promptly. The **ARC** is aware of several damaged vinyl fence panels and will be reaching to individual **Owners** to request repairs. If an **Owner** chooses to repair a vinyl fence of their initiative, they are still required to contact the **ARC** to obtain approval before beginning the work. If you have any questions about this issue, please contact the **Board**.

## **TRESPASSING**

Since the opening of the residential development across Madison Road, trespassing in our community has become a daily occurrence. The Creek at Chester is private property reserved for its **Owners** and invited guests only. We have signage on our islands posting as private property.

Pedestrians from neighboring communities walking or biking through our neighborhood are trespassing and violating the rights of the Association and its **Owners**. Non-residents who walk pets not only create disturbances for resident pets, but also leave behind their pet's waste on lawns, roads, and sidewalks for our **Owners** to remove.

The **Board** will invest in sidewalk signage this Spring to sternly warn against trespassing on Chester Creek property. Sidewalk A-frame signs will be placed on the sidewalks on each side of the driveways. We are hopeful that clear warning against trespassing will cut down on the frequency with which neighboring communities take liberty to use our private community and reduce nuisances to our **Owners**.

If you encounter someone trespassing, the **Board** recommends that you do not confront them, regardless of your previous professional experience. If you are concerned about a trespasser, please report it to the **Board** and they will decide on what actions are necessary.

## **COMMON AREA MAINTENANCE**

The **Board** terminated its contract with the landscaping company that started the year in 2023. The **Board** was forced to repeatedly deal with worker performance issues and poor service. In early Summer, the automatic sprinkler system failed, and that landscaping company promised it

would have it repaired promptly. Two months later, the tree lawn along Madison Road had completely browned. Despite the grass having browned and stopped growing the landscaping company kept mowing the dead, ungrown grass and charging our HOA for it.

The President terminated that landscaping company and hired another who was able to repair the sprinkler system in one business day. The President is currently rebutting charges from the terminated landscaper who knowingly charged for mowing dead grass they were told not to mow. Should the **Board** have to take this contractor to small claims court, the President is supremely confident the Association will prevail.

The performance of the new landscaping company has proven considerably better and consistent. The cost of the new landscaping company is expected to be about 15% more than the previous contractor. The added cost is in line with current rates and worth having a reliable and consistent maintenance of our property. The new landscaping company owner has been incredibly responsive, and the **Board** anticipates 2024 grounds maintenance to be flawless.

The new landscaper is also providing our snow plowing services. The former plowing company did not return the President's calls about resuming service this winter. Again, the cost of the new company is slightly more, but they have proven incredibly reliable and have done a much better job at clearing the streets and distributing plowed snow.