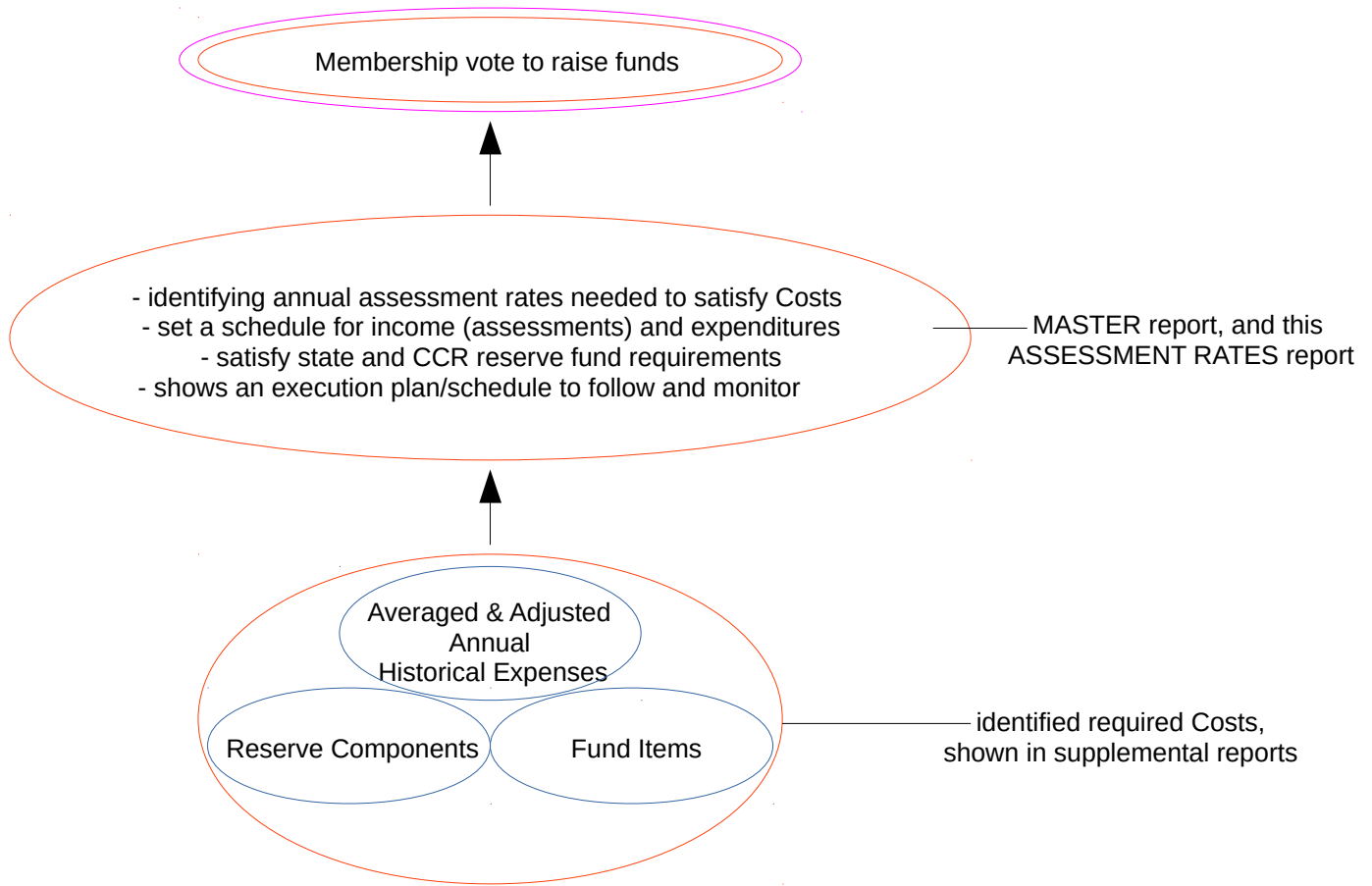


# ASSESSMENT RATES REPORT

Version 2

March 2021

written by [Kirk Johnson](#)



## Background & Summary

This report is for Board review and contains extensive details and links. All information<sup>1</sup> underpinning formulated rates is sourced and referenced and all methods are explained so readers can verify. It is of course the Board's collective decision about any actions to be taken and whether any votes get brought to the membership.

This report deals with potential annual assessment raises in the first section, and then three different

<sup>1</sup> DISCLAIMER: No professional engineering services or attorney review were provided to formulate any aspect of this Report or any supplemental or other report related to this Report. This author and all directors, committee members and agents of Nine Mile Ranch HOA hereby declare they are not professional engineers and/or attorneys, and in no way can any of this Report or supplemental or related reports be construed as including professional engineering or direct legal advice.

potential one-time special assessment options to accomplish some individual items in section II.

With regard to considering *annual assessment raises*, (not regarding potential special assessments) you will see below there are many different 'categories' of items that inform a potential total annual assessment raise amount; they are **all** needed items. If the Board does choose to bring a vote to the membership for them to raise annual assessments, a question for the Board is: for the voters' sake do you want to keep it simpler and offer all of the categories as one schedule of total assessment raise (those would be big numbers... \$400+ per Lot), or do you want to separate them into multiple categories that a voter can individually choose or reject? You'll see what I mean by looking at the breakdown chart on the next page. It is challenging because ALL categories are CCR-need based and fully justified in each sub report, so to have any one of the categories voted down as a separate item would constitute a failure of funding under the CCRs. However, it is the BOD's fiduciary duty to discover the costs for HOA needs and ask for funding; it is the *membership's* responsibility to choose or fail to choose to fund, and experience the practical and legal consequences of those choices.

The goal of the items proposed in this Report is to:

1. attend to the next (5) years of predictable income and expenditure items, so I am suggesting the Board offer the membership a 5-year schedule of annual assessment rate options, as you will see specified below; in other words, I as a voter would be voting for a specific schedule of assessment rates that would be committed to and would vary over the next 5 year period of time according to the expenses unique to each year.
2. offer accomplishing some irregular expenditure items in three separate Special Assessment voting items.

Remember that any successful membership vote to raise annual assessments or special assessments in this coming June 2021 election *would not be effective until July 1, 2022* according to the notice requirements<sup>2</sup> in our CCRs.

***Everything within the rates shown below has been formulated with a view only toward what is 'required' (meeting HOA obligations) according to our governing documents and state law; there are no 'extras' or 'options'... anything not funded and performed below could have negative legal and equitable consequences in various ways. Remember there are right now several road sections that some Lot Owners are being denied winter access for, and other access issues (they're addressed herein). Also, as legal counsel has informed us, the Board's fiduciary duty to the membership is to discover what funds the HOA needs and then ask them to fund it...***

***So that's what this is.***

## ***I. Breakdown of Annual Assessments Needed for 5 Years***

There are three 'separate' classes of expenditures that the membership needs to choose whether to fund:

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<sup>2</sup> See [Bylaws](#) Article VII, Section 2(c)(i) and also [this](#) attorney document.

- [Averaged & Adjusted Annual P&L Expenditure Categories](#) (P&L base)
- [Necessary road capital improvements](#) (Reserve Components)
- [Fund Items](#) (“Added Driveway Culvert Clearing Expenses in HOA Easements”, “Added Replenishment Gravel Annually as Traffic Increases”, and “Catch-Up on Required Replenishment Road Gravel (for Years 2018-2021)”)”)

<u>year</u>	<u>P&amp;L base</u>	<u>Res. Comp.</u>	<u>Fund Items</u>
2022/23	270.68	186.71	16.00
2023/24	277.45	165.22	18.78
2024/25	284.38	108.98	21.43
2025/26	291.49	107.71	24.71
2026/27	298.78	97.78	28.00

**a. Breakdown of “(P&L base) Averaged & Adjusted Annual P&L Expenditure Categories”**

Please see the [Averaged & Adjusted Annual P&L Expenditure Categories](#) report for detailed itemization descriptions and calculations.

<u>year</u>	<u>2021 base annual expense</u>	<u>w/inflation<sup>3</sup></u>	<u>w/ add 4% uncollected<sup>4</sup></u>	<u>assess. per Lot<sup>5</sup></u>
22/23	78,969.10	80,943.00	84,180.72	\$270.68
23/24	78,969.10	82,967.00	86,285.68	\$277.45
24/25	78,969.10	85,041.00	88,442.64	\$284.38
25/26	78,969.10	87,167.00	90,653.68	\$291.49
26/27	78,969.10	89,346.00	92,919.84	\$298.78

**b. “Necessary Road Capital Improvements” and Deposits for 5 Years**

This is for a 5-year period of time to fund and perform several required road items as described and detailed in the [Reserve Components](#) report for that 5-year period of time, and to also make partial deposits into the CCR-required reserve fund for the first 5 years for other Reserve Component costs that will come due after this 5-year deposit period (but require incremental depositing during this first 5 years). All items under this category are one of two things:

1. “capital improvements” needed for road sections that are **currently inadequate** to allow Lot access at certain times of the year or that aren't adequate for some basic traffic aspects<sup>6</sup>. In other words, some Lot Owners are being denied their property rights because the road sections are too steep, boulder-laden and/or narrow to maintain winter passability and in

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3 Note that, in addition to including inflation as a prudent fiscal consideration, [RCW64.38.070\(2\)\(g\)](#) requires HOAs to include inflation into reserve study fiscal projections.

4 The average rate of uncollected assessments in years 2018-2021 was 4%. Those years are the only years that comprehensive CCR-required collections procedures were performed, which lowered the prior rate of approximately 7% to 4%, so this is a realistic rate to plan on.

5 Based on 311 total lots.

6 The HOA CCRs, at Article III, Section 1 gives every Lot Owner “a right and an easement of enjoyment in and to any easement...”. The key words are “easement of enjoyment”, regarding which one internet definition states, “Full enjoyment of the easement means that the owner of the easement is able to exercise all the benefits of the easement that are described in the document that created the easement.” So given the CCRs provide easements for recreational and residential use one would assume that all roads would be required to allow Lot Owners to conduct activities on the easements commensurate with residential and recreational uses, including driving autos and having delivery trucks and trailers, etc associated with residential activity in a development of this stature and location. And that if nothing else all Lot should have equal use of this nature compared to each other.

certain circumstances hinder access in regular seasons for certain regular traffic needs. Under the CCRs all Lot Owners are guaranteed year-round access to their Lot for residential recreational purposes, and some Owners are being and have been denied that for years. These items need to be completed as soon as possible, as their current failure to be completed appears to be a contractual breach of what is owed to some Lot Owners. All these types of items are in Section II below, as “Reserve Components”, and have a completion date of within the next 5 years.

2. annual deposits into the HOA reserve fund for “capital improvements” for similar substandard road sections that are not currently depriving any Lot Owner of reasonable Lot access but are projected to become failures in some years beyond 5 years from now, so the expenses for those items need to be accumulated over a number of years specific to each item, as shown in Section 2 as “Reserve Components”. Accounting for these items also meets the reserve study requirements of RCW64.38.

Remember that RCW64.38's 'reserve study and reporting' requires our HOA to identify and cost out all “Reserve Components” and create a funding schedule for them, so that's included in the yearly breakdowns below (and for the following 25 years after that, per RCW64.38, which are shown in [this report](#)).

**Year 2022**

<u>item #<sup>7</sup></u>	<u>year manifest project</u>	<u>deposit amount</u>	<u>w/ add 4% uncollected<sup>8</sup></u>	<u>assess. Per Lot<sup>9</sup></u>
II.1.31	2031	114.50 (1/10th)	119.08	\$0.38
II.2.29-32	2032	5648.23 (1/11th)	5874.16	\$18.89
IV.1.21	2021	2927.00 (100%)	3044.08	\$9.79
V.1.41	2041	328.60 (1/20th)	341.74	\$1.10
V.2.29	2029	367.38 (1/8th)	382.07	\$1.23
V.3.23-24	2023	380.67 (1/3)	395.89	\$1.27
V.4.31	2031	9083.49 (1/10th)	9446.83	\$30.38
V.5.25	2025	1035.00 (1/4th)	1076.40	\$3.46
V.6.25	2025	1111.75 (1/4th)	1156.22	\$3.72
V.7.24	2024	823.33 (1/4th)	856.26	\$2.75
VI.1.27	2027	1162.83 (1/6th)	1209.35	\$3.89
VI.2.33	2033	501.17 (1/12th)	521.21	\$1.68
VII.1.23	2023	6762.00 (½)	7032.48	\$22.61
VIII.1.31	2031	242.80 (1/10th)	252.51	\$0.81
VIII.2.26	2026	11,788.40 (1/5th)	12,259.94	\$39.42
VIII.3.21-22	2022	10,057.50 (½)	10,459.80	\$33.63
VIII.4.21	2021	3500.00 (100%)	3640.00	<u>\$11.70</u>
<b>TOTAL ASSESSMENT COST:</b>				<b>\$186.71</b>

**Year 2023**

<u>item #</u>	<u>year manifest project</u>	<u>deposit amount</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per Lot</u>
II.1.31	2031	114.50 (1/10th)	119.08	\$0.38

7 Corresponds to numbers in the [Reserve Components](#) report, which shows complete analysis and justified calculations for each item.

8 Same as footnote #4.

9 Based on 311 Lots.

II.2.29-32	2032	5648.23 (1/11th)	5874.16	\$18.89
V.1.41	2041	328.60 (1/20th)	341.74	\$1.10
V.2.29	2029	367.38 (1/8th)	382.07	\$1.23
V.3.23-24	2023	380.67 (1/3)	395.89	\$1.27
V.4.31	2031	9083.49 (1/10th)	9446.83	\$30.38
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V.6.25	2025	1111.75 (1/4th)	1156.22	\$3.72
V.7.24	2024	823.33 (1/4th)	856.26	\$2.75
VI.1.27	2027	1162.83 (1/6th)	1209.35	\$3.89
VI.2.33	2033	501.17 (1/12th)	521.21	\$1.68
VII.1.23	2023	6762.00 (½)	7032.48	\$22.61
VIII.1.31	2031	242.80 (1/10th)	252.51	\$0.81
VIII.2.26	2026	11,788.40 (1/5th)	12,259.94	\$39.42
VIII.3.21-22	2022	10,057.50 (½)	10,459.80	<u>\$33.63</u>
			<b>TOTAL ASSESSMENT COST:</b>	<b>\$165.22</b>

**Year 2024**

<u>item #</u>	<u>year manifest project</u>	<u>deposit amount</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per Lot</u>
II.1.31	2031	114.50 (1/10th)	119.08	\$0.38
II.2.29-32	2032	5648.23 (1/11th)	5874.16	\$18.89
V.1.41	2041	328.60 (1/20th)	341.74	\$1.10
V.2.29	2029	367.38 (1/8th)	382.07	\$1.23
V.3.23-24	2023	380.67 (1/3)	395.89	\$1.27
V.4.31	2031	9083.49 (1/10th)	9446.83	\$30.38
V.5.25	2025	1035 (1/4th)	1076.40	\$3.46
V.6.25	2025	1111.75 (1/4th)	1156.22	\$3.72
V.7.24	2024	823.33 (1/4th)	856.26	\$2.75
VI.1.27	2027	1162.83 (1/6th)	1209.35	\$3.89
VI.2.33	2033	501.17 (1/12th)	521.21	\$1.68
VIII.1.31	2031	242.80 (1/10th)	252.51	\$0.81
VIII.2.26	2026	11,788.40 (1/5th)	12,259.94	<u>\$39.42</u>
			<b>TOTAL ASSESSMENT COST:</b>	<b>\$108.98</b>

**Year 2025**

<u>item #</u>	<u>year manifest project</u>	<u>deposit amount</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per Lot</u>
II.1.31	2031	114.50 (1/10th)	119.08	\$0.38
II.2.29-32	2032	5648.23 (1/11th)	5874.16	\$18.89
V.1.41	2041	328.60 (1/20th)	341.74	\$1.10
V.2.29	2029	367.38 (1/8th)	382.07	\$1.23
V.4.31	2031	9083.49 (1/10th)	9446.83	\$30.38
V.5.25	2025	1035 (1/4th)	1076.40	\$3.46
V.6.25	2025	1111.75 (1/4th)	1156.22	\$3.72
V.7.24	2024	823.33 (1/4th)	856.26	\$2.75
VI.1.27	2027	1162.83 (1/6th)	1209.35	\$3.89
VI.2.33	2033	501.17 (1/12th)	521.21	\$1.68
VIII.1.31	2031	242.80 (1/10th)	252.51	\$0.81
VIII.2.26	2026	11,788.40 (1/5th)	12,259.94	<u>\$39.42</u>
			<b>TOTAL ASSESSMENT COST:</b>	<b>\$107.71</b>

**Year 2026**

<u>item #</u>	<u>year manifest project</u>	<u>deposit amount</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per Lot</u>
II.1.31	2031	114.50 (1/10th)	119.08	\$0.038
II.2.29-32	2032	5648.23 (1/11th)	5874.16	\$18.89
V.1.41	2041	328.60 (1/20th)	341.74	\$1.10
V.2.29	2029	367.38 (1/8th)	382.07	\$1.23
V.4.31	2031	9083.49 (1/10th)	9446.83	\$30.38
VI.1.27	2027	1162.83 (1/6th)	1209.35	\$3.89
VI.2.33	2033	501.17 (1/12th)	521.21	\$1.68
VIII.1.31	2031	242.80 (1/10th)	252.51	\$0.81
VIII.2.26	2026	11,788.40 (1/5th)	12,259.94	<u>\$39.42</u>
			<b>TOTAL ASSESSMENT COST:</b>	<b>\$97.78</b>

**c. Breakdown of "Fund Items"**

**Fund Item #F12: "Added Replenishment Gravel Annually as Traffic Increases"**

This is expense planning for increased gravel wear each year as the rate of traffic increases. While the [Averaged & Adjusted P&L Expense Categories](#) report includes annual gravel replenishment at 2018 traffic rates it does not account for greater future wear as the traffic rate increases.

<u>year</u>	<u>value of gravel volume wear</u>	<u>w/ add inflation</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per lot</u>
22/23	648.57	665.00	691.60	\$2.22
23/24	1297.14	1363.00	1417.52	\$4.56
24/25	1945.71	2096.00	2179.84	\$7.01
25/26	2594.28	2863.00	2977.52	\$9.57
26/27	3242.85	3669.00	3815.76	\$12.27

**Fund Item #F13: "Added Driveway Culvert Clearing Expenses in HOA Easements"**

See explanation in the highlighted report.

<u>year</u>	<u>value of add. maint</u>	<u>w/ add inflation</u>	<u>w/ add 4% uncollected</u>	<u>assess. Per lot</u>
22/23	27.29	28.00	29.12	\$0.09
23/24	54.58	58.00	60.32	\$0.19
24/25	81.87	88.00	91.52	\$0.29
25/26	109.16	120.00	124.80	\$0.40
26/27	163.74	186.00	193.44	\$0.62

**Fund Item #F15: "Catch-Up on Required Replenishment Road Gravel (for Years 2018-2021)"**

This is for Fund Item #F15 in the [Fund Items](#) report, which is catching up on the portions of replenishment gravel that the HOA could not afford to place in years 2018-2021.

- Total F15 is \$19,966.59 (base) at 2021 dollar value (not including inflation).
- 'Over 5 years' assessment time span calc
- 1/5 collected and performed each year

<u>year</u>	<u>1/5 of base</u>	<u>inflation</u>	<u>tot. income</u>	<u>w/ add 4% uncollected<sup>10</sup></u>	<u>assess. per Lot<sup>11</sup></u>
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<sup>10</sup> The average rate of uncollected assessments in years 2018-2021 was 4%. Those years are the only years that comprehensive CCR-required collections procedures were performed, which lowered the prior rate of approximately 7% to 4%, so this is a realistic rate to plan on.

<sup>11</sup> Based on 311 total lots.

2022	3993.32	99.68	4093.00	4256.72	\$13.69
2023	3992.32	202.68	4195.00	4362.80	\$14.03
2024	3992.32	307.68	4300.00	4472.00	\$14.13
2025	3992.32	415.68	4408.00	4584.32	\$14.74
2026	3992.32	525.68	4518.00	4698.72	\$15.11

## ***II. One-Time Special Assessment: Winter Sanding Facility***

**Summary:** The one-time Special Assessment rate per Lot needed to pay for the sanding site would need to be \$38.55, which would be paid back over 8 year of savings experienced by having the sanding site. *After 8 years the HOA gains money annually from the savings.*

Please see this [supplemental report](#) for descriptions, calculations and details.

## ***III. One-Time Special Assessment: CCR Enforcement Against Lot 47, Division 1***

**Summary:** The one-time Special Assessment rate per Lot estimated as needed to pay for a complete CCR-required court arbitration process is **\$35.37 per Lot.**

The HOA membership has been informed of this situation regarding member Wayne Naysnerski in official Newsletters and Board meeting minutes for 2 years now. Major potential consequences exist for the HOA and landowners if the violations are not enforced upon, including:

- membership loss of use of an HOA easement section,
- lowering of surrounding Lot values or hampering of resale,
- hampered winter road maintenance on a Ranch road section,
- and precedence-setting erosion of the force of the protective covenants of Nine Mile Ranch.

The Board has taken every action possible at its disposal so far – except file legal suit – to cause compliance regarding the Ranch's most significant CCR violations issue, which involves non-compliant business operation, excess dogs, and also illegal HOA easement encroachment/possession. Actions taken so far by the Board on behalf of the HOA have been:

1. Many direct communications with the landowner *while he was a Board member* in 2018 and *while he voted as a Board member* to enforce CCRs on other HOA members.
2. Warning/cease and desist letters from the Board, ACC, and HOA legal counsel.
3. Discussions back and forth between his attorney and the HOA attorney attempting to settle controversies and dispel incorrect claims.
4. Notice of Violation and Fines letter sent to the owner, including offering a legally-required opportunity for him to be heard before the Board levied fines (he was non-responsive to the hearing opportunity).

Readers can view the chronology of official communications about the 'business and dogs violations'

at [this link](#), and the official communications about the 'easement encroachment/possession' at [this link](#).

In essence, all out-of-court options have been exhausted and the 'case' has been mostly sorted out by attorneys and taken to the point of being mostly ready for legal action if the HOA supplies the funds to proceed. HOA legal counsel has advised that, per HOA CCRs, arbitration is the required legal path of enforcement, and counsel has opined they feel the HOA's case is solid. The following is a general itemization of costs if that path were taken, which is represented in this estimate for the Special Assessment:

- \$2500.00 for a professional land survey of relevant property and easement boundaries, plus
- \$6000.00 for HOA attorney fees, plus
- \$2000.00 for court arbitration fees (the Lot Owner would have to also pay the same fee or otherwise automatically suffer forfeiture... judgment against him), plus
- \$500.00 for other costs =  
\$11,000.00 divided by 311 lots = **\$35.37 per Lot**

Under our CCRs and state law, the prevailing party in an HOA litigation of this nature is awarded 'attorneys fees and costs'. HOA legal counsel has advised that while laws do state that, it is not guaranteed that one party will be awarded all costs. If the HOA were awarded some or all attorneys fees and costs the Board has the power to choose to credit all paying Lot Owners equal portion of awarded costs after expenses are paid. So it is possible that HOA members could see some money back from this in addition to the primary objectives of:

- protecting property values,
- protecting the future enforceability of the CCRs,
- reclaiming membership use of an easement section, and
- guaranteeing successful winter maintenance of a road section.