



FAQ: Bulk Trash Service Cancellation Impact on Assessments

In response to several inquiries regarding what impact cancellation of bulk trash services will have on assessments, please review the following FAQ:

1. Will monthly assessments decrease on 1/1/20 due to cancellation of the bulk trash services contract?

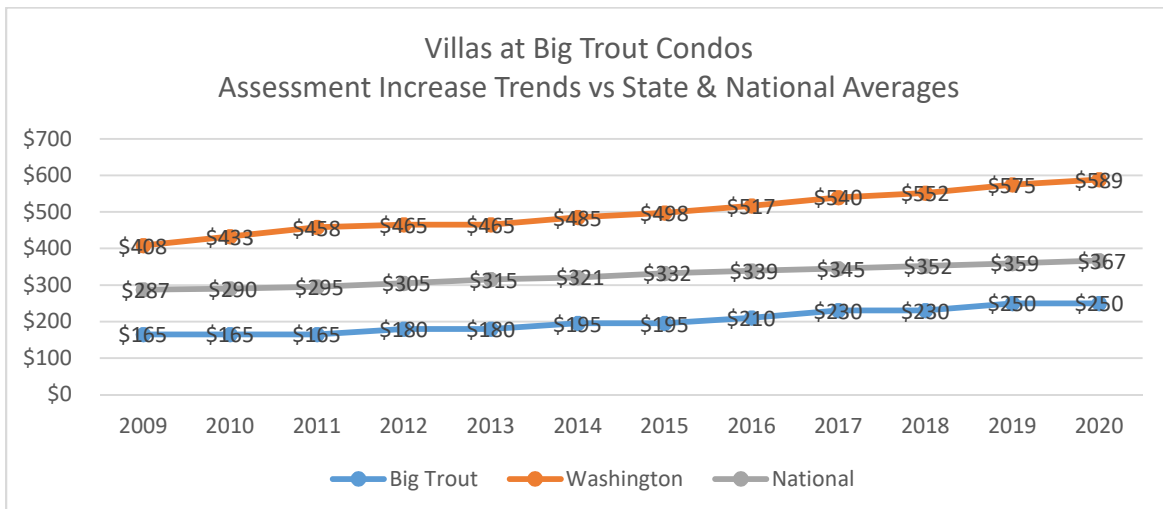
In preparing the 2020 Budget, the Board of Directors is again faced with the difficult decision to increase assessments or cut costs. As explained in the 'Notice of Bulk Trash Services Ending 12/31/19', the cost to continue the bulk trash contract outweighs the benefit of retaining these services. As such, the Board will propose a 2020 Budget that maintains current assessment rates while eliminating bulk trash services.

It may seem like a linear cause and effect for the elimination of a service to result in a decrease in assessments but with increasing utility and service contract rates and buildings that are coming of age, the prudent financial approach is to keep dues steady to ensure full funding of the operating and reserve budgets.

Except for in unique and extenuating circumstances, HOA assessments typically do not decrease. The variable nature of budgetary expenses and income collection trends makes it difficult to plan for every dollar expensed in a given year. To ensure there isn't a substantial budget shortfall, dues are kept steady at a rate sufficient to fund such variances. Additionally, inflation plays a substantial role in the steady increase of assessments. Barring economic collapse, the cost of goods and services typically do not go down and thus assessments must continue to rise to meet expenses.

Erratic changes in assessments are a financial red flag that negatively impacts condo values. Steadily increasing assessment rates are an indication of your Association's financial health. Lenders require an in-depth review of the Condo Association's financial health in advance of writing a loan; failure to set an appropriate assessment increase schedule will make it difficult for condo owners to get a home loan, which makes selling and refinancing very difficult.

The chart below reflects the Big Trout assessment history compared to State and National averages. Over the course of 11 years, the average annual assessment increase imposed by Big Trout is 4%. This average is on target with industry standard recommendations, which suggest an annual assessment increase of 3-5% in order to stay abreast of rising costs. However, Big Trout assessments are far lower than average, especially considering the amenities enjoyed by our condo owners. Associations that don't regularly raise dues are often faced with the impossible choice between the levy of a significant special assessment or forgoing vital maintenance.



2. Didn't the condo owners vote to raise dues earlier this year provided bulk trash services remain included?

No. According to Washington State Law and the Big Trout Governing Documents, budget preparation and approval is a power/duty assigned to the Board of Directors. When the Board first presented the option to eliminate bulk trash services or increase dues at the 2019 Annual Meeting earlier this year, an advisory vote was taken of the members present to help the Board in preparing a budget that serves the will of the membership. An advisory vote is simply a poll to help the Board decide its next steps, it has no legal bearing on decisions made by the Board of Directors.

The advisory vote yielded a narrow gap between condo owners that prefer to contract their own services vs those that prefer bulk services through the HOA (25 for vs 20 opposed to the bulk trash service contract). Such a narrow vote of this small representation of the community's voting power doesn't indicate a strong leaning one way or the other. When the community is split, the Board is forced to make the best choice possible based on advice from its paid industry professionals.

3. Who decides how much the dues will be?

As detailed in the answer above, budget preparation and approval is a task assigned to the Board of Directors. Pursuant to RCW 64.34.308(3), the Board approves and distributes a proposed budget to all owners, which is then ratified at the ratification meeting (to be scheduled in the near future). Budgets are automatically ratified unless 51% of the membership attends the ratification meeting to contest the budget. This means that 115 units must be represented in person or by proxy at the ratification meeting to oppose or the budget is considered ratified.

Keep in mind that the Board of Directors is comprised of condo owners like yourself that must also pay any increased dues. It's no secret that most condo owners are not keen on dues increases or special assessments. Your Board works hard to avoid significant dues increases or special assessments while also maintaining an appropriate reserve that will ensure the HOA's financial health and preservation of property values.

4. What do my assessments pay for?

HOA dues are divided into two parts: one portion goes toward monthly expenses known as the operating budget and the remaining money goes into a reserve fund. This reserve fund serves as a safety net for emergency repairs or unavoidable wear and tear. They're also used to cover long-term repairs and replacements such as roofs, streets/drives and exterior paint.

Big Trout's current and historical operating budgets are available for review on the Association's website: <http://www.bigtrouthoa.com/budget-archive.html>. The operating budget details how each dollar is expected to be spent in a calendar year. The more significant expenses include common area maintenance, insurance, utilities, cable/internet and management fees.

5. Does the management company get a raise when my dues go up?

No. In fact, Rockwood Property Management has never raised its contract fee in its 12 years of service to Big Trout. While fees will increase eventually, there's no increase projected in 2020.