



## **Special Assessment 2018**

At the 2017 Annual Meeting, the Board of Managers of Pend Oreille Shores Resort Association announced a **Special Assessment of \$220 per interval to fund several vital infrastructure projects**. While these areas have been constantly maintained over the years, weather, water, and age factors converged all at once to necessitate a more immediate, complete response. The Reserve Account has enough funds to continue our ongoing projects (bathroom remodels, flooring replacements, king bed installations, etc), but not to accommodate these important infrastructure projects. The possibility of a Special Assessment was mentioned in the Spring/Summer Newsletter 2017.

In keeping with the Board of Managers and Management's tradition of providing owners with as much information as necessary, this letter is being sent to you not only to advise you of this assessment but also to give you some insight into the decision and the Board's actions to minimize the chance of future Special Assessments. Pend Oreille Shores Resort has only had one other Special Assessment in its 34 year history (\$150 to purchase the property that accommodates our sewer drain field). According to some of our own owners, who own at other resorts, that is a very impressive statistic in not only the frequency, but the amount of the assessment.

### **Why is this Assessment necessary?**

In short, this assessment is necessary due to major capital expenditures coming due all within the same year.

As you may be aware, each year owners are required to pay an annual maintenance fee which includes an estimate of capital expenditures (repairs and replacements) which will be necessary to be undertaken by the resort within the coming year. The annual reserve estimation process assumes that these capital expenditures will be required over time and will not exceed the amount of funds being held in reserve. Unfortunately, the infrastructure projects described below were not forecast to occur all within the coming year and their combined costs will exceed the funds held in reserve.

The Board of Managers has also determined it to be financially imprudent to exhaust the existing capital reserve fund to partially meet the cost of these expenditures as it would not allow regular ongoing forecast repairs and maintenance to continue.

## **Infrastructure Projects**

The following infrastructure projects will be funded by the special assessment:

1. *Outer Dock and Breakwater (estimated cost \$150,000-\$175,000)* - Underneath the entire outer dock there is a wooden box built to break waves and protect the boats in our marina from damage during times of poor weather or high boat usage within Ellisport Bay. Over the last several winters, the Department of Lands has lowered the lake to unprecedented levels which exposed this wooden breakwater to air causing it to rot. This situation not only puts the boats at risk, but the dock itself could soon be unsafe for people. The breakwater that we are planning to install is a galvanized metal box that has a lifespan of up to 50 years or more.
2. *Parking Lot (\$100,000-\$115,000)* – The parking lot has been repaired and resealed as needed since it was installed 34 years ago. During the winter of 2016/2017 we experienced several weeks of single digit temperatures with warming periods in between. The frost heaves were responsible for water line breaks that required asphalt removal, further damaging the already deteriorating parking lot. The long term intense heat of the 2017 summer also added to the problem. Obviously, continuing to patch certain areas would not be a cost effective option at this point.
3. *Board Walk (\$65,000-\$75,000)* – Board walk replacements were undertaken in front of the C and D buildings during 2015 primarily for safety reasons. The wooden boardwalks can be very slick in all types of weather. Pavers, we have found, are safer and provide an easier surface for snow removal. Owners and guests have been extremely happy with the result. The Board of Managers has decided to advance completion of this project to coincide with the parking lot repairs for cost effectiveness and to minimize the time of inconvenience to the resort's guests.
4. *Sea Wall (\$60,000-\$80,000)* – During the summer of 2017 it was noticed that the seawall also suffered from the extreme temperatures. Small cracks have enlarged and in several places concrete pieces have broken off entirely. The integrity of the seawall was expected to last several more years. Once again, the effects of weather, water and age has required this situation to be addressed immediately. If untreated the sea wall could collapse, and with it the lakefront lawn would eventually collapse into the lake creating an unsafe and unacceptable situation.

## **Steps to reduce the likelihood of future Special Assessments**

The Board of Managers strives to minimize annual maintenance fee increases and has a long track record of assessing the owners of Pend Oreille Shores an annual fee which is currently over \$400 *below* the interval average in the industry (see comparison graph in the upcoming 2017/2018 Fall/Winter Newsletter). In addition, unlike many other timeshare resorts, Pend Oreille Shores has a stellar record of only two Special Assessments in its 34 year history. This current Special Assessment is the first one needed to fund infrastructure repairs and replacements

(the 2010 Special Assessment was used to purchase property to secure our sewer system). The Board has done an exemplary job of maintaining a healthy balance in the Reserve fund to cover scheduled upgrades as well as surprises throughout the resort's history. To continue that practice (and minimize the chance of future Special Assessments), the Board decided to increase the amount allocated to the Reserve each year from \$220,000 to \$260,000. To accomplish that, they specified that \$20 of the \$50 Maintenance Fee increase would go to the Reserve Account (from the 2018 Maintenance fee of \$625 to \$675 for the 2019 Maintenance Fee).

### **When is your payment due?**

The Special Assessment will be billed in January 2018. The Board of Managers has provided for multiple week owners in the following manner:

- (a) For owners who own 3 weeks or less, the \$220 per week Special Assessment is due upon receipt of billing. Interest charges for these payments will apply.
- (b) For owners who own 4 or more weeks, the \$220 per week can be paid in four quarterly instalments. Interest charges that normally accrue for partial payments will be waived for the second, third and fourth payments.

### **Authority of the Board of Managers**

The Board of Managers is authorized to levy a Special Assessment under Article IX, Sections 1 and 2 in the Third Amended and Restated Declaration of Condominium (1996) and Article V, Sections 1 and 2 of the Restated Bylaws (1999).

The continued care, concern and support that the Board, Owners and Staff show for this resort is the primary reason that Pend Oreille Shores has received RCI's most prestigious award, the Gold Crown Award, consecutively for the past 27 years (placing us in the top 1% both in North America and around the globe). Together, we have accomplished that feat while keeping the Maintenance Fees hundreds of dollars below the national average. The Board and Staff would like to thank you in advance for your ongoing support of our resort. It is indeed a gem which, if cared for properly, will be a legacy for generations to come.

Jon Heimbigner, President  
Board of Managers  
Pend Oreille Shores Resort Association, Inc.