



ROCKY RIDGE
PROPERTIES OWNERS ASSOCIATION

May 16, 2023

NOTICE OF SPECIAL ASSESSMENT

Over the past five years, at both the annual Homeowners' Meetings and when distributing the annual budget in November, we have discussed the issue with the Association's property insurance and the high increase in premiums.

As a reminder, our insurance resets in the middle of May of each year, and we do not get final bids from underwriters until then. Therefore, when we prepare the annual calendar budget in October/November, the Board must make an educated assumption on the increase in premiums that will apply from May 15 to the end of the year. For the past several years, the Board has estimated a sharp increase, only to have the actual premium be an even higher amount. Most years we are able to cover this difference through other cost-cutting measures. But as we have noted each year, in the middle of May, should the actual premiums be materially higher or lower than the estimate on which the budget is based, the Board will determine if an adjustment in dues is needed (either an increase or a decrease/rebate). You may recall in 2021 we had to increase dues for the last two quarters as the premium increase was too large that year to be borne by other line items.

Last week, our insurance broker informed us of the final proposal for insurance premiums for May 15, 2023 – May 14, 2024. While the Board had budgeted a 30% increase based on what had been seen in the market, the actual premium proposal was an increase of 273%. This was unpredictable at the time we made the 2023 budget and came as a shock to not only the Board but even our brokers.

As a summary of increases in the last years, see the chart below:

	2019	2020*/2021	2021/2022	2022/2023	2023/2024
Liability/Excess/Umbrella	\$ 123,043	\$ 190,000	\$ 413,639	\$ 658,470	\$ 1,794,629
increase from prior year		154%	218%	159%	273%
Crime/Auto/D&O/Marine/W-C	\$ 38,897	\$ 41,417	\$ 34,289	\$ 32,901	\$ 35,822

* Note in early 2020, the insurance moved from a reset date of Jan 1 to May 15 to match the pool RRPOA was in; at that time we paid a premium of 4.5 months at the prior rate; the costs above are for 12 month periods for comparison.

Obviously, such a shortfall in our budget cannot be covered by cost-cutting measures. Instead, the additional cost of the premium above the budgeted amount must be made up by a special assessment of all homeowners. We have reviewed the 2023 budget, reevaluating all costs and items line-by-line to see where there can be savings, and including additional expenses such as the insurance and some Winter

storm damage. After revising the budget, we have determined there will be a shortfall of approximately \$769,000 for the rest of the 2023 calendar year. Therefore, the Board, given the emergency situation, has approved a special assessment of \$7,500 per townhome effective May 15.

As per the Davis-Stirling Act, Civil Code section 5300(9) a copy of the Resolution approved by the Board is attached.

As an additional note, the full amount of premiums is due 20 days after binding the insurance, which would mean a payment of \$1.7M on June 5. Obviously, the Association does not have this amount of cash, so as per standard business procedures, we finance the premiums which we have done in the past. This does result in interest costs which further add to the overall cost of insurance. Under the current financing agreement, the Association will owe a 25% first payment on June 15, or \$449k. In order not to have to finance this amount as well, **we ask that all homeowners pay the assessment as soon as possible.** With this emergency unforeseen issue, we do not want to put the Association into a cash crunch and incur additional interest costs.

The Board has explored numerous other insurance options, and we continue to consult with our brokers and other homeowner associations in the Tahoe basin. We have found that Rocky Ridge is certainly not unique and that all associations have seen insurance premium rise exponentially. In fact, Rocky Ridge has been considered “lucky” in recent years that our insurance had not already tripled. It is not an option for the Association to go without insurance; we must have property and liability covered for the buildings – both the unit structures and the common areas. Again, the Board continues to look at other alternatives, but nothing has yet been revealed that is practical, legal and at a lower cost. If any homeowners have expertise in insurance or access to other modes of insuring the property, please contact our Board President.

The Board is aware of the burden this special assessment places on every member. A special assessment is not something the Board takes lightly and if not absolutely necessary would not be resolved by the Board. As homeowners, the Board pays all dues and the assessment as well, and we understand it is not a small amount that we are asking each unit to pay in a short period of time. If you have any questions, you may call one of us at the numbers below.

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