

SUDDEN VALLEY COMMUNITY ASSOCIATION
BOARD OF DIRECTORS MEETING MINUTES
THURSDAY, MAY 15, 2014
ADULT CENTER
7:00 PM

In Attendance:

Larry Brown, President
Carol Bauman, Vice President
David Narsico, Secretary
George Shaffner, Treasurer
Tom Doll
Melissa Lange
Tammy Woodin
Carol Houlton
Leslie McRoberts, N&E Chair
Jo Jean Kos, ACC Chair

Excused Absence: Mitch Waterman

Community Members: 2

Staff: Jeff Schlaack, General Manager
Michelle Miller, Accounting Manager
Amanda Becker, Administrative Specialist

I. CALL TO ORDER

A. The meeting was called to order at 7:00 PM.

II. ROLL CALL

III. ANNOUNCEMENTS

A. Director Kos announced that at the June 5th ACC Meeting, members of the Whatcom County Natural Resources staff will give a presentation on county regulations. The WCNR staff will have slides and will discuss basic critical area shoreline and watershed regulations with regards to residential permitting and hazardous tree removal. The presentation should begin at approximately 9:45 am in the Library Conference Room. It should last 20 - 25 minutes with a question and answer time.

IV. ADOPTION OF AGENDA

Agenda was adopted with the following amendment:

Under Treasurer's update: A. Capital Requests

V. TREASURER'S UPDATE AND VOTING AS NECESSARY

A. CAPITAL REQUESTS

GM Schlaack stated the request for architecture and design engineer services was unanimously approved by the Finance Committee. GM Schlaack said the project would develop specifications for Barn 7 (Library Barn), Mid-Barn, the Clubhouse, Marina Pavilion, and the AM/PM Beach Pavilion. The total cost "not

to exceed” is \$60,000 to be paid out of MR&R. He stated that EMB/Associa agreed to provide SVCA with \$24,000 towards Architectural Engineer Services, the additional \$11,000 is to be addressed later. Director Shaffner stated that Barn 6 (Ice Barn) and Barn 8 (Dance Barn) will be postponed due to the rebuilding of Barn 7 costing twice as much as expected.

MOTION: Director Shaffner motioned to approve the Capital Request as presented. The motion was seconded. The amended request passed unanimously.

Director Doll raised the question if it would be a benefit to finance some aspect of the project. Director Shaffner stated the banking search has been postponed, and until he is comfortable with how the collection rate and cash flows stand, it is not a good option.

MOTION TO AMEND: Director Woodin motioned to amend the phrase “has been interviewed by SVCA board and staff” to read “has been interviewed by *some members of the* SVCA board and staff”. The motion was seconded. The motion passed unanimously.

Director Woodin raised the issue that the sum of the work will be deducted from a future EMB/Associa invoice, which is paid out of operations, yet the funds will be spent from MR&R.

MOTION TO AMEND: Director Shaffner motioned to amend the capital request with the addition of “..., which will be deposited in the MR&R”. The motion was seconded. The motion passed unanimously.

Director Doll requested a point of clarification on GM Schlaack’s statement regarding \$11,000 to come from EMB/Associa, but was not included in the capital request. President Brown clarified that Debra Warren, of Associa, had stated in conversation that Associa would fund \$35,000 to Sudden Valley for purposes of project management in general. The oral commitment was not reflected in paper, but now there is a written statement that EMB/Associa is providing \$24,000 for this project and \$11,000 is to come at a later date. Director McRoberts inquired into what date we expect to receive the report. GM Schlaack stated J2’s intent is to have the report by the end of the month as they have already been on site with architects and engineers.

B. Treasurer’s Update

Director Shaffner stated the Finance Committee hopes to have drafts of the financials up through April at the next Finance Meeting, on Wednesday, May 22. The audit will begin on Monday. Director Shaffner provided a draft of the upcoming collection policy stating that as of March, the collections are up to 85% from 82%. He doesn’t believe the increase reduces the necessity to be fiduciary about collections. The rewrite explains in more detail the consequences of not paying dues. The rewritten policy has been sent for review to a lawyer, based in Seattle, which specializes in homeowners’ associations.

ACTION ITEM: Director Shaffner will forward the lawyer’s draft of a collection policy to all Board Members.

Director Woodin raised a concern regarding using another lawyer. Director Shaffner authorized a not to exceed \$250 to review the documents. Director Doll inquired whether Associa’s collection arm is engaged in the current collections. Accounting Manager Miller stated that in her experience since collections are state specific, it is best to find someone in Washington State to assist, rather than the Associa collections staff that is based out of Texas. Director McRoberts said it is common practice for a

board, even though they do have their own attorney, to indemnify another attorney for a specific purpose. Director Woodin raised the question on whether or not liens have risen significantly, due to the increased fee proposed. Accounting Manager Miller stated a filing charge for a lien is \$73, and once again to release the lien. In her opinion, no one in accounting has the background or personality to do collections, so going forward options must be discussed. One option is using a collections attorney, who is going to charge at minimum \$450 to file a lien. According to Accounting Manager Miller, the problem Sudden Valley has always come to is after the lien is filed. She recommends an attorney who can do garnishments, collection of property sales, and exercise those rights. Director Narsico stated that he would like the consideration taken that it may not be a case of willingness/unwillingness to pay but perhaps a case of ability/inability to pay. Director Shaffner stated that every case is unique and that will be taken into consideration at the time. Director Houlton believes the problem that has arisen has been from consideration and letting people not pay their dues. The plan is to motivate people; the consequences are truly for people who are resisting paying. Director Lange and Accounting Manager Miller stated the total outstanding is \$863,000 and a majority is not collectible. Director Woodin suggested the final draft be printed in the Sudden Valley Views. Director Houlton suggested the policy, as long as it remains short, be sent with the first late letter so the resident knows what to anticipate.

VI. CONTINUING BUSINESS AND VOTING AS NECESSARY

A. EMERGENCY HAZARDOUS TREE REMOVAL POLICY

Director Kos stated a newer version of the policy had been handed out at the meeting.

MOTION: Director Kos motioned the policy be approved and added to the ACC guidelines under section 14.10.5. Motion was seconded. The motion passed with one abstention.

Director Shaffner feels that there are different opinions on what the ACC needs to have approved by the Board. He requested the clarification be made. President Brown felt that was better discussed at another time. President Brown felt without the statement "severe weather or other natural disasters" the policy is far broader than was originally requested from the ACC.

MOTION: Director Houlton motioned to amend the policy by returning the deleted phrase "due to severe weather or other natural disasters". The motion was seconded. The motion passed with one against.

Director Doll inquired if there was reason to specify how a tree might be removed. President Brown stated on an emergency removal a professional may not be available to remove the problem tree.

B. N&E BYLAW CHANGE

Director McRoberts introduced the final copy of the bylaw change proposal.

MOTION: Director McRoberts motioned the proposed bylaw change be placed on the ballot for the 2014 AGM. The motion was seconded.

MOTION: Director Woodin motioned to refer the proposal to the Document Review Committee for review. The motion was seconded. The motion passed with one abstention.

Director Woodin cited the conflicts with other areas of the bylaws:

Article III, section 6 conflicts with the proposed section A. The proposed change for Section C does not state impacts on 1 or 2 year terms.

Director Shaffner requested the Document Review Committee present a proposal to the Board with recommended changes.

C. REIMBURSEMENT TASKFORCE

Director McRoberts presented a proposal from the Taskforce.

MOTION: Director McRoberts motioned that the proposal be adopted going forward. The motion was seconded.

Director Woodin stated under Section 16. Powers in the Bylaws it states “may do all acts and things except those which are reserved for the members by the Articles of Incorporation, these Bylaws, or the laws of the State of Washington.” and in Section 23. Actions of the Board Directly Benefiting Board Member “with approval of the Board, a member may be reimbursed for expenses incurred in carrying out business of the Board” conflicting with the proposal that items under \$50 be approved by the Accounting Manager. President Brown reads the documents to state that the Board needs to vote on all reimbursements. GM Schlaack and Director Doll stated they understand the wording to state the Board can approve the proposed document without requiring a vote on individual requests. President Brown read in Article III C. Powers and Duties Section 16:

“Powers. The Board shall be responsible for the affairs of the Association and shall have all of the powers necessary and convenient to conduct the affairs of the Association and, as provided by law, may do all acts and things except those which are reserved for the members by the Articles of Incorporation, these Bylaws, or the laws of the state of Washington. The Board may not transfer any of its responsibilities to a third party. However, it may delegate the execution of any aspects of its affairs, provided that such delegation is accompanied by clear and specific definition of accountability, authority, performance, expectations, and the means by which performance will be measured.”

President Brown stated after reading the section in context he believes the bylaws are in favor of Director Doll’s interpretation, except they fail to meet the specific definition of accountability, performance, and expectations.

MOTION: President Brown motioned to refer the document to the attorney for review prior to approval. The motion was seconded. The motion passed unanimously.

D. RENTAL AND LEASING POLICY DISCUSSION

President Brown presented a handout with the current bylaws regarding leasing, along with some proposed registration ideas.

ACTION ITEM: President Brown requests the Directors read the handout and be ready to discuss it in two weeks. The Directors are to bring ideas they would like included in the rental and leasing policy going forward.

The final copy will be written by President Brown and presented to the Finance Committee, since it may impact the collection policy.

ACTION ITEM: Staff is to request EMB/Associa to send leasing/rental policies that are in place/standard practice as an example for the Board.

E. SVCA BOD PAST MINUTES

Director Bauman organized a team to begin the process of going through decades of old minutes to end with one set of complete minutes. The team found the older minutes had 2 - 3 copies of one year. In the oldest versions that had multiples, some years were just Xeroxed; yet in the more recent versions that had multiples, the books were mixes of Xeroxed copies and signed originals.

MOTION: Director Bauman motioned to be permitted to locate all the original copies and collate them into one volume, also to add in the agenda packets, and then to take the original completed volume with agenda packet, scan it in, and place it on the website. The proposal is to get teams of two assigned to a year that once complete will be signed off by the team with their division and lot information. The motion was seconded. The motion passed unanimously.

Director Houlton stated the intention of the document is, once signed, to be placed as the cover page of the document. Director Lange requested the team notate unofficial/unsigned minutes. The final location of the Official Minutes is still to be determined.

VII. NEW BUSINESS AND VOTING AS NECESSARY

A. COMMITTEE MEMBER APPROVAL

MOTION: Director Kos motioned to approve Suzanne Blangsted, a member in good standing, as a member of the Architectural Control Committee. The motion was seconded. The motion passed with one abstention.

MOTION: President Brown motioned to approve Carol Bauman, a member in good standing, as a member of the Document Review Committee. The motion was seconded. The motion passed with one abstention.

B. SUNSHINE ROOM

Director Lange addressed the issue of the Sunshine Room being included in the YMCA contract. When the lease was originally discussed some concerns were raised about the Sunshine Room being included in the YMCA lease due to the fact that moms of Sudden Valley built the room and did not want to join the YMCA to utilize the room. The YMCA lease includes the Sunshine Room and they would like to use it for daycare purposes. President Brown and Director Lange discussed relocating the room but the moms would like it to stay at the Community Center. President Brown stated he had a discussion with Dan Powell of the YMCA. Dan stated the YMCA is trying to provide a service for parents. Dan would like to meet with Director Lange and some of the moms to try and find a solution that will work for everyone.

C. FLY-IN

Director Houlton gave an update on the status of the Fly-in. A brief overview is that Renton cancelled the fly-in at the last minute so Sudden Valley was asked to host. Chief Bullock and Deputy Chief Darmanin have been working hard to work with the appropriate people to coordinate the event. The problem is the Seaplane Pilots Association is having issues with the Aquatic Invasive Species (AIS) Act. Sudden Valley has helped get them in contact with Teagan Ward, the coordinator of AIS. They are negotiating a contract for the event, and going forward, that will satisfy both parties. Director Shaffner suggested that perhaps the fly-in not be a yearly event.

Director Houlton stated the fly-in is done to learn new emergency procedures and keep them up to date.

D. CREEKSIDE CAFÉ

Director Doll stated he understood from Mary Jayne Veljkov that quite a bit of money has been put into Creekside Café to open and wonders if the Board should assist with any of those funds. Director Lange stated when she and GM Schlaack met with Mary Jayne it was expressed that all costs to upgrade the Café were to fall on the tenant. GM Schlaack reported, per Mary Jayne, according to the County Inspector Carl the café would not have passed inspection to open regardless of who was opening. Director Shaffner stated that if something needed to be fixed due to code change they will be fair in negotiating that, but Mary Jayne did sign an “as is” lease.

ACTION ITEM: Director Lange and GM Shlaack will discuss the matter outside of the Board Meeting.

Director Shaffner stated that once there are quantifiable numbers and issues to be presented they need to be brought to the Finance Committee, and then presented to the Board.

ACTION ITEM: Director Doll requested Admin Specialist Becker e-mail him a copy of the Creekside Café lease.

E. ADULT CENTER EVENT USAGE

ACTION ITEM: Director Houlton requested the Board of Directors review the handout and be prepared to discuss at a later date when a more formal proposal is returned.

F. SUSPENSION OR REPEAL OF BOARD BUDGET TIMELINE POLICY

President Brown stated the board has an outdated policy that needs to be acted on by suspending for a year, repealing or revising. The policy is overly complex. Director Shaffner stated the policy was created with the idea that future Boards, Finance Committees, whoever is working on the budget do a bottoms up budget. In his opinion it is an expensive and complex process and tops down/offset is a better way to do a budget. Director Shaffner would like to ask Director Waterman to develop a CRRRF plan for 2015 with GM Schlaack and staff, Pug Edmonds to develop a MR&R budget with staff, and Accounting Manager Miller to develop an offset budget. Director Shaffner will discuss with them all the priorities for 2015. Director Woodin doesn't like the idea of a top down budget because at the 2013 AGM the budget presented was never approved by the Finance Committee. Director McRoberts stated she recommends that the policy be suspended this year and be revised going forward.

ACTION ITEM: President Brown requested the Board bring input to the next meeting regarding their opinion on how to handle the issue this year, and potentially going forward.

VIII. PROPERTY OWNER COMMENTS

- A. Resident stated as far as liens go and the whole process of liens, and the collection policy, Gil has always done well taking it toward liens. The main issue is most properties are still in people's names, who no longer own the property, due to the banks not wanting to be responsible for dues. There are or were 20+ properties in some state of foreclosure. How do we guarantee the notification goes to the right person? The resident also said in regard to Director Shaffner's budget there will be a \$500,000 loss because he chose not to go with the budget the members voted on.

IX. BOARD COMMENTS

- A. President Brown stated in regards to liens and who to file against is a known difficulty. The main problem being if a bank has taken some action but has not taken the house into full foreclosure. The benefit of having an attorney is we can maximize our resources in related cases and protect every owner of the community.
- B. Director Lange stated, when attending a seminar, a good portion of the seminar was spent on collections of delinquent accounts. There are properties where the bank has started the foreclosure process but has not completed the process. The main purpose for not completing the process is then the bank would be liable for dues. In regards to rundown properties, the Board/staff needs to contact the County Health Department. The County is liable for those types of properties. Sudden Valley takes the owner to court and name the county in the suit so Sudden Valley can be reimbursed for the amount spent to take care of the issue.
- C. GM Schlaack has sent in a complaint regarding the property on Little Strawberry in October and has not heard back from the county. President Brown stated we may have to send out a lawyer letter to the previous owner, the county, and the bank. He said in regards to a total teardown, perhaps we can partner with Restore and Habitats for Humanity.
- D. Director Shaffner feels that suing banks needs to be looked at on a case by case basis as a good business practice.
- E. Director McRoberts read off the calendar for the AGM. As of July 25, which is 100 days prior to the AGM, at the board meeting closest to that date serious discussion of any measures to appear on the ballot should take place. She stated that by the middle of July, the Directors should know exactly what they want to put on the ballot and be ready to discuss it. The Board Meeting, around August 22, is when the Board will approve the agenda and the final measures to return to the N&E.
- F. Director Kos stated the Architectural Control Committee approved a house to be built at the meeting earlier today. Also, while listening to the radio on 790 AM, there was a discussion about homeowners' association. They were talking about how Sudden Valley was a great homeowner's association that had inexpensive homes and lots to build on. The radio personnel also reported that the dues were reasonable.

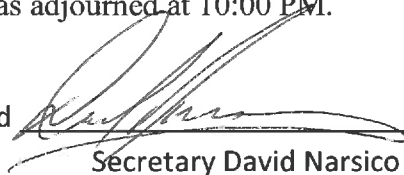
X. CLOSED SESSION

Closed session was called at 9:38 PM

XI. ADJOURNMENT

The meeting was adjourned at 10:00 PM.

Board approved


Secretary David Narsico

/ Date

5 June 2014