

BUDGET AND ELECTION OF BOARD MEMBERS
COMMUNITY MEETING FEBRUARY 21, 2017

The meeting was called to order at 7:00pm by Richard Caron, Board President. There were approximately 40 property owners, plus eight board members and the office manager in attendance at the meeting. Agendas, ballots, nominee bios and copies of the proposed budget were made available as well as current phone rosters.

Richard Caron introduced the Board Members: Teri Camus Treasurer/Secretary, Robert Finley-Beach Attendants, Vince Marbella-Hearings, Blair Humes-Lake Management, Leon Stevens-Vice President/Security, Marv Peterson-Architectural Control Committee and Laurie Swetkovich – LakeLand Village Community Club Office Manager.

Board Members Absent: Maureen Allen, Public Relations.

Richard Caron spoke on the one-time \$40.00 assessment and its need. About six years ago the Board of Directors was sued by a homeowner, who thought he had been treated unfairly by the Architectural Control Committee (ACC) regarding a project permit for his house. The Board of Directors has insurance to cover this type of thing. It went to court with the insurance company representing the Board of Directors and paying all costs of the lawsuit. The board won every aspect of the litigation and the insurance company was awarded a five figure amount from the court, which they refused to collect. The insurance company turned it over to the board to collect the awarded amount. The homeowner did not have assets to pay the amount owed. The insurance company refused to insure the board again. We went out to bid on an insurance policy and because of the litigation, even though the board won the suit, the insurance rates went from \$2,000.00 a year to \$7,000.00 a year for liability insurance.

Two years ago a full-fledged business moved into a division without the knowledge of the board or ACC. This was a legitimate, nice business but they violated our covenants as well as Mason County code. The Mason County said it was the board's problem. Through negotiations and our attorney we successfully got the business to move from the village back Belfair. This is the third time a business has tried to move in the village over the past ten years. This cost us approximately \$16,000.00 in attorney fees. We could not set the precedence of allowing a business to operate within LakeLand Village. Since this time Richard has written a Resolution to address what is allowed in the village, we all know we have people who live in the village who babysit, clean houses, pet sit and yard care, these are incidental uses. The difference is they do not have customers or clients come to their homes on a daily/hourly basis.

As we finished with the business, we had an issue with a nuisance/drug house in Division 2. The homeowner was a heroin addict and was renting out rooms and bunk space in the house to any number of people who were also drug users. There was drug use, selling of drugs and illegal activity at the house. The Sheriff's Office had responded to the house 60 times and 55 of those time were founded. They made arrests for assaults and found stolen property. It was destroying the neighborhood. Homeowners on the street had tried

to sell their homes and could not because of the drug house. The property values were dropping.

We had liens on the property for failure to pay HOA dues for five years, numerous letters for covenant violations, fines, warnings and we were being ignored. This was the perfect situation because there was no mortgage on the property. The board contacted the attorney and filed a lien foreclosure on the property. This took six months and the association was awarded all attorney fees. Two days before the house was to go to a Sheriff's sale a flipper came in and bought the house outright from the owner. We were paid our attorney fees of approximately \$45,000.00 and the company immediately started to refurbish the house.

It is the opinion of the Board of Directors that we did the right thing and protected the neighborhood. The issue is, if it happened in one neighborhood it can happen in another and we have to be vigilant in situations like this and do what we can to prevent it. There is some controversy that too much money was spent and that the board should not have gotten involved at all. Contrary to popular belief, the board did not jump into the decision to do a lien foreclosure. The board had taken every other avenue to resolve the situation; contacting the attorney for a lien foreclosure was the last step.

Bob Davis stated, the board should have let the Sheriff's Office or Mason County take care of the situation. Bob stated, there is a law that says the county, through civil proceedings, the county prosecutor will declare the house a public nuisance and in a civil suit will take over the house at no cost to the association. Bob added, you can also appeal to the Attorney General for the State of Washington and this was not done.

Richard Caron responded, the county was contacted and they were not able to help. The board also appealed to the Sheriff's Office and were told the homeowner's association would have to handle it.

Richard Caron stated, the one-time assessment of \$40.00, is not a large amount of money and would not cover the total amount spent on the last legal issue. Because of the amount of money being spent on legal issues the board stopped all discretionary spending for the capital improvement areas unless it was a safety issue. Now we need to catch up on the improvements needed. The board has received bids on the cart path behind the lake and the brick barbeque at the gazebo. The gazebo roof leaks, the restrooms need to be cleaned and painted, at times the toilets need to be replaced because of vandalism. We have had requests for security cameras in the common areas and at each entrance to LakeLand. The board received a bid for the common areas only that was \$7,000.00 and \$4,000.00 each, for a camera at each entrance. The security cameras are not a top priority at this time but they are something the board will continue to explore. A portion of the \$40.00 one-time assessment per property will go to rebuild out capital improvement fund, the remaining will go into the professional services earmarked for future attorney fees. The money will not be used for anything else besides future attorney fees.

Bob Davis asked if Richard Caron would address the reserve fund in comparison to money in the bank and how much money is needed per RCW 6438, which is accumulated in a reserve fund for things that are not accounted for. Richard Caron stated the RCW's suggest having a reserve fund. Bob Davis stated, RCW 6438 has a list of items on how to run a non-profit association and it is administrated by the Secretary of State's office and the police action is from the Washington State Attorney General's office. To do away with a reserve fund is a way for an association to collect more money than the law provides. If you have too much money in a reserve you will lose the non-profit designation. What is normally accepted by law is two months of operating cost which should be around \$38,000.00, we already have this built into the budget. What concerns me is by saying that something says you shall do it, but it is not mandated and you don't follow it, you should have a reason for not following it. This law was written to protect all the members of the association and to assist the board members of the association. The bill was purposely written in layman's terms so we could all understand them and if you have a question you can call the Secretary of State's office and they will help.

Richard Caron stated, the board has not done away with the reserve fund, there is \$37,000.00 in the fund. There are three exemptions to the RCW's as it applies to a reserve fund. If the cost of a reserve study is over a certain percentage of the annual budget you are exempt, if the cost of a reserve study would be an adverse effect/burden on the association you are exempt, and if you do not have significant assets you are exempt. Richard Caron stated, the reason he would like to change the name of the reserve fund is because every time the term reserve fund is mentioned, someone asks, when was the last reserve study done? LakeLand Village does not qualify for a reserve study.

Keith McGregor stated on the proposed budget there is a \$37,000.00 in a reserve fund. Plus you are asking for an additional \$40.00 per lot which is another total of approximately \$36,000.00, with \$10,000.00 of that being allocated to an undefined capital improvement fund. I think you are asking a lot of the homeowners to pony up that much money for something that is undefined when you already have \$37,000.00. For the last twenty years this budget has been worked over and we always seem to get by with it. But we don't need the one-time assessment. Richard Caron responded, the \$40.00 one-time assessment will not be used to balance the budget, it is in case we have another litigation.

Bob Davis stated, the legal litigation with the drug house were not needed. The county has a policy to deal with these issues. You could have gotten the Attorney General Office involved and gotten the media involved.

Blair Humes stated, to get a little clarification the \$37,000.00 reserve fund is there for unforeseen events and what the additional \$40.00 one-time assessment is for future litigation if needed and for capital improvements that haven't been attended to in the past year, like the barbeque area and cart path. Richard Caron responded, the capital improvement fund that we normally have was used for legal fees. The \$37,000.00 in reserve is going to stay in reserve, is not budgeted for anything, the \$40.00 one-time assessment, \$10,000.00 of that will go into the capital improvement fund to fix the items

stated earlier the barbeque, cart path and restrooms and the remainder will be held for future legal litigation if needed.

Teri Camus reported, we do have our anticipated capital expenditures, the board has asked for bids on items needing repairs. So far the bids we have received are to rebuild the brick barbeque at \$1,500.00, re-pave areas of the cart path at \$3,200.00, stairs to the playground/restroom area and railroad tie wall in the playground area are estimated at approximately \$5,000.00. The gazebo roof is leaking and in need of repair which the board will be going to bid on. The security cameras is on the list and we only have one bid of \$6,900.00. In the past we have kept about \$10,000.00 in the capital improvement fund. Because our budget has been so tight the last few years starting with the dam valve replacement of \$17,000.00 and other improvements that were done earlier in the year. The capital improvement was depleted to zero. Then the unexpected legal cost. The five percent increase we are talking about will increase the HOA dues from \$167.00 to \$176.00 per year, which is a difference of \$9.00. LakeLand Village is a unique community with the lake, our picnic area, fishing docks, community events, these are all things that sets LakeLand apart. I understand that everyone has a budget, but a one-time \$40.00 assessment is not a lot to give us peace of mind, have a special legal fund and help fund some capital improvements, that is held separately from our reserve account. The \$37,000.00 reserve account is three months of operating expenses if a major catastrophe happens. I want my property values to continue to go up, there have been numerous home sales, and we want our common areas to be maintained.

George Funk stated, I have been in many homeowner associations over the years and this is by far the most effective homeowner association and the cheapest in terms of dues and assessment that I have ever been in. Which causes me to say look, you have this board spending a lot of time every week, every month, for free and if this is what the board decided is needed, then that is the way we should go. In my neighborhood we are in good shape now, but three years ago there was a house growing marijuana, before it was legal, the other house down the street was a problem because of thefts. During that time I contact the Architectural Control Committee and they did everything they could within the covenants. The questions that everyone raised were good but they are peanut issues when you consider the total number of people who live here, the size of the association, probably the cheapest dues around and probably the biggest homeowners association in Mason County. I would like to ask everyone here to support the board, you can always go to the monthly Board of Directors meeting and ask questions of how much is being spent and why. I would like to thank the board for everything they do.

A comment from the audience, the gazebo is leaking, if we do not replace the roof how much time do we have until the entire structure will have to be replaced? Richard Caron responded, until I met with the mason at the barbeque in the heavy rain, I did not realize how bad the roof was leaking. I think the cedar roof is the original. What the board plans to do is put out an email to the community asking if there is an experienced roofer out there that would volunteer to oversee the re-roofing project and the association will supply all the materials and grunt labor.

Robert Finley stated, as for the board working for free Richard Caron does a lot of the labor for free.

Alex Watts asked about the approximately thirty six percent increase to the admin budget. Teri Camus responded, in the past we have had admin working twenty to twenty five hours a week. What we have seen over this past year is the community growing and the office manager position is getting more and more involved. With all of the legal issues the office manager has had to put in a ton of extra hours. We have went over budget with the admin salary each year, now we have budgeted for a thirty hour work week and the office manager position is now a salaried position so we will stay on budget.

Teri Camus reported, when you look at the proposed budget revenue, with the increase of HOA dues, it is \$162,624.00 and the budgeted total expenditures is \$171,082.00 this is not a good budget. There are several items that are increasing that we have no control over like, salaries, lake maintenance and equipment maintenance. One of the things the board has done to increase revenue was increase the transfer fee from \$50.00 to \$140.00 on the purchase of a home. In the past when a home was sold, the homeowners association has paid for the name sign for the new owner. The sign line item which is \$6,000.00 for the upcoming year will be canceled out by the transfer fee. Also, the bad debt line item of \$5,097.00 was for foreclosures that were forecast to close in the next fiscal year, but have actually closed early. Looking at the foreclosures that are still on the books we expect the bad debt amount to decrease to \$1,000.00 for the 2017/2018 budget, which now puts the budget back in line.

Bob Davis stated, I will tell you how to save money, I have a problem with the way the attorney itemizes contact on his invoices. I would like to take this time to personally thank the board and Laurie for putting up with me. We have a problem with LakeLand Village Security and the cost of Security is \$31,214.00 per year with a hidden cost that is not in that cost. I asked for permission to put out a community email for the information to oppose the budget and was turned down by the Board President.

Keith McGregor asked, in the future can each line item be broken down to show what expenditures fall under each line item and the capital expenses the board is expecting for the following year. The board had discussed this as an option and it will change next years proposed budget to include these items.

Laurie Swetkovich read the results from the election, they are as followed:

All three Board of Director nominees were elected, the 2017/2018 budget was ratified, the one-time \$40.00 assessment was passed and the 2016 audit was waived.

Number of Ballots Received in person - 29
Number of Proxies - 90
Total Ballots and Proxies - 119

Teri Camus - 112
Diane Wilcox - 110
Marv Peterson - 110

Ratify the 2017/2018 Budget Yes – 111 No – 6 Left Blank - 2

One-time \$40.00 assessment Yes - 99 No – 18 Left Blank - 2

Waive 2016 Annual Audit Yes – 92 No – 19 Left Blank - 8

It was moved, seconded and unanimously approved to destroy the ballots. The meeting was adjourned at 7:42pm.

Respectfully submitted,

Laurie Swetkovich, Recorder