

IIMC BUDGET RATIFICATION MEETING 03/02/2023

President Al Miotke called the meeting to order @ 7:21pm.

Attending board members introduced themselves: President Al Miotke, Secretary Samantha Hughes, Treasurer Michael Frederick, Trustees Matt Coughlin, Tony Scoccolo, Carla Gianini, and Amy Meharry.

Rules of Decorum: Al began the meeting by reminding everyone to observe the rules of order/decorum that we use at our annual meeting. There will be a 2-minute limit per member during open discussion. Please do not interrupt or speak over other members.

Al invited trustee Amy Meharry to speak to the group:

- Amy disclosed that she is a Community Association Attorney outside of the board and has volunteered her time and services to Inlet Island Maintenance Co.
- Amy began explaining the reasoning for the budget meeting and the board's efforts to ensure they are following Washington State HOA laws.
- The board was informed about the need for a budget ratification meeting at the monthly board meeting on 07/14/2022. Amy reviewed the budget ratification process under WUCOIA (Washington Uniform Common Interest Ownership Act) established in 2018. Any limitations set forth by our by-laws are superseded by this law.
- Reviewed specifics of Budgets RCW 64.90.525:
 - o Unless a majority of the association's homeowners reject the budget, the budget and the assessments in the budget are ratified, whether or not a quorum is present.
 - o Explained difference of annual dues versus special assessments budget
 - Motion was made by a community member at annual meeting on 05/18/2019 to amend the by-laws and raise the dues to \$200/year until 2025, at which time they would automatically go up to \$250/year. Motion was passed. Motion was voted on in June-July of 2020 and passed with increase of dues to begin fiscal year of 2021-2022. The board is not increasing the annual dues.
 - The board is proposing a special assessment based on reserve study.
 - The recommended special assessment for 2023-2024 fiscal year was \$160,000 (\$358/lot). The board agreed this was unnecessary and lowered assessment amount to \$67,050 (\$150/lot).
- Reviewed specifics of Reserve Study RCW 64.90.535-560
 - o IIMC has never had documented reserve study.
 - o Multiple community members asked why this process is necessary: Amy referenced RCW 64.38.090 regarding exemptions from law:
 - Cost of reserve study exceeds 5% of association's annual budget
 - Association does not have significant assets
 - There are ten or fewer homes in the association
 - o IIMC does not meet the exemptions listed above

Al and Amy directed the meeting to open discussion:

1. Electric Bill
 - a. Secretary Samantha initiated this topic based on FB feedback.
 - b. IIMC pays for commercial electricity and reviewed the last couple months of bills
 - i. Electricity
 1. January \$473.04
 2. February \$459.98
 - ii. Natural Gas
 1. January \$290.11
 2. February \$294.70
 - c. Board acknowledges that there is a significant increase in colder months for these 2 bills because of the lack of insulation and prevention of pipes freezing.
 - d. Board explained the \$470 is budgeted only and if the bill is lower they will only pay the bill amount. Any money left over in the electric and gas bill budget can go towards next year's reserve fund to hopefully lessen the potential of another assessment.
 - e. Community member made recommendation to contact PSE and see if there is an option for paying same monthly and potential for receiving surplus check. Board agreed to look into but reminded attendees that this is a commercial property and same benefits to residential owners may not be granted for IIMC.
 - f. Community member requested that IIMC only pay what bill states.
2. Is IIMC considered a HOA?
 - a. Multiple community members asked for clarification on whether Inlet Island Maintenance Co. is considered a HOA.
 - b. Yes, IIMC is considered a homeowners' association with oversight for park property only.
 - c. Under Washington law, IIMC is a homeowners' association despite its limited governance to manage the park assets, conduct/behavior at the park, and collect assessments from owners to pay for the maintenance, repair, and replacement of the park assets. The Homeowners Association Act (HOA Act) RCW 64.38 defines this community as a homeowners' association.
 - d. RCW 64.38.010 "Homeowners' association" or "association" means a corporation, unincorporated association, or other legal entity, each member of which is an owner of residential real property located within the association's jurisdiction, as described in the governing documents, and by virtue of membership or ownership of property is obligated to pay real property taxes, insurance premiums, maintenance costs, or for improvement of real property other than that which is owned by the member. "Homeowners' association" does not mean an association created under RCW 64.32 or 64.34.
 - e. Prior to the enactment of the HOA act, IIMC was defined as a joint and mutual association (see Article III of the Articles of Incorporation).
3. Clubhouse Rental Funds
 - a. Community asked why income from clubhouse rentals is not located on budget. Board explained that the clubhouse funds are transferred into a petty cash fund.

- b. Petty cash fund is used by the board to fund urgent/emergent expenses that cannot wait for check to be sent by bookkeeper.
 - c. Fund has an official ledger and maintains all receipts and transactions by Board's Secretary.
 - d. Multiple members asked what specific items have been funded out of the petty cash. It has been used to purchase a new refrigerator that went out when the clubhouse was being rented and was needed for event. Also funded the supplies for the swim dock ramp to prevent injury. Funded miscellaneous supplies like light bulbs, cleaning supplies, and dog bags.
 - e. Board understands disagreement from community and is initiating a CPA audit to recommend how these funds can be managed moving forward.
- 4. Outside Services – added expense of \$1,755 in March
 - a. Member asked for clarification on what this added expense if one time a year.
 - b. Board explained that our key master responsible for handing out fobs and cards is paid annually for his efforts throughout the year.
 - c. Multiple members asked clarifying questions because they thought he was volunteer only and did not realized he was being paid.
 - d. Member questioned compliance to by-laws citing By-Laws Article 4, section 6 that no trustee or officer, except the managing agent, shall receive any salary or compensation for the corporation. Board expressed understanding of the by-laws and clarified that key master is not a trustee or officer of the board. Additional references of old by-laws stating members cannot be compensated and board clarified that they are following the By-laws Amended and recorded on 02/06/2006, under Pierce County Auditor, file no. 200602061108. Member disagreed and stated these are not the correct by-laws. Board member Amy confirmed the by-laws listed on the IIMC website are the accurate ones.
 - e. Member volunteered to be key master for free. Board got name and will discuss at next monthly meeting.
- 5. Recurring Special Assessments
 - a. Member asked for clarification if the \$150 will be reoccurring in future years.
 - b. Board explained that our reserve study identified that a reserve account of approximately \$300,000 is suggested to provide repair, replacement, and maintenance for park assets. IIMC does not currently have a reserves account and will continue to add funds into a new account on a yearly basis.
 - c. Board shared that they will review expenditures from the current fiscal year to determine if a special assessment is needed for the next year. Per RCW 64.90.525 the board can propose a special assessment at any time to be voted on by the community.
 - d. Until reserves account is fully funded, the board anticipates a special assessment on a yearly basis, but the amount can change.
- 6. Voting per lot/owner
 - a. Multiple members asked for clarification regarding the procedures for voting per owner and lot.

- b. Board referenced By-laws, Article II (Membership), Section 1: Owners or purchasers of the tracts in the area described in Article II and Appendix A of the Articles of Incorporation, who shall have one membership regardless of the number of tracts so owned, and the interest of each member shall be equal to that of any other member, and no member shall acquire any interest which could entitle them to any greater voice, vote, or authority.
 - c. Multiple members shared their disagreement to this statement in the by-laws and feel that if they have to pay dues and assessment for each lot, then they should get a vote for each one as well.
- 7. Clubhouse Building
 - a. Multiple members asked for details on why special assessments are being asked for the clubhouse building when it is rented rarely and not available to all members.
 - b. Member volunteered to paint buildings for free. Board got name and will discuss at next meeting.
 - c. Suggestion from member that the clubhouse should be torn down and replaced with a covered picnic area.
 - d. Board member Amy stated that a vote of 100% of the association would be needed to demolish a park asset. Members disagreed and stated they will continue to explore this option, so money is not wasted on repairs.
- 8. By-laws
 - a. Member asked for clarification why the board is not following by-laws and denying access to the park for non-paying members and filing liens on properties. Member referenced By-laws, Article II, Section 4: No membership shall be forfeited, and no member shall be expelled except upon foreclosure for nonpayment or assessments. Board explained that they are not removing membership, rather than removing access to the park for being a non-paying member. Board referenced By-laws and Articles of Incorporation that grant permission of IIMC board to enforce liens, charges, and restrictions on members that violate governing documents or the rules and regulations of the association. Our documents indicate that members are liable for payment.
 - b. Member asked how we are allowed to require a \$200 annual dues when the by-laws and/or articles of incorporation indicates that annual assessments/dues should not exceed a specific amount. Board clarified that there are pending amendment changes to the by-laws that are indicated and documented in meeting minutes. Motion was passed and voted on in 2020 with approval. Annual dues increased to \$200 with an additional increase to \$250 in the year 2025. The board has not updated the by-laws because when we initially started that work, the board began researching the correct by-laws that need to be updated. Now that we know the correct by-laws version, the board will begin process to amend and update the by-laws based on community vote.
- 9. Landscaping
 - a. Member asked for clarification is monthly charge of \$1,000 is really true.

- b. Previous company was charging \$700/month and informed board of increase to \$900. The board changed landscaping services in 2017 after years of dissatisfaction with this company and planned increase.
- c. Board contacted 9 local landscaping companies and received 4 quotes back in 2017. Quotes ranged from \$850 - \$1200. Community member (and husband of board member), who owns a commercial landscaping business, submitted proposal of \$850. Board voted to go with community member's bid of \$850. Contract was signed in 2017. Price increased to \$1,000 in 2018 due to taxes and additional duties added. Landscaper maintains vegetation and grounds on all park property, cleans bathrooms weekly, rake out volleyball court, complete miscellaneous projects requested by board, and clean gutters and roofs of buildings. The cost of landscaping has not increased since 2018 despite increases in labor services and other costs.
- d. After receiving comments on FB about landscaping expense, the board is exploring additional quotes and they hope to get 4-5 quotes to review with community. The board recognizes that current duties of landscaper are not standard with typical lawn maintenance and they may have to break up services and pay separately if they go with another company. 2 quotes have been received:
 - i. Company #1 - \$1,761/month including all duties
 - ii. Company #2 - \$985/month not including all duties

10. Insurance Policy

- a. Community member asked why we are not filing a claim to pay for some of the repairs to the clubhouse and restroom building.
- b. Board explained that insurance policy will be used for vandalism that is not covered by responsible parties. So far, parents or guardians of vandals have covered costs, so no claim has been filed. Board pays for repairs up front and then bills responsible parties. The last few years of vandals have been caught because of our security system and key fob reports.
- c. Insurance policy can also be used for any property damage outside of vandalism.

11. Electronic Access for Community members

- a. Multiple members requested more electronic communication, access, and voting capabilities moving forward. They hope these efforts will improve transparency and communication between board and members. Board acknowledged and informed attendees that they are working significant updates on website to include password protected access for community to view financial records, so they are not public and add virtual attendance options and voting.
- b. Board is also working with bookkeeper to offer other electronic payment options outside Zelle.

12. Close Out

- a. Multiple members expressed gratitude to the board to their hard work and time.
- b. Board recognized that things did not go as smoothly as they were hoping for our first budget meeting but are thankful for feedback and will use it to make improvements for next year and following years.

Meeting adjourned by President AI at 9:58pm.
Minutes respectfully submitted by Secretary, Samantha Hughes.

Ballot Count

Thursday 03/02/23, initiated at 10:02pm, completed at 10:43pm.

Board members in attendance President AI, Secretary Samantha, Trustees Matt, Amy and Tony

Matt and Samantha organized all ballots received alphabetically to compare against sign-in sheet and resident list. Bookkeeper and Amy created excel spreadsheet of IIMC members to log votes and track approvals and denials. Ballots were counted and logged.

Ballots and sign-in sheet were packed up and sealed in box to transport to bookkeeper to audit the board's count and review the tally. Samantha will transport to bookkeeper within the next couple of days.

Bookkeeper, Dawn Dalton, audited and recounted ballots/proxies and confirmed the following totals:

113 properties were represented at meeting per the sign-in sheet

12 proxies

125 total ballots

1 ballot illegible (no printed name or address)

47 denials of annual dues budget

72 denials of special assessments budget

2 attendees were owners of multiple lots

Both the annual dues and special assessment budget have passed.

Budgets RCW 64.90.525:

- Unless a majority of the association's homeowners reject the budget, the budget and the assessments in the budget are ratified, whether or not a quorum is present.