



Cape George Colony Club

**BOARD OF TRUSTEES
Study Session**

3:00 p.m.

Monday, April 22, 2024

Via Zoom and in-person at the Clubhouse



Cape George Colony Club Board of Trustees STUDY SESSION AGENDA

Monday, April 22, 2024, 3:00 p.m.
In-person at the Clubhouse and Zoom

- A. Call to Order – President’s Comments and Announcements – Betsy Coddington.
 - A Special Meeting of the Board was held on April 17, 2024. A motion was made, and the Board voted in favor of revising the Marina reserve study dock replacement components, 2.81, 2.82 and 2.83. The revision changes the material of the deck replacements from an aluminum substructure with fiberglass decking to wood substructure with fiberglass decking.
- B. Letters from Members – Marnie Levy. One letter is attached.
- C. Manager’s Comments and Report – Marnie Levy. See attached report.
- D. Board Items for Discussion and possible inclusion on the Agenda for Thursday’s Board Meeting. Four possible actions: 1) Place on Board Meeting Agenda as action item; 2) Place on Board Meeting Agenda as an information item; 3) Move item to next month’s Study Session Agenda; 4) No action or further discussion required.
 - 1. Proposal for Bylaw Article III and FIN 04 change – Nancy Charpentier. See attached documents.
 - 2. Maintenance support personnel search – Marnie Levy
 - 3. Assessment and Fees: Please pay by auto-payment or mail check to Community Financials – Marnie Levy
 - 4. New water meter head installation – Marnie Levy
 - 5. Discolored water update – Marnie Levy
 - 6. Filtration tank installation – Marnie Levy
 - 7. Red Barn Structural Analysis. Next steps – Marnie Levy
 - 8. Update on pool equipment repairs – Marnie Levy
 - 9. Tree removal proposals – Marnie Levy. See attached.
 - 10. Delay lot mowing to protect to protect nesting birds – Pat Gulick

11. Village Mail Kiosk traffic – Marnie Levy
12. Memorial Park – an approximately 8.5 x 11-inch sign will be posted in Memorial Park for doggie playtime. Proposed wording is:
“2:30 - 3:30 PM, DAILY OFF-LEASH PLAYTIME FOR FRIENDLY DOGS.” – Marnie Levy
13. 4. 2024: Draught declared in Washington State – Marnie Levy

E. Member Participation

F. Open Board Discussion

G. Announcements

- Thursday, April 25, 3 p.m., Board of Trustees Meeting, in person at the clubhouse and via Zoom meeting.
- Thursday, April 25, 7 p.m. My Octopus Teacher, talk by Ali Redman, Curator of the Port Townsend Marine Science Center, and movie at the clubhouse.
- Saturday, April 20, 2023, 8:30 a.m. – 12:30 p.m. Earth Day Beach Cleanup.
- Wednesday, May 8, 9 a.m. – 12 p.m., CPR and First Aid Class at the clubhouse. Please sign up in the office.
- Wednesday, May 8, Soup Supper in the clubhouse. 5:30 p.m. – social, soup at 6:30 p.m. Sponsored by Jeannie & Tom Ramsey and Debbie & Ross Paulson.

H. Adjournment

COMMENT ON PROPOSAL FOR BYLAW AND FIN04 RULE CHANGES
April 18, 2024

Before we will support any change to the bylaws that increases the current cap on reserve assessments there needs to be clear restrictions on how reserve funds are distributed. We are required by law to have a reserve assessment done, but we are not required to fund everything the reserve study includes. There are three major areas of concern that need to be addressed. Only when these are defined will we be able to know what reasonable reserve funding should be.

First, most items that require a large investment should be done with a special assessment. That way, the people who actually pay the assessment will be getting the benefit. For example when the roads were paved, by a special assessment, everyone who owned property paid the assessment and received the immediate benefit. Now, we're being asked to pay forward into an assessment that will benefit future owners when we'll be dead and buried.

Secondly, emergency repairs should be limited to an appropriate repair and should not include improvements that go beyond what is necessary to maintain existing infrastructure. We need to clarify what an emergency is and make an appropriate response. In recent years we did a costly expansion to the marina jetty when there was never any emergency. Following that we did a costly "repair" to the berm that went way beyond a repair. With a few yards of cobble and a compactor we could have repaired the berm and then taken our time to better plan an upgrade if that was appropriate.

Thirdly, reserve expenditures should not be made automatically based on the reserve schedule. The decision to use reserve funds should be driven by the community and require community input and approval. All requests should come from the using group, but be carefully vetted and evaluated. With the exception of the water system it is very unlikely that our infrastructure would sustain major damage that would trigger an emergency. If we had major damage to the marina or to our buildings to the point where repair cost would be approaching replacement value then we should evaluate the cost and alternatives and make a decision as to how to proceed. Requiring a special assessment at this point will guarantee better control over how funds are spent.

With these considerations factored in, we may well find that our reserve is not as seriously underfunded as it appears to be. At any rate I will not support any rule change that does not address how we spend reserve funds.

Varn Brooks



**Cape George Colony Club
April 2024**

Manager's Report

It's Spring! Can you feel it? This is one of the happiest and busiest times of the year in Cape George! Friends are returning from winter escapes. We have welcomed about 30 new member households since last April, and there are several "new builds" in phases from ground-breaking to moving in! This means new neighbors, new friends, and new volunteers! Members are coming out to enjoy community events and we are busy in the office!

In the study session the Board and I will discuss some of the projects and events taking place. Please attend in person, or via Zoom.

I hope you all enjoy the season!

♥ THANK YOU!

Thank you to the Nominating Committee and the Election Committee! The annual Board of Trustees election time is near. In June ballots will be mailed to every member. The results of your votes will be announced at the July Annual Membership Meeting and board officers will be selected by the new sitting Board. This year there will be two new Board Members.

Two committees help to keep a vibrant, engaged Board of Trustees and ensure the election process is well managed from beginning to end. The Nominating Committee recruits members in good standing to run for the Board. The Election Committee is responsible for the integrity of the election process from beginning to end.

Many hours of volunteer work are involved and these committees both take their charters seriously! Thank you for your time and dedication!

STAFF

Two things have happened.

1. Eric Kolbe, our maintenance assistant, resigned. We appreciate the year he dedicated to Cape George and wish him well in his next endeavors!
2. We have three current pressing water projects (water meter reading system update, water flushing project, new filtration system installation), as well as all the routine spring and summer maintenance and community activities to support.

Thus, Cape George Colony Club management is currently advertising two part-time positions.

1. We will hire a seasonal landscape/maintenance worker to maintain the common areas, and possibly to assist with the water meter transmitter replacement project.
2. We will hire a part-time person who will be a maintenance person to assist and train with Donnie. This person will have an interest in all of Cape George and will assist under my supervision. We hope this job will be a maintenance apprentice who will learn and love working with all the systems at Cape George.

If you know of anyone who might be interested in applying for either position, please ask them to contact me by email, manager@capegeorge.org

Fitness Room

Two mirrors were recently replaced and in the winter two new fans and controllers were installed to keep the room temperature comfortable.

Pool Maintenance:

For the last few months, we have been working to stabilize the pool environment. We are working to complete repairs on the dehumidifier, boiler, and heat pump; the three systems that keep the pool facility comfortable and healthy.

Tree removal

In May we will be removing trees at the corner of Cape George Drive. The trees in question have a root decay pathogen that spreads from tree to tree. We will remove dying trees and plan to replace them with native trees that are resistant to this disease.

The Big Red Barn

A structural engineering company was engaged to assess the structural integrity of the Barn, and to make recommendations for moving forward. As of April 19, we have not received that report, but expect it any day.

Safety Check-up

A CPR Class will be taught at the Clubhouse on Wednesday, May 8, from 9 a.m. – 12 p.m. This class is open to all members and staff. If you would like to attend, please sign up in the office, as attendance will be limited! *Thank you to the Jefferson County Medics and Firefighters who are teaching this important and informative class, and to Diona Smith, who arranged for this informative and important class to be taught!*

Violations

Violations were sent to homeowners for unshaded night light violations, misuse of private property, and dogs being off leash.

Thank you for everything you do for Cape George!

Marnie W. Levy, CMCA® AMS®

General Manager

manager@capegeorge.org

360.385.2208

PROPOSAL FOR BYLAW AND FIN04 RULE CHANGES

Submitted by the Board of Trustees for Membership Consideration and Comment

This language of the bylaw change has been revised following legal review. The essence of the proposal remains, however we were advised on wording that brings our bylaw into compliance with current law. We need to add the requirement that the Reserve assessment must be ratified by the membership annually according to the same voting standard that is applied to the budget. This will result in an additional vote on the budget ballot specific to the assessment amount.

This proposal is presented to the Membership address the shortfalls in our Reserve funding. It is essential that diligence is exercised in the annual reviews of Reserves, and the next step will be to review our procedures and improve member participation in the final studies so a thorough financial review can be responsive should conditions change.

The following lists the details of the proposed changes, and this concludes with drafts of the actual amendments proposed to the Bylaws and FIN04 Rule themselves. The Bylaw change is being submitted to our attorneys for legal review to ensure the wording is in compliance with current laws, however the substance of the proposal will not be changed by any edits offered by the attorneys. We are proposing three changes:

1. Amend the Bylaw to adjust the base Assessment for Reserves to a fixed amount of \$586/member/year beginning in 2025. This represents an increase of \$23/month for each member over this year's rate of \$26/month. The total assessment beginning in 2025 will be just under \$49/month.
2. Further amend the bylaw to raise the cap from 2.5% to 'no more than 5%' in order to allow flexibility in keeping pace with inflation.
3. Allow some flexibility in the distribution method, and fix the net cash transfer into policy:
 - a. The Annual Assessment will continue to be distributed according to the Pro Rata method, which allows for flexibility when approved changes to the Reserve Study alter the proportionality of need.
 - b. Recognizing that priorities could require additional flexibility in revenue to individual funds, interest income earned on Reserve Fund investments will be distributed according to the judgement of the Board, if priorities require a bump to certain funds.
 - c. Net Cash will be distributed to the Fund affiliated with the Operating Budget that produced it. This is our current practice, but it is not dictated by policy so this will formalize the net cash confirmed by our annual audits will be distributed by the amounts remaining in their respective operating budgets.

The following are the proposed changes to the ByLaw and Rule FIN04.

Bylaw Amendment Proposed:

ARTICLE III GOVERNING BODY

A. THE BOARD.

1)

B. POWERS OF THE BOARD.

The Board shall possess and

1) **Payments, Charges, Fees and Assessments.** The Board may impose and collect payments, charges, fees, and assessments for the use, rental, or operation of the Common Areas and for the Common Expense.

.....

In addition to this assessment for the regular operation and ordinary maintenance of the Club, there shall be an annual reserve assessment collected for the future maintenance, repair or replacement of all or a portion of the Common Areas as set forth in the Club's then current reserve studies. As of January 1, 2025, the Assessment amount for the Reserve funds is reset to \$586 per lot per year. The Board of Trustees may increase the reserve assessment in future years by no more than five percent (5.0%) above the reserve assessment for the previous year. The proposed assessment must be ratified by the membership at the same voting standard as the budget. ~~, with the actual amount determined by the Board,~~ and further Amendment by a vote of the Membership July XX, 2024].

THE FOLLOWING IS THE REVISED TEXT WITHOUT EDITED MARKUPS:

In addition to this assessment for the regular operation and ordinary maintenance of the Club, there shall be an annual reserve assessment collected for the future maintenance, repair or replacement of all or a portion of the Common Areas as set forth in the Club's then current reserve studies. As of January 1, 2025, the Assessment amount for the Reserve funds is reset to \$586 per lot per year. The Board of Trustees may increase the reserve assessment in future years by no more than five percent (5.0%) above the reserve assessment for the previous year. The proposed assessment must be ratified annually by the membership using the same voting standard as the budget.

FIN04 RULE CHANGE PROPOSED:

RESERVE FUNDS

The policy and procedures that follow are governed in part by RCW 64.38 (Homeowners' Associations) and RCW 64.90 (Washington Common Interest Ownership Act) as now enacted

and as hereafter altered, amended or reenacted and all definitions and requirements are incorporated herein by this reference. Similarly, the bylaws of Cape George, especially Articles III, VIII and IX contain important budgetary and reserve references and are incorporated herein by reference. Guidance may also be sought in the requirements and pronouncements of the IRS, the AICPA and FIN 02.

Reserve funds are an essential element in the financial viability of Cape George Colony Club and are used to accumulate financial resources for future major repairs and replacements of existing assets. Reserve funds can be used only for items designated in the reserve study, except as provided below. The study is updated at least annually and reviewed as part of the annual budget.

1. The Reserve Study is a schedule of the major repair and replacement of capital assets within Cape George Colony Club.
2. Cape George currently maintains three distinct reserve funds, General, Water and Marina.
3. Reserve funds are provided through a combination of a routine reserve assessment, the year-end operating cash excess (net income) from the respective operating cost centers, and monies earned from Reserve fund investments.
4. At year end the annual reserve assessment is allocated to each fund on a pro-rata basis using the Club's then current individual professional reserve studies, and based on the full funding recommendation for each of the funds. Following the annual audit, the operational cash excess is allocated to each fund affiliated with the corresponding operating budget. Monies earned from reserve fund investments are to be distributed among the funds according to the judgement and vote of the Board of Trustees.
5. Expenditures from reserve funds may only be made by an affirmative vote of the Members, except in the case of a bona fide emergency. The total cost of the reserve item or project shall be submitted for Member vote.
6. Reserve funds are intended for the major repair or replacement of existing assets and therefore minor repairs should not be funded with reserve funds.
7. The use of reserve funds for feasibility studies, plans and other up-front expenditures that do not result in major repairs or replacement of existing assets should be discouraged.
8. Reserve funds may not be used to acquire new capital assets nor shall they be used for funding shortfalls in other fiscal areas or general budgeted operating expenses, except in the case of a bona fide emergency or as permitted by statute.
9. Loans may be made from reserve funds but must be repaid within twenty-four months. Notice of such loans must be hand-delivered or sent by first-class USPS to each owner of record. Internal interest may be assessed at the discretion of the Board.
10. If reserve funds taken as a whole do not contain sufficient funds for the major repair or replacement of an existing asset, Members may be asked to fund an additional special

4/17/2024

assessment to cover unfunded costs. This however does not mean that each individual reserve study item must be fully funded in order to be replaced.

11. Upon membership approval by ballot initiative, a **Special Assessment fund** may be established to accumulate funds for future expansion, improvement or creation of new community facilities or infrastructure. Such fund must be based upon professionally-provided estimates of the cost of such improvements and must be presented to the Membership for a vote compliant with the voting standard presented in ByLaw Article VI, Paragraph 4, Section (e). The source of funds for such a special reserve should also be specified and may include any or all of the following sources: general assessments, special assessments, fees, sale of Community property, and/or donations.
12. The **Operating Savings account**, or Operating Investment account, is **not** a reserve fund but rather an emergency operational fund. The account was established by a Member vote in 1996 and requires a minimum balance of \$100,000. Funds may be drawn for Board authorized purposes but must be repaid within twenty-four months and full disclosure must be included in the minutes.
13. In the event of a bona fide emergency, the Board may be required to authorize the expenditure of reserve account funds without seeking prior Member approval. A bona fide emergency shall be considered by the Board to be an event that is immediate or emergent in nature and was not reasonably foreseen or anticipated to occur during the current year.

Any revision to this policy must be published in the Newsletter prior to a hearing before the Board of Trustees held to validate and adopt the change.

Adopted by the Board of Trustees, August 10, 2006.

Adopted by the Board of Trustees, July 16, 2009

Approved by the Board of Trustees, February 11, 2016

Approved by the Board of Trustees, April 25, 2024

Betsy Coddington, President

Pat Gulick, Secretary

