

Qualchan Hills Homeowners Association

Annual Meeting Minutes
St John's Lutheran Church Auditorium
5810 S Meadow Rd
January 23, 2018 at 6pm

(As members arrived WEB properties began counting ballots and proxies votes from individual association members.)

1. **Call to Order** – 6:08 PM By Willie Masten
2. **Determination of Quorum:** Bill with WEB Properties announced that a Quorum has been established after counting the proxy votes and association members present.
3. **Introductions** –
 - a. **Board Members:** Willie Masten President; Ann Franks Vice President; Dan Skindzier Secretary; Val Brendemihl Associate Board member; Warren Franks ARC Chair.
 - b. **Homeowners, Spouses, and guests:** 30 persons were present for the meeting , see sign in sheet for attendance records.
 - c. **WEB Properties:** Bill Butler President, Eric Lundin Association Manager.
4. **Special Proxy Vote Collection/2018 Budget ratification vote:**
 - a. After the quorum was established, Association member Bob Davis submitted a stack of documents to WEB Properties that were a collection of ballots and proxy votes that Bob had solicited and obtained from Association residents by going Door-to-Door petitioning ballots and votes on a variety of issues that were of Concern to Bob Davis, and initiated on his own behalf without sponsorship from the QHHOA Board. After receiving the documents from Bob, Bill Butler indicated that for this meeting, the only items on Bob's ballot list that could be addressed were the votes for or against ratification of the 2018 QHHOA budget, and the vote to postpone the audit. After counting all of the votes submitted from Bob, as well as votes from the Board mailing, the 2018 QHHOA budget was rejected by owners with 49 Association members voting AGAINST ratification. As well, there were 43 votes against performing an audit in 2018. WEB properties then stated that as a result QHHOA will revert back to the 2017 Budget. After the meeting, the final vote tally was 55 members rejecting the budget, and 17 members voting for the budget.
 - i. Eric stated that association members will receive a "credit" for the amount paid already this year that exceeds the 2017 dues rate.
 - b. Bob Davis then challenged Bill Butler to call for a vote from association members to go back to the 2016 HOA budget. Bob's rationale was that the 2017 budget included association dues that reflected a 96% increase without a vote of association membership, and is in violation of the QHHOA CCR's. An attorney has reviewed the results of the vote, and concluded that the vote was consistent with the QHHOA CCR's. A very extensive and exhausting back and forth discussion ensued about the dues increase and Bob's continuous request to have a vote at this meeting. Other members present also had some questions and concerns about the dues increase.
 - i. Bob Davis made a motion at some point during the discussion, but a vote did not occur.
 - ii. At the end of all the discussion, Bill Butler explained that a special meeting should be scheduled for the purpose of reviewing the budget. This meeting will be announced to all homeowners in the HOA.

c. **AUDITS:** Bob Davis also raised several questions about the HOA currently underway as well as audits in general. Bob asked why the association was not invited to vote as to whether an audit of the 2016 financials should occur or not. Bill Butler clearly pointed out that they sent out three different mailings requesting members send back a ballot about having or not having an audit of the 2016 financials. After three mailings, WEB properties did not receive back enough (67% of the membership) “no votes to cancel an annual audit as required by Washington State Law.” An audit was also not budgeted for, and the cost was estimated to be between \$8000 and \$10,000. Therefore by law the audit had to occur. The audit began in fall of 2017 and the results have not been sent to us yet. Dan Skindzier also indicated in three previous years only once did the association get the required number of votes to not have an audit. The last audit on record is for the 2012 financial year. Bill announced QHHOA will once again solicit ballots from membership as to whether or not an audit of 2017 financials should be audited. The proxy votes submitted from Bob Davis may be counted towards canceling the audit. Additional mailings will be sent out to members that have not yet responded, if needed. By law an annual audit is required unless it is postponed by a vote of the membership.

d. **Consider other options for a Property manager:** Although this was a voting item on the ballots distributed by Bob Davis, Bill Butler indicated this would actually be an advisory consideration for the Board to decide. Bill tried to give some examples of how the management company is beneficial. Some questions were raised about why a management company is even needed. Bill asked for a show of hands from those present how many persons would vote to accept WEB properties opting out of their current contract with the QHHOA without penalty, 5 persons showed their hands. Willie Masten indicated all members of the current board would resign if WEB properties resigned. Bob says the property management company appears to be the major portion of the budget. Bill Butler announced that WEB properties is considering raising its fee from \$750 a month to \$1,000, or \$1,250 month, and will discuss this later in the year with the Board (a \$250-\$500 increase per month.). The Board of directors will have to evaluate this item for consideration, it cannot be determined at this annual meeting. It was mentioned by someone present that most association members do not have any idea what it takes to manage the HOA especially with a mix of public and private streets, several contractors to manage, dues and reserve funds to handle, and various other actions.

i. Patty Berg previous Board member and secretary from several years ago mentioned:

1. This is the first meeting she can remember ever having so many people in attendance. Managing the HOA is a very demanding task (in particular for association members in lieu of a management company.) All the bills have to be paid, all the common areas have to be maintained.

5. Call for Board Position Nominations –

a. Willie Masten announced that One Board Position is available – “After two mailings requesting volunteers there appears to be no volunteers other than Dan Skindzier, the current treasurer of the HOA. If there are any nominations from the floor, please raise your hand.” One member present, Bill Bunze, raised his hand and Eric Lundin talked with him briefly about the position. After hearing that Dan Skindzier was also a volunteer for his own position Bill indicated he had changed his mind about being on the board. Then near the end of the meeting Dan Skindzier indicated that he had been on the board for eight years, his term was up and he preferred to no longer be a board member. Ballots were distributed to members present wishing to vote for a board member. WEB properties indicated on the day after the meeting that Bill Bunze received 12 votes and Dan Skindzier received 5 votes. Bill Bunze will replace Dan Skindzier as a Board member.

6. Summary of 2017 Financial Report –Eric Lundin WEB Properties, Inc.

- a. **Income** – Income was budgeted at \$133,421.00, and finished at \$126,331.00. The Variance was \$7,090.00, due to delinquent accounts.
- b. **Expenses** – Most expense categories fell in line with expectations. However, a few categories varied as follows:
 - i. Total Streets were up \$5,557.00 from budget due to the high snowfall in the 2016 – 2017 seasons. This includes charges for snow removal near mail boxes on public streets. Bob Davis stated he had to shovel out the box near Dandy Ct.
 - ii. Utilities are up \$1,268.00 from budget, due to private street usage. This will be billed back to homeowners, and recovered in 2018.
 - iii. Payroll is above budget by \$1,832.00 due to Park repairs and repairs to a water valve on Keyes Court. These expenses will be reimbursed in 2018 from the reserve account.
 - iv. Administrative expenses are under budget by \$8,240.00. This is for the audit of the 2016 books that is underway.
- c. NOI, or **Net Operating Income** finished \$8,069 below expectations. This is mostly due to delinquencies and snow plowing.
- d. Non-Operating Income is over budget by \$9,946.00. This is to cover snow plow expenses & cash flow shortages caused by delinquencies. These funds are due back to the reserve fund within 24 months by law.
- e. Account Balances at the end of the year totaled \$48,430.00, which is \$7,859 above total funds available at the end of 2016.
- f. **RESERVE FUND:**
 - i. Bill and Eric explained the basis for the reserve fund that it is required by Washington State Law for HOA's meeting a certain budget threshold. The details of the reserve Fund can be found on our WEB site located as a sub group of webpropertiesinc.com.
 - ii. Bob mentioned that the exhibits are missing from the reserve fund.

7. Architectural Review Committee Report – Warren Franks

- a. 16 requests for ARC Committee review this year:
 - i. Deck Modifications 4 requests- all approved
 - ii. Tree removal 4 requests - all approved
 - iii. Fence construction 4 requests – all approved
 - iv. House Painting 3 requests – all approved
 - v. Hot Tub Install 1 request – approved

8. Year in Review –Willie Masten

- a. **Park Maintenance** – This year, the HOA painted and made some minor repairs on the bridge and gazebo at the park.
- b. **Audit of previous years financials** – In 2017, we attempted several times to get enough homeowner votes to waive the audit that is expected to cost \$8,500.00. This audit is still underway, and we hope to be able to waive the audit in 2018. The cost of an audit of HOA finances per home is \$88.54, and it must be performed every year if it is not waived by a vote of homeowners.
- c. **Change in vendor for snow plow & landscaping** – In order to save the HOA money, we switched vendors for the 2017 – 2018 snow plow and 2018 landscaping season.
- d. **Contact with Persimmon Woods** – After trying to reach Persimmon Woods for several years to renegotiate the 2005 reimbursement agreement, the Board felt it had no choice but to cancel the contract, returning the HOA to agreement between the two HOA's in the original CC&R's. We found out that the past President of the HOA has been ignoring out attempts to reach out, and we have made contact with and are hopeful that the new President will work with us.
 - i. Bill Butler explained the history on this subject.

- ii. Bill suggested Sub Committee of Association members be formed to address the issues and aid in a solution with Persimmon Woods.
 - 1. Bob Davis volunteered
 - 2. Bill Bunze volunteered
- iii. Several members present are requesting transparency in this issue.
- iv. Bill Bunze mentioned that Persimmon residents blow their horn at him as they pass by him at his location at the top of Kip Lane for an unknown reason.
- v. A major item of contention is the large sink-hole at the circular entry point to Persimmon Woods as to who is going to fix it.

9. Portal Sign Up –WEB Properties has done five years of research into the company that is handling the processing and security of the transactions, and we believe this is an inevitable technology change. We calculate that sending a notice to all homeowners costs the HOA \$1.77 per mailing. By using this new system, the HOA will:

- a. Save money: One large expense paid by the HOA is the mailing of statements and correspondence. This includes the cost of developing the materials, printing, folding, stuffing, sealing, stamping, and mailing. In researching the HOAs WEB manages, the average cost of mailing statements and enclosures (depending on the number of enclosures) is \$1.77 per homeowner, and some as high as \$2.76. By transitioning to the Resident Online Access Portal, the cost per transaction will be \$1.00 per homeowner payment. This cost is paid by the HOA and not the resident.
- b. Account transparency: Homeowners will now be able to see their entire account ledger, including all transactions and payments.
- c. Payments directly linked to your account: With the Resident Online Access Portal, your payment will be applied directly to your account.
- d. Better communication: As a part of the Portal sign up process, you are providing an email address. This will allow WEB Properties and your Board to communicate with you more effectively. Statements, notices, newsletters, and emergency notifications can be sent electronically via email.
 - i. Bob Davis stated he has not received a quarterly statement. Bill Butler stated it is the paper he gets in the mail billing him for his dues each quarter. (Currently this document also breaks out the different categories of an individual’s bill.)
- e. Current statistics:
 - i. 45 member have already signed up.
 - ii. 18 are in the process of signing up and in communication with WEB Staff for assistance.
 - iii. Are the dues push or pull?
 - 1. Actually it is about the member authorizing the transaction based upon their choices. Essentially the member is pushing the payments. WEB properties does not initiate any action to “pull” payments.

10. Open Forum and other issues that arose during the meeting.

- a. How much money was saved by switching to the snow plowing contractor?
 - i. This figure was not precisely known at the meeting, but board meeting notes show the savings to be in the range of \$4,000.00 if there are ten snow events.
 - ii. One member explained that the contractor was plowing the snow up into her grass causing damage to her yard.
 - 1. This complaint or a similar one was brought to the attention of the Board during the first snowfalls of the season. The contractor has been notified, and we will follow up with them in the spring to make sure they repair any damages.

- iii. One member on Winder explained that the contractor was leaving berms in their driveway, and wished the vendor would plow the snow to the opposite side of the street where there were no houses, and leave room for homeowners to back out of their driveway.
- iv. Several residents spoke of the deteriorated condition, and narrowness of Qualchan Road leading to the Cheney-Spokane Road from our development. This is a city road, and it was suggested to contact the City with complaints about the conditions.
- v. A member present asked what the current dues delinquency amount was.
 - 1. Eric Answered \$16,854.89 as of December 31st 2017.
- vi. Question was raised by a person present to provide members with a list of things the Board does and a list of things the Management Company does.
- vii. A question was raised about what the life safety expense item of the budget? Eric explained it was for fire hydrant servicing/testing.
- viii. Bob Davis: I have two different copies of the 2017 summary vs 2018 budget. He wanted to know why are they are different. Eric explained that as we received homeowner feedback about the mailing, we changed the summary vs budget to be more informative.
- ix. Why were there no “bids” for the recent audit since the amount is exceeding \$3,000?
 - 1. The chosen firm conducted the last audit of 2012. It was felt that since it has been several years since the last budget, and this firm already has previous information on file about our finances, the task would be easier than starting with someone new.
- x. Question was asked about the Portal and accepting checks.
 - 1. Bill explained the cost and time put in to process checks and that it adds to additional manpower to handle each check, take to the bank for deposit, etc. The whole idea of converting to the portal system was to eliminate tasks that add to the cost of managing the HOA, which must be passed on to the HOA in the form of higher expenses.
- xi. Bob Davis stated that the contract with WEB indicated they would only attend one board meeting without additional charge.
 - 1. Bill answered that yes it says that, but he does not charge for additional meetings. The board meets at least 6 times in a year. WEB attends each board meeting, and only charges if we go over two hours.
- xii. An association member expressed concern that she is very frustrated over the dues increase that occurred in 2017. She feels that the board is not hearing that frustration, and asked what can be done now to go back to the pre-2017 dues increase. As stated previously a special meeting must be scheduled to consider changes to the budget are being requested. WEB properties and the Board will be addressing the details of such a meeting.
- xiii. Dan Skindzier mentioned he would be interested to stay on as an Architectural Committee member.

11. Adjournment 7:55 PM

Minutes prepared by:

**Dan Skindzier
QHHA Outgoing Board member**