

## What Does All of this Voter Material Really Mean to The Owners?

**If all resolutions are approved, the Association will be fiscally stable as of 12/31/2020.**

Clearwood has proposed several changes in its Bylaws in the current special election. While the Budget is important, the **Members passing the Resolutions is critical to the future of the Community.**

Here are the main reasons why **Resolution 2019-11-02, Resolution 2019-11-03 and 2019-11-04** are presented to the membership

### **Resolution 2019-11-02 - Budget Process**

- Current Bylaws do not outline an accurate, timely and concise method for establishing an annual Budget. This Bylaw amendment corrects that.
- The FY (Fiscal Year) 2020 budget members approved last August was created starting in 2018 using 2017 numbers. The August 2020 Budget is greatly flawed setting the Association up for failure. This resolution corrects the budget cycle for 2020 and going forward.
- Resolution 2019-11-03 incorporates into the Bylaws clear definitions on members present and what is required in the budget.
- The August approved FY2020 budget (and our whole process) does not use actual costs when creating a budget because it was done too far in advance. This bylaw amendment requires an annual Budget development each year starting in June, initiated by the Treasurer- always using 5 months of actuals. It eliminates rubber stamping.
- **Bottom line: if we are going to fix our budget process, if not now, when?**

### **Resolution 2019-11-02 - Voting Process**

- This change will reorganize the Association voting process under one clear concise new Bylaw.
- This bylaw places terms limits to prevent cronyism “good old gang club” and attract new directors.
- The current bylaws election cycle does not match the law (RCW 63.90.525) which was put into place in 2017. These two resolutions correct these deficiencies.
- People running for the Director position get to speak to the budget being developed, and then must live on the budget they helped create. **This Bylaw adds clear accountability.**

### **Resolution 2019-11-02 - The Timelines for Elections Have Changed**

- Election moved from August to first Saturday each November.
- Once seated, then trained, the new Directors will operate on the budget and bylaws they advocated during the election process.

- Annual budgeting cycle begins each June. The final draft proposed budget, presented to the Board for adoption, no sooner than 90 days prior to the Annual or Special General Meeting and mailed to the membership within 30 days. These are mandated timelines from State Law (RCW64.90.525).
- The Board begins open discussions on proposed measures at regularly scheduled board meetings in June and will finalize these for mailing to the membership with the budget.
- The Board Secretary shall begin soliciting for eligible Board candidates at least ninety (90) days prior to the Annual General Meeting, and the candidates' information will be included in the mailed ballot materials. It is an assignment.
- The Board shall schedule and hold sufficient informational membership meeting(s) ("Town Halls") to communicate with the membership and obtain their input on the budget, proposed measures, and presentations by candidate(s) running for office.
- **Bottom Line: The informational meetings Clearwood Community members have held will continue, just later in the year.**

#### **Resolution 2019-11-03 – Budget Definition Added to Clarify what is included in a Budget**

- Resolution clearly defines what constitutes a CCA budget.
- Members Present has been edited to now include ballots in the quorum count.
- Changed payment plans from eleven (11) months to twelve (12) months.

#### **Resolution 2019-11-02 & 2019-11-03 - Major Changes in Proposed Bylaws**

- Candidates submit a Disclosure of Interest Statement; Corporate Law requires a declaration of no conflict of interest without the members being informed. Clearwood did not have this and it is essential to good governance.
- Quorum is 10% of the members either present or through ballots. This number is increased to prevent blindside recalls by a small group. This supports cultural stability.
- Petition to call meeting or recall is 10% of the voting membership in Good Standing: **The Board desires to obtain cultural stability in the Association.**
  - **Having had 8 Board Presidents in the past three years is destructive to financial stability.**
- Election is 1st Saturday in November. Once elected, then the Directors are required to attend a full day of training to ensure they understand their Governance role, the finances of the Association, the budget they must govern by, their fiduciary responsibilities, and the liabilities of office.
- Board Meetings require 48-hour public notice posting of an agenda on the web before meeting so members can decide to attend and know the topics under discussion.
- The Board of Directors is required to adopt proposed amendments to the Articles of Incorporation, Bylaws, rules, regulations, and budget that result in a change in assessment obligation no later than 90 days prior to the date of the Annual or Special General Meeting and submit to the membership for ratification.
- **BOD required to attend Board Orientation in December and sign a Code of Conduct.**
- Requires Boards to operate under Roberts Rules; this is an actual requirement for all corporations.

## **Resolution 2019-11-04 – Allow for Reallocation of Assessments**

- The BOD did not have the authority to create an annual balanced budget; this Bylaw allows them to create a balanced budget, and annually determine how much money goes into specific accounts. This gives the Board the tools to govern; and **when aligned with voting in Directors, makes them accountable to live on the budget they created.**

## **What About the Dues?**

The Resolutions 2019-11-04 allows the Board to decide each year how to allocate reserve monies. Clearwood's current Bylaw mandates a specific amount of money the Board shall set aside each year, into two specific accounts. This Resolution changes that by providing the membership elected Board the ability to establish an annual budget each year based on the needs of the Association.

- In this voter pamphlet, for example, in 2020 the needs of the Association are greater in Operations than in General and Future Reserves, which are very well funded. So the Board is proposing reallocation of the Assessments from Future and General Reserves into Operations as is needed.

**Will the budget pass or fail?** Under State Law RCW 64.90.525, the Budget passes unless 50% plus 1 (678 members) of all owners vote it down.

If the Budget passes, your voter pamphlet shows two different dues scenarios.

Scenario #1) **If Resolutions 2019-11-04 passes**, members' dues will be \$931.88 year, plus a \$35/ quarterly Water Service Fee, totaling \$1,071.88 annually. On a monthly payment, it would be approximately \$82.80 month plus the quarterly \$35.00 Water Service Fee.

Scenario #2) **If Resolutions 2019-11-04 fails**, members' dues will be \$1,066.88 year, plus a \$35/ quarterly Water Service Fee, totaling \$1,206.88. On a monthly payment, it would be approximately \$94.79 month plus the quarterly \$35.00 Water Service Fee.

**Why are our dues going up?** The Association has not been operating on a balanced budget for many years. Dues increases have gone up twice in the last 12 years: costs have gone up each year, the Association has fallen far behind.

The Board tasked Management with creating a fact-based bottom up budget that reflected all costs required to operate the Association. All contracts were factored in, as was insurance, benefits, utilities, salaries, maintenance, snowplowing, hazardous tree removal, legal: everything.

That bottoms up budget was presented to a joint Board/ Finance Committee in front of a standing room only auditorium at Lackamas Elementary School. Over two days, the Board and Finance Committee reviewed the budget line-by-line, challenged several costs and agreed to remove approximately \$78,000 in expenses.

We also learned that water operations and general operations were not being charged fairly or correctly.

Following those meetings, Members were invited to two Town Halls where they were able to challenge the budget and ask direct and straight forward questions (the Board was required to sit in attendance and listen). After listening to the Membership, and reviewing all costs, on November 9<sup>th</sup>, the Board voted to present this new budget to the Membership at a special December 14<sup>th</sup> election for Membership ratification, or rejection.

**So, bottom line, why are your dues going up?** Because the Association has been operating on an inadequate budget for many years. Minimum wage has gone up dramatically, as well as costs for goods and services, and none of those factors had been included in past budgets.

**Is the Association asking the Membership to repay the stolen funds?**

No. The Association is pursuing multiple avenues to reclaim the funds stolen by a former bookkeeper. Several insurance claims are open and we are seeking prosecution of the person accused.

**What will happen if these measures and the budget do not pass?**

Very tough question to answer.

We now know the actual cost to operate this Association, and there is no fat in this budget, the Board will have to make very hard choices. A significant cost is staff, as most of the work is performed inhouse. The cost for professional management is included in the budget, as is the cost of administration, seasonal pool staff, maintenance, insurance, and taxes. We do collections inhouse, as well as snow plowing and road maintenance. The first place all people look in these situations of course is staff and benefits. With two Administrative staff, four maintenance workers plus one seasonal maintenance worker (to keep the many bathrooms clean in the summer), pool staff, plus part time professional management, any cut in staff will come with reduction in services.