

Clearwood Community Plan August 18, 2021

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What is Clearwood Community Association?

- Washington Non-Profit Corporation
- Homeowner's Association

What is the Source of Our Authority?

- State Statutes
 - HOA Act (RCW 64.38)
 - Washington Uniform Common Interest Ownership Act. (RCW 64.90)
 - Non-profit Corporation Act (RCW 24.03)
- Common Law (i.e. court decisions)
- Governing Documents

What is the HOA's Purpose and Value to Members?



PRESERVE AND PROTECT THE VALUE
OF EACH MEMBER'S REAL ESTATE
INVESTMENT/EQUITY



MAINTAIN THE COMMON PROPERTY



ENSURING REASONABLENESS OF RULES
AND COMPLIANCE

The tie that binds is the deed on each property that requires owners have membership in the Association – not revocable!

How are Those Purposes and Values Achieved?

Preserve and protect the value of each member's real estate investment/equity.

- First and foremost, by being a financially viable and responsible Association through good and just Governance and effective and efficient Management.

Maintain the common property

- Simply stated, maintain our jointly owned property (roads, beaches, parks, street signs, buildings, gates, trucks, etc.) to show pride in ownership and promote realty values. Schedule maintenance and asset replacement to a standard.

Ensuring reasonableness of rules and compliance

- Promote rules that make good sense, are logical, legal, allow for discretion, avoid liability, uphold the community standards, and can be compliantly enforced with good will.

The Higher in the Order... the More Controlling the Authority

Plat Map

Recorded Declaration (aka CC&Rs)

Articles of Incorporation

Bylaws

Rules and Regulations

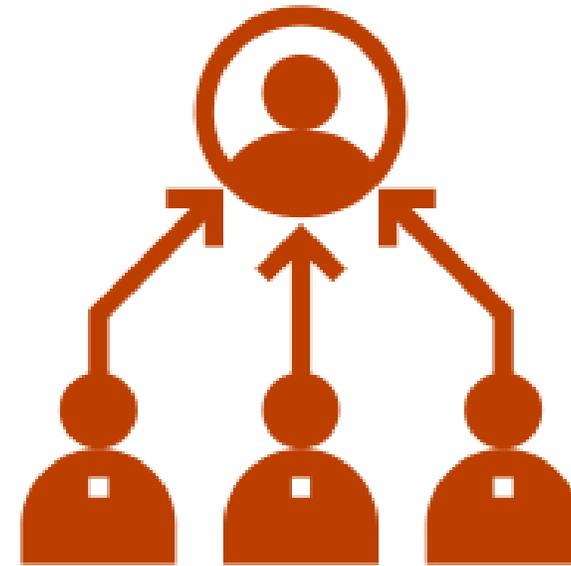
Policies

Utilize the Governing Documents Following the Established Legal Hierarchy

These Documents Set the Boundaries for Governing the Association.

Director's Legal Standard of Care Provides Directors with Guidance in Making Decisions

- Must exercise the degree of care and loyalty required of an officer or director of a non-profit corporation – RCW 64.38.025
- This means you have a “fiduciary duty”:
 - *“A duty of utmost good faith, trust, confidence, and candor owed by a fiduciary (such as a lawyer or corporate officer) to the beneficiary (such as a lawyer’s client or a shareholder); a duty to act with the highest degree of honesty and loyalty toward another person and in the best interests of the other person.” Black’s Law Dictionary, 8th Ed. (2004).*
- Key Point: Directors represent the entire community and do not have a constituency.





History of CCA



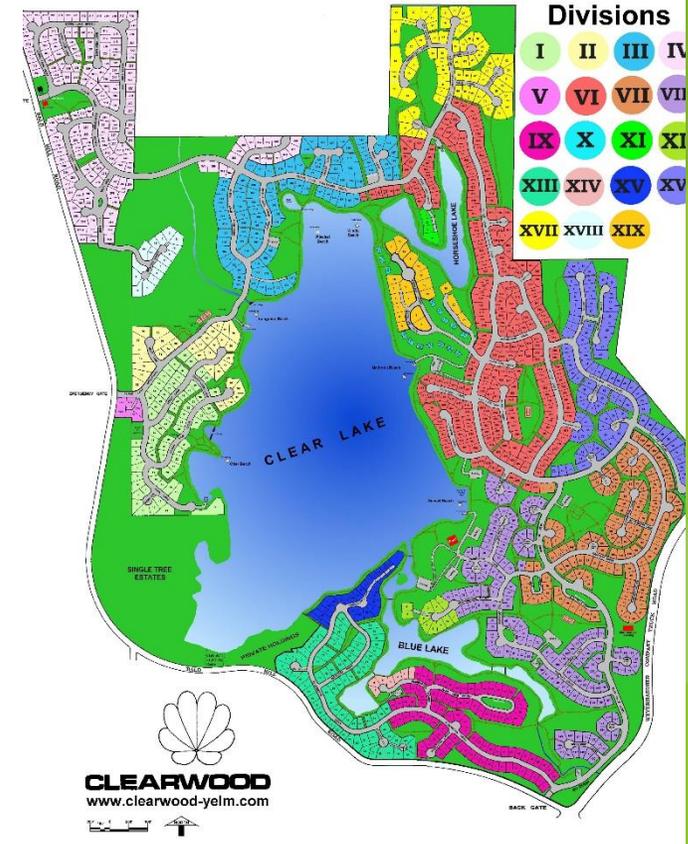
On April 11, 1974, a group of seven original Directors filed an amended Declaration of Articles of Incorporation creating former open farmland in Thurston County now be known as “Clearwood.”

https://www.clearwood-yelm.com/docsforms/Articles_of_Incorporation.pdf

Their Vision Created this Wonderful Paradise We All Call Home

..acquire, construct, improve, maintain and operate community recreational facilities, including but not limited to parks, shelters, beaches, docks, bath houses, fishing facilities, boat launching and mooring facilities, parking areas, access streets and road, bridle trails, stocked fishing areas and other common facilities ...for the common use of the resident.

Acquire, maintain, operate for community benefit, establish covenants, maintain and do all things necessary for the purpose of the association



Clearwood's Gradual Growth from a Weekend Camping Getaway to a Full Time Community Came with Challenges.

Up until 2019 CCA had always been self-managed by well intentioned volunteers augmented by employees.

Between 2017 and 2019, our Association experienced several cultural instability issues which resulted in having 25 different Board members over a 24-month period. In mid-2019 the BOD hired a HOA consulting firm to conduct a Management Operational Assessment.

After reviewing the report, the Board of Directors changed the CCA cultural dynamic by hiring a professional management team tasked with clarifying current finances, establishing a credible budget and process to achieve and maintain financial and cultural stability.

The Report Identified Areas for Improvement

- There had been an embezzlement of Association capital funds that exceeded \$300,000.
- The BOD and Finance Committee could not obtain proper and sufficient information required to make intelligent decisions.
 - There had been no credible budget (bottom up or top down) in recent memory.
 - Financial Reports were non-standard documents.
 - Did not follow Generally Accepted Accounting Principles (GAAP);
 - Reports were viewed with skepticism and were inconsistent, and
 - No capital planning existed.
- Security was mostly performed by a volunteer Patrol committee.
- CCA Legal Counsel lacked HOA expertise.
- Boards of Directors had not received HOA Non-Profit Board training in memory: Directors did not understand their role, purpose or legal responsibilities.
- Board meetings were conducted without any process or parliamentary procedure: they just dragged on.
- Contracts being issued were vague, lacked standards, did not go through legal or insurance agent review to protect the Association.

Areas for Improvement - Con't



- Budget process was 17 months long (as opposed to a HOA standard 5 month).
 - It did not use any actual costs.
 - It was voted on 7 months before it was to be implemented.
- The Association lacked stability of volunteers and employees.
- Operational requests were addressed by volunteers: who was in charge changed frequently.
- The Association lacked Human Resource integration.
 - Job descriptions with clear roles, responsibilities and authorities did not exist.
 - Policies and Procedures Book was 10 years out of date.
 - Administrative and Maintenance departments were understaffed.
- Administrative staff turnover was abnormally frequent; quality of Maintenance services provided were low, poor quality and not aligned with goals other than immediate needs.
- Staff lacked knowledge/existence of the Reserve Studies or the majority of the existing Engineering Plans - staff lived in a reactive environment

The Board Required a Radical Change in Course

In 2019, CCA Had 10 Challenges...

Cultural Shift from
Volunteer to Professional
staff

Embezzlement recovery
plan

External job market
competition

Raise the Bar (Skills,
Knowledge, Abilities) of
employees

Creating Viable Plans
(Strategic, Compliance,
Capital, Maintenance,
Emergency, Admin SOPs)

Re-instituting
Compliance

Develop an Election
Calendar

Build a new 2020 Budget

By-Laws and R&R Books
not current

Accounts Receivable
Balances

Those Challenges Required a Special Meeting in December of 2019

Resolving these challenges required the members' participation and support.

- Discovered that Current Dues & Water Consumption Rates were not Appropriately Sized To Support the Association's Operations
 - Did not have enough funds for balance of year
 - Past practice of laying off employees needed to stop
- Immediately Change Two Past Practices
 - 1. Create and establish a credible Bottom-Up 2020 Budget
 - 2. Change the current Bylaw to clearly support creating an accurate annual budget (5 months start to finish)
- Goal was Operational Financial Stability by 12/31/2020

The Association Achieved Operational Stability as Planned on 12/31/2020.



Where is CCA Today

Where Is Our Community Today?

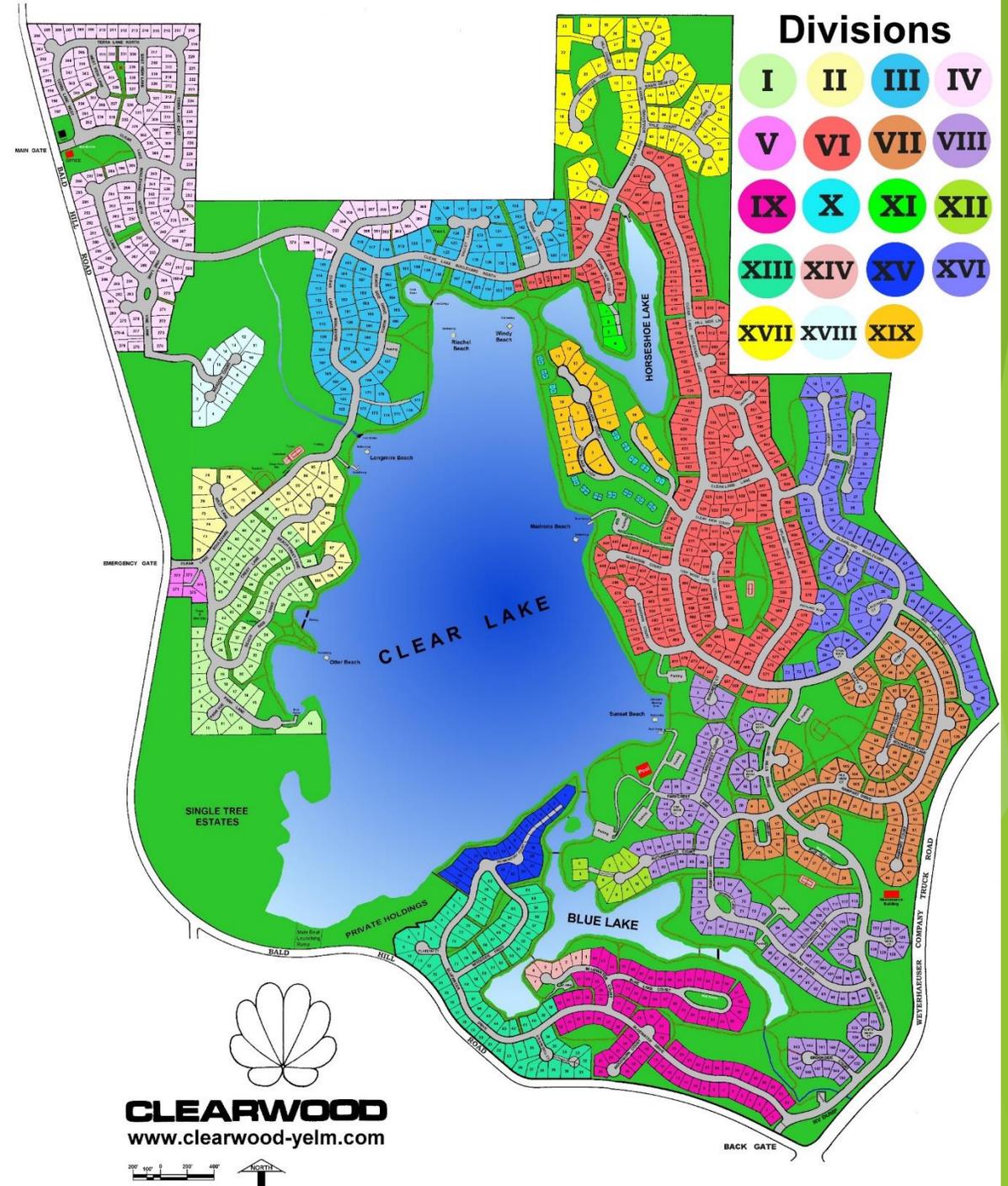
- 1,355 Members with approximately 3,204 people who live here year-round.
 - Population increases to 5,433 in peak season
- Our annual combined 2021 Budget is \$1,189,004
- We finished 2020 at 92% collections rate and are tracking to the same in 2021
- The Association employs 9 full-time and 1 part-time employees
- Staff turnover is low, employee satisfaction exceeds “good”
- Director turnover is low
- Our Board of Directors are trained, staff is professionally managed
- The Association’s operational funding is stable, tracked, and within budget

Our Present Operational Status

- Transitioned from volunteers to full-time in-house professional management.
- We have a CPA Accounting Manager, Human Resource Manager and Owners Representative on retainer.
- CCA's operational costs are stable, monitored, tracked, within budget.
- Our technical infrastructure problems are prioritized with the top issues of concern evaluated by professional engineers.
- Everyone has a defined role, Management, Governance, & Committees.
- Our Legal Counsel and Insurance Agent are professionals who specialize in HOAs.

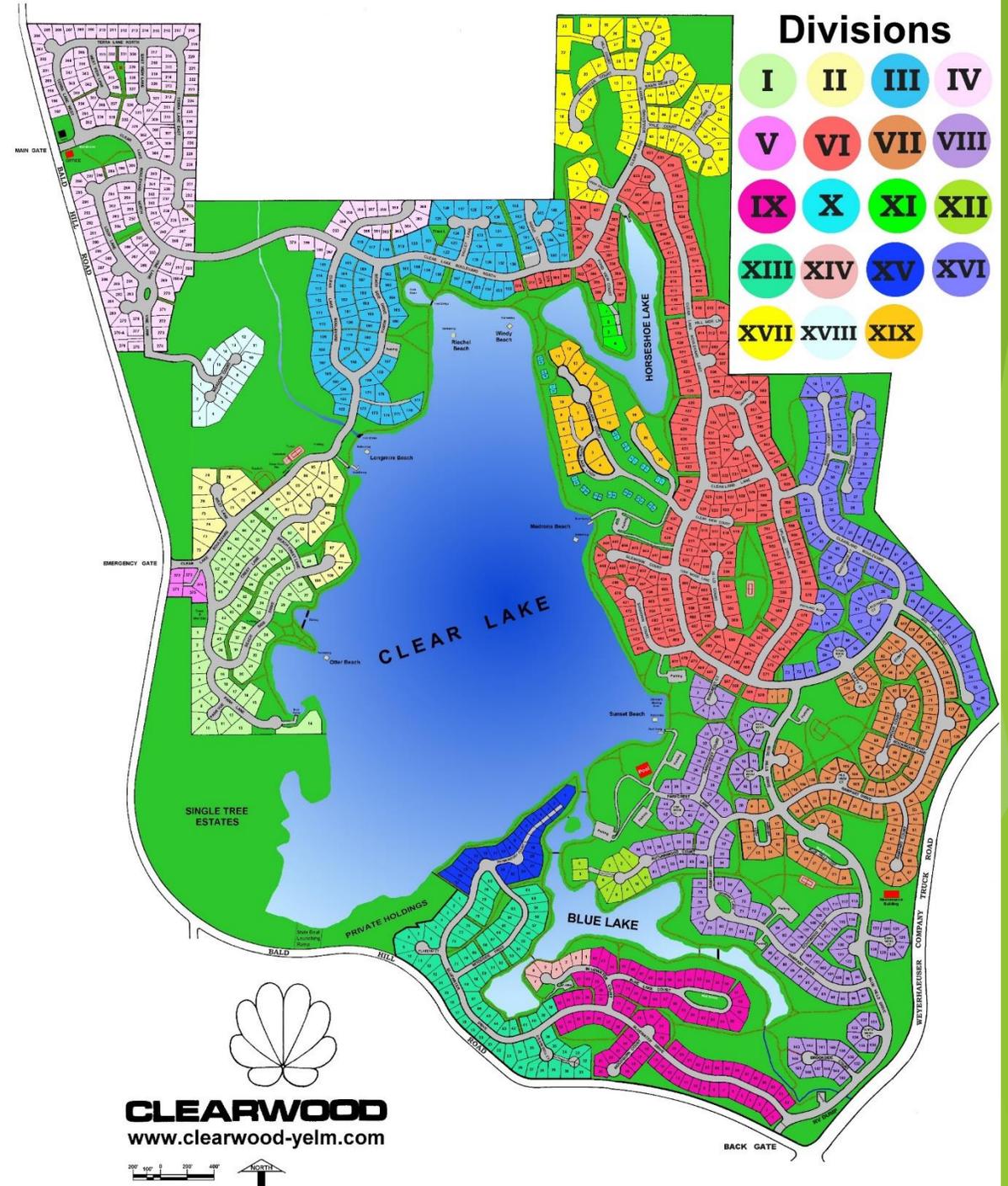
CCA By The Numbers

- 1355 residential/recreational private lots
- Our Water Utility System comprised of over ~16 miles of buried pipes
 - 195 buried isolation vales
 - 221 fire hydrants
 - Two (2) wells
 - 598,000 gal. water storage in 2 tanks
 - A pumping facility with generator
- 16 miles of roads
- We are responsible for the health of three (3) lakes
- We own an office building, maintenance building, pool facility with pool and spa.



But Wait! There Is So Much More....

- 6 beaches with
 - Two boat launches,
 - (19) docks, 2 slides
 - Retaining walls
 - 14 restrooms
 - 10 picnic cabanas
- Association is responsible for ~1,000 acres
- We have three (3) Entry Gates - two access controlled
- 5 park areas , 2 baseball fields, 3 tennis courts, 3 sports courts
- 14+ miles of trails
- 5 playgrounds
- 8 bridges
- And the tools, computers, software, hardware, and vehicles to maintain our assets.



Those Numbers Tell the Story of Why CCA is a Desirable Place to Live

Ensuring that story remains true into the future has required significant strategic planning during this past year.

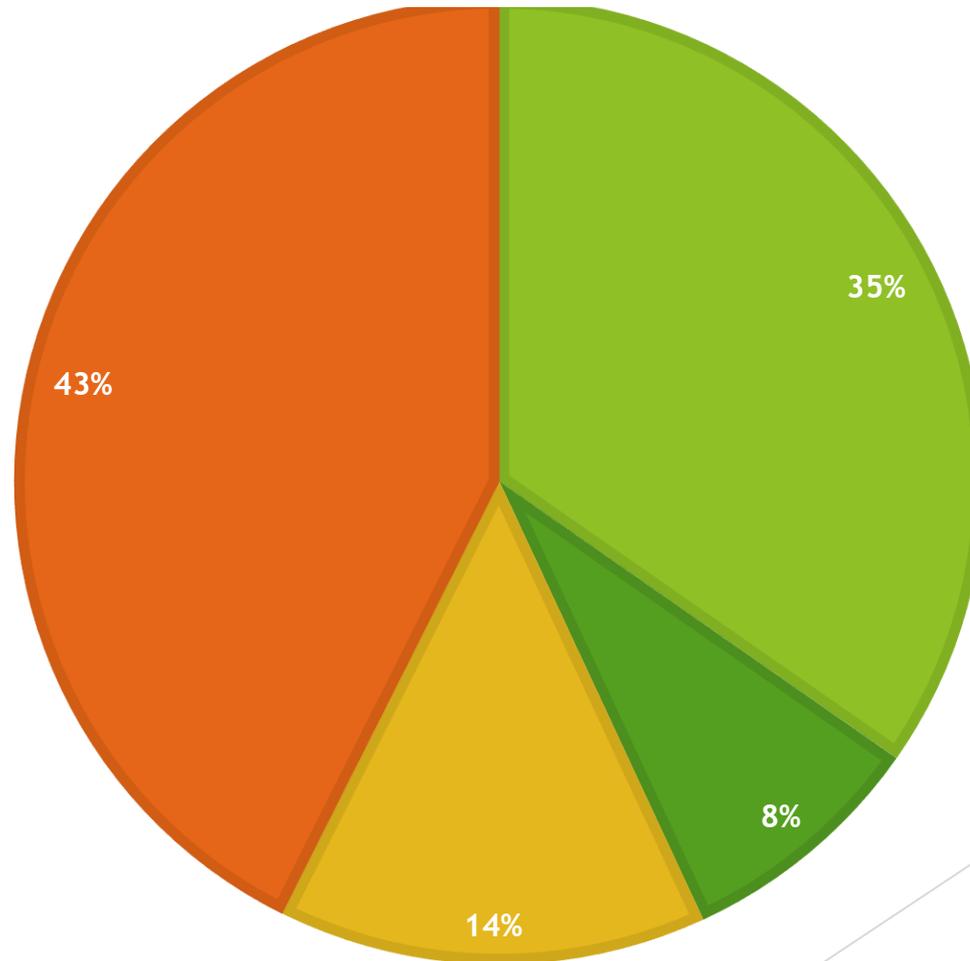
Directors, staff and volunteers poured over reserve studies, maintenance plans, Engineering reports, mission/vision statements, our CCR's, Bylaws, Rules/Regs, Policies, committee charters, legal and insurance requirements, ranking and prioritization sheets, reviewed all the various roles and responsibilities.

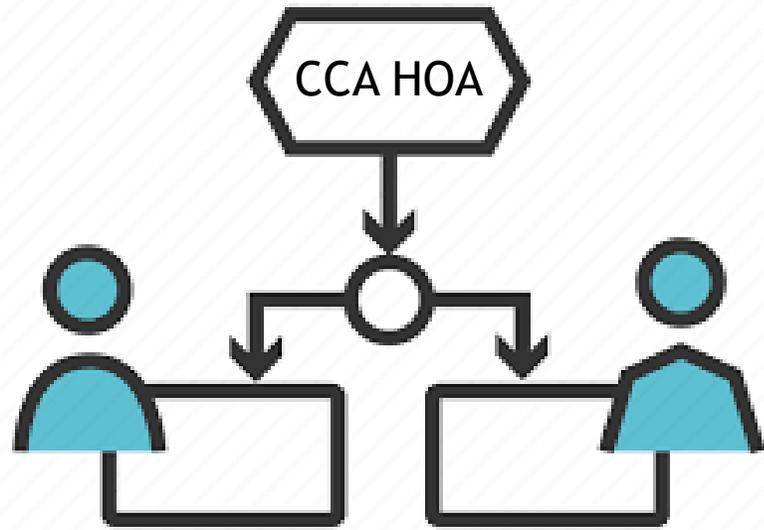
And they talked extensively on how to increase community participation and awareness of the necessity of these strategic Projects.

***There Is No Strategic Goal Success Without
Membership Approval***

ASSET VALUE DISTRIBUTION IN 2021

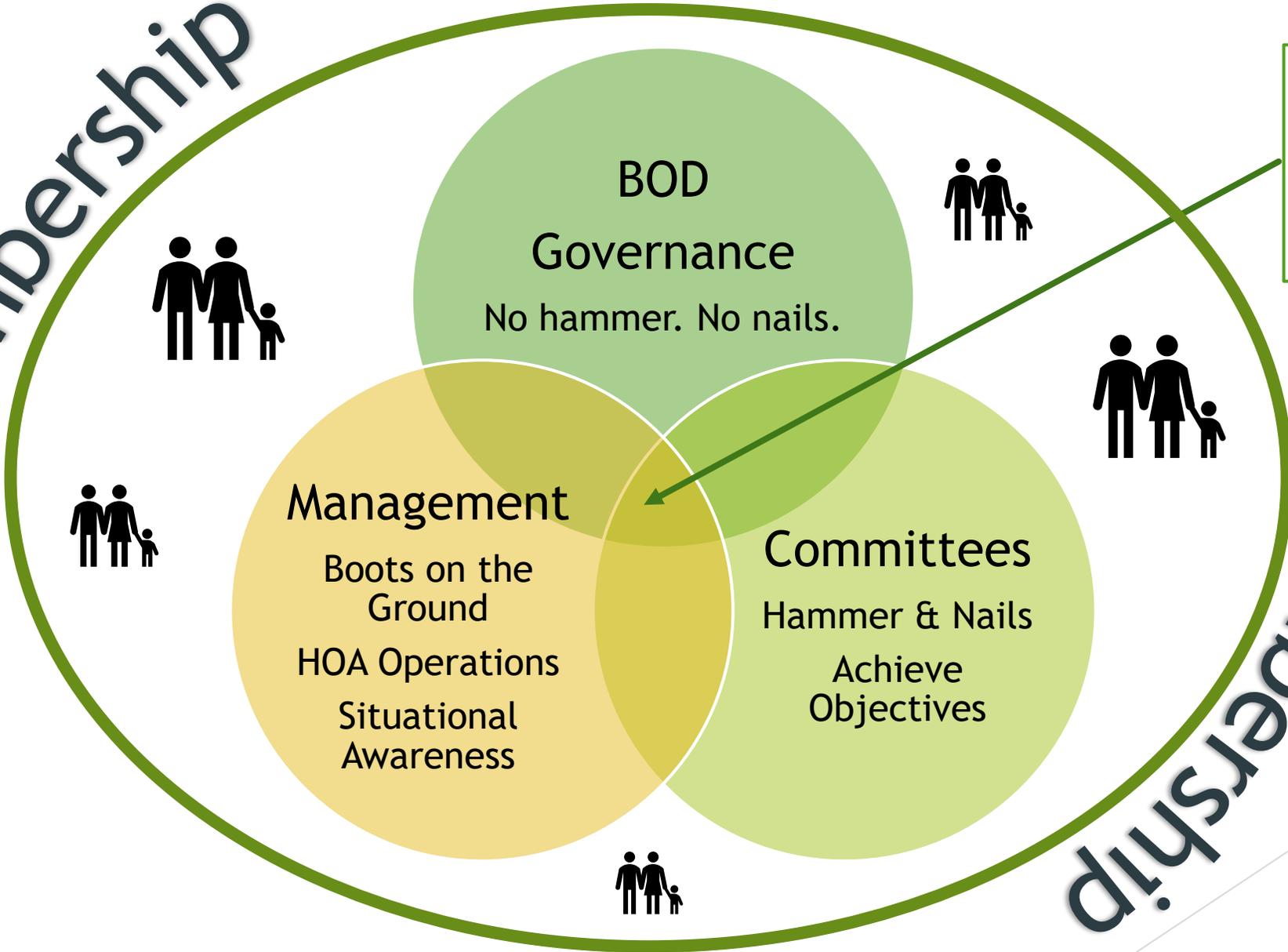
- Roads, Bridges, Culverts & Spillways
- Admin Building, Maintenance Building, Mailbox Clusters, Security, Mechanical & Equipment
- Playgrounds, Parks, Pool & Spa, Bathrooms, Docks, Bridges
- Water System & Infrastructure





WHAT ARE THE ROLES

Membership



Reuleaux Triangle is your goal!

Membership



Joint Partners
Management & Accounting

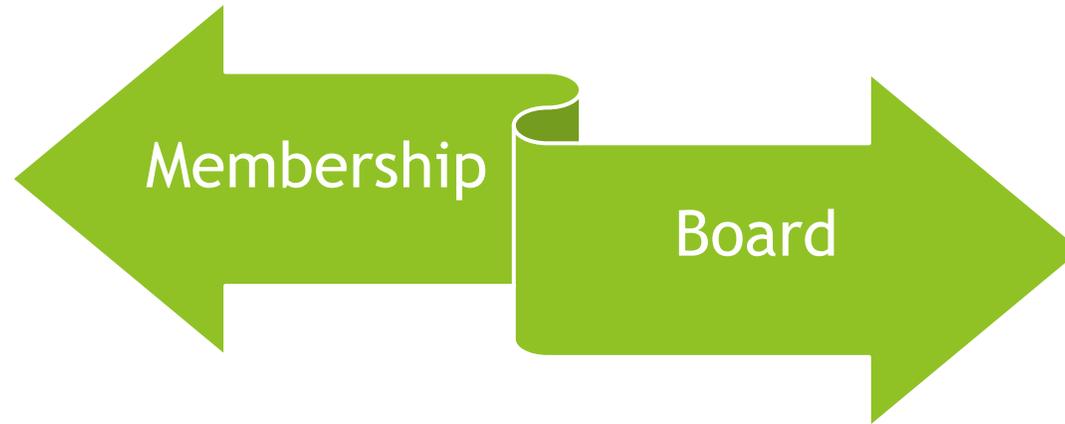
The Membership has a Significant Role Living in an HOA



- The Membership elects the Directors
- The Membership ratifies the Budget approved by the Board
- The Membership approves changes in the CC&Rs and Bylaws
- The Members generate the \$\$\$
- The Members live under the Rules and Regulations approved by Governance and Membership
- Members give Governance input and receive a response
- The records are open to the membership

All Members Own 1/1,355th Undivided Interest of Our Common Area.

Boundaries and Capabilities

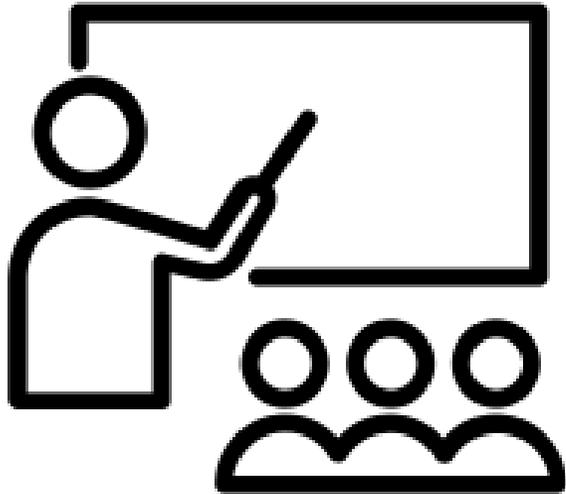


- Directors - Voted in by the Members
- Budget - Ratified by the Members
- CC&Rs - Approved by the Members
- Bylaws - Approved by the Members

- Strategic plan - Approved by the Board
- Annual budget - Approved by the Board
- Mission/Vision - Approved by the Board
- Reserve plan - Approved by the Board
- Policies - Approved by the Board

Governance Molds Capabilities into a Vision that Requires the Members Buy-In

As Amended in the December 2019 Special Election, Annual Board Training is Required



- Each December, no later than 45 days after the Annual election, the Board of Directors shall be assembled for annual Board Orientation and Training.
- Annual training shall include:
 - Receive legal and insurance training for Corporate Officers, including fiduciary responsibilities (provided by the CCA Attorney and Insurance Agent).
 - Review all roles and responsibilities of Board, Committees, and Staff.
 - Receive a thorough review of Association finances including the status of the latest Audit and Reserve
 - Receive training on Roberts Rules of Order Newly Revised, which shall be utilized during all Board and Committee meetings.
 - Sign the Board Member Code of Conduct and Authority on contracting and submit to the Board Secretary.

The Role of the Board of Directors - Not an Easy Task

- Directors are seven Members who voluntarily chose to be Leaders
- Volunteer gig, all the work, no glory, no special privileges
- Very Big Goal: establish a culture of trust, respect, and dignity
- Lead by example
- Not a popularity contest
- No constituency

- Directors accountable for the big picture challenges - Governance!
- They are by design, not involved in knowing what happened down your street 15 minutes ago. This is not in their purview.
- Address the problems that will not go away - has consequences to many or all members
- Resolution of issues important to membership

Directors *Must* Act With a Legal Standard of Care -
Duty to Loyalty.

Director's Legal Standard of Care Changed After WUCIOA Passed in 2018

- ▶ The 2019 Washington Uniform Common Interest Ownership Act (WUCIOA), RCW 64.90, changed how Assessments are approved.
- ▶ Prior to WUCIOA the Board could only increase dues upon affirmative vote of members.
- ▶ Post WUCIOA, a Board vote approves the dues and it is ratified unless 50% + 1 of all members reject the vote.
- ▶ Previously, financial decisions may have been affected by a concern that a dues increase would not receive majority approval of the members.
- ▶ WUCIOA's effect on CCA diminishes that concern since rejecting the budget ratification is a high bar.

WUCIOA Places a Heavy Fiduciary Burden on Director's



Committees provide the Footwork to Achieve Objectives

Committees are comprised of volunteers, supported by staff, and have a Director leading or participating on each Committee.

Opportunity for members to learn about governance -

- Volunteers are essential to a healthy community
- Committee work enables members to learn how the Association functions

CCA Committees are Vital and Essential for a Healthy and Successful Community

Finance Committee

Monitor the financial health of the Association, help craft the annual budget, review the Reserve Study, evaluate financial requests. Committee of volunteers supported by Accounting Manager, staff as needed, and with the Board Treasurer and another Director participating on the Committee.

Architectural Committee

Evaluates home construction requests to ensure construction requests are compliant to the community standards for look, touch, feel, height and setbacks. Committee of volunteers supported by a Director who participates on the Committee.

Violations Committee

Goal is to work with members to gain compliance, rather than assess fines. Committee of volunteers supported by a paid Compliance Specialist who works with the Violations Committee to ensure our covenants are upheld.

Member Activity Committee

This is the fun crowd; they are responsible for planning, coordinating and assisting at community events (ex. Easter Egg Hunt, Halloween Party, etc.).

Elections

Goal is to ensure fair and impartial community elections. Committee of volunteers supported by a Director who participates on the Committee.

Distinguishing
Governance
from
Management



Roles of Governance Vs. Management



VS.

- The Directors think primarily about the larger long-term issues
 - The Manager thinks primarily about the day-to-day operations
- The Directors want to provide the overall direction
 - The Manager wants overall direction and feedback
- Since the Directors deal with the “big picture,” the Directors act slowly and deliberately and avoid quick decisions whenever possible
 - The Manager sometimes needs to act quickly and decisively

The Board Governs and the General Manager Manages the Association

- The Corporation Board of Directors employs a General Manager who works at the direction of the Board President
- The Board President and the General Manager (GM) provide the link between Governance and Management
 - The General Manager is the senior Administrative Manager of the Association
 - The Board President brings Governance's management concerns to the General Manager
 - The General Manager brings Management's governance concerns to the Board President
 - Governance does not direct staff
 - The GM assigns staff to support the Board





HOA Finances 101

CCA: Two Companies In One

- HOA is two companies running side by side: Operating Company and Capital Holding Company
- CCA is legally obligated to use two funds, an Operating Fund and a Reserve Fund
- OPERATING funds keep the doors open and the daily activities going
 - Operating assessments and fines/fees collected for operating activities (maintenance, amenities, mailboxes, etc.)
- Members assess themselves for RESERVE improvements and maintenance
 - Land, buildings, roads, culverts, parks, major equipment, etc. are all paid for with Reserve Funds
 - Reserve funds can ONLY be used for capital acquisitions and major repairs
- It makes no sense to publish financial reports for Operating and Reserve Funds that are mixed
 - They are separate activities and need to be reported and controlled separately

CCA Financials

- CCA is not a standard business, but a HOA
 - Federal Income Tax has a separate section for HOA's
- Capital/Reserve dues paid increase cost basis of your home per IRS Sec. 118
- Clearwood is a non-profit with WA State, but not the IRS
- Borrow from Capital?
 - With caution
 - Better than borrowing from a bank
 - Must record intercompany loan with interest

Cash is King

- An HOA is basically all cash business
- Accrual accounting used, but can be argued that cash is more accurate
- Tell Members what you ACTUALLY have
- Most important activity is making sure you have all your cash, AND have it in the right buckets (operating vs. reserves)
- Financial controls are paramount because HOAs are ripe for embezzlement and theft
- Maintain separation of duties (AR/AP/bank recs/check signing with two signatures) to protect against embezzlement.
- A Proactive Approach is the Right Strategy

Operating & Reserve funds *Must* be Kept Straight

We bill the members for amounts specified in the budget passed by our members at the Annual General Meeting.

Our Governing Documents, approved budget, and Reserve Study provide specific uses for our Reserve and Operating funds..

The most critical operational process is making absolutely sure that each and every dollar collected by us is put into the correct fund.

Operations Funds

- General Operations Fund
- Water System Operations Fund



Reserve Funds

General Reserves

Future Reserves

- Future major repair and replacement.
- Needs not funded through one of the other reserve funds.
- Fund new asset acquisitions and unforeseen capital emergencies.

Water System Reserves

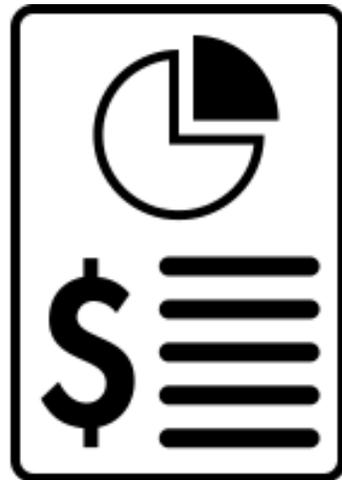
- Accumulate resources necessary to meet the future major repair and replacement needs of the water system.

Impact Fees

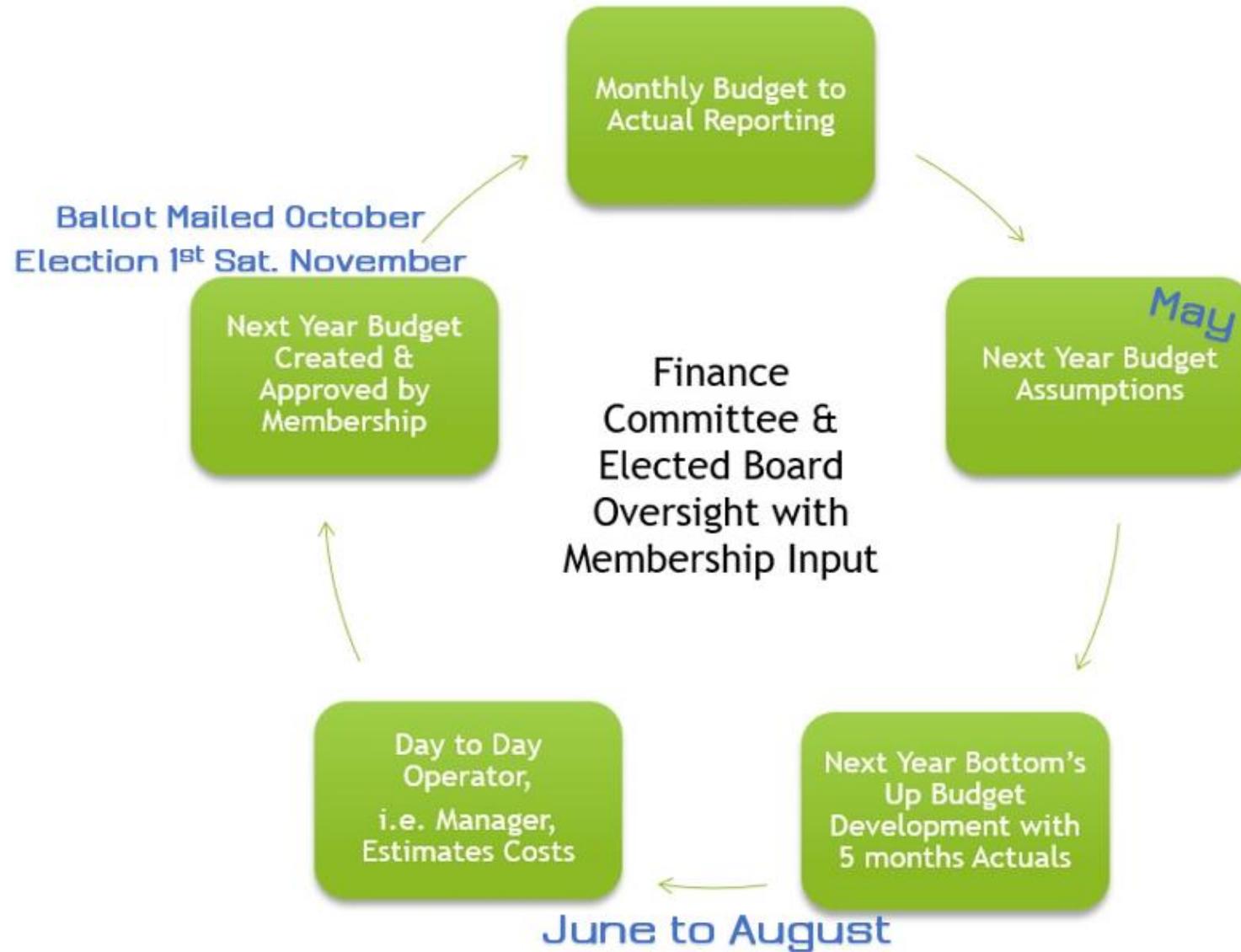
- Assessed for a house and septic system development.

Use of Reserve Funds - Capitalization Policy

- Capitalize all fixed assets having a useful life in excess of 1-year and cost in excess of \$2,000
 - Capital purchases can extend the useful life of an existing asset
- The expenditures from our Reserve Fund are mainly driven by the Reserve Study
- All capital purchases must be approved by the Board



New Annual Budget Cycle (2nd Year)



Bottom-Up vs. Top-Down Budgeting



Budget means Plan

A bottom-up budget is a process where...

All current contracts are accounted for,

Each department manager estimates the type and cost of work that is needed to be done next year,

Staffing levels are estimated based on projected work, and

Utilities, insurance, etc. estimated with vendor input,

All estimated costs added together

Income is estimated based on historical trends and estimated collections

Top-down budgeting is setting the income, and forcing expenses to fit within that amount, regardless of the legitimacy of those expenses.

Budget Responsibilities

➤ Board of Directors

- Delegate authority to create the budget to the Treasurer and Management
- Budget Development Considerations
 - Budget *cannot* be created in a vacuum
 - Owners' needs and expectations (the balance between mandatory and discretionary items)
 - Committee and owner feedback
 - The need to balance the budget - i.e. reconcile income and expenses
 - Reviewing prior year actual historical numbers to forecast the coming year's budget (analysis prepared by the manager or accountant)
 - Capital budget and reserve study requirements
- Approve the budget to present to the membership

Budget Responsibilities (cont'd)

➤ Treasurer/Finance Committee

- Tasked to ensure the draft budget is presented to the Board of Directors.
- Really get into the nitty gritty of the numbers accounting/management present as the draft budget.
 - Asks questions, seeks justifications, funding scenarios, etc.
 - Typically, the Operations and Water Operations Budgets prepared by management will be a balanced budget
 - A balanced budget means that all of the income less all of the expenses equals zero
 - However, if there is not enough operations cash on hand to cover 2-3 months of operating expenses, the draft budget may have to include a profit to build up the cash on-hand, also known as ready cash or operating reserves.
- Typically, the Reserves Budget will be based on the Reserve Study
 - Projects the estimated funds in reserves based on the reserve study and reserve capital ranking and prioritization for the next 3 to 5 years to determine if reserve funds are sufficient to support the upcoming capital projects.
 - Assessments (dues) levels projected accordingly

Budget Responsibilities (cont'd)

➤ Management

- In conjunction with the General Manager, Managers will develop their department's budget numbers.
 - Tasked with providing guidance to the managers enabling them to create a realistic budget.
- Contacting vendors, as tasked by General Manager, to obtain estimated costs for upcoming year of services (e.g. Insurance, copier, contracted services).
- Provide a draft budget to the General Manager and CPA Accountant for their department.
- General Manager and CPA Accountant present to Finance Committee/Board.

Budget Responsibilities (cont'd)

- Management - Types of guidance General Manager provides to department Managers
 - What changes do the leaders believe are needed? Processes that might require hiring a person to write new procedures?
 - What are you doing and why are you doing it?
 - Is it because there is a policy? A Regulation? An expectation? Because that is what we've always done?
 - What is the cost of these actions in terms of time and materials?
 - Is annual training involved/required? Do we need the skill set, or should we rent it by contracting the service out?
 - Is equipment involved? Do we use that equipment all year, or is it a specialty item?
 - Do we have licensed or off-road equipment we do not need?
 - How many service contracts do we have? Who is the contact for these? How much did we spend last year for these services?
 - Was it budgeted? Were we underfunded? Over funded? Did we complete the work the funds were set aside to support?
 - Do we need additional vendors or employees to perform the work?
 - What equipment have they used each year, and does it need to be serviced? Replaced? Upgraded?
 - Is training required to use the equipment? Is PPE required to use the equipment? How will the proper training be conducted and include cost of all required PPE?
 - Who is responsible for the equipment?
 - Who will service the equipment and does that employee/contractor have the correct training to complete the service/ repair?
 - Do we have sufficient spares and supplies for our main tools and equipment?
 - Does the staff have sufficient network bandwidth to do their jobs? Or does the employee need more work?
 - Same with electronic tools; are we using incompatible computers or devices?

What's the Difference?

Reserve Study - Reserve Budget - Community Plan

Reserve Study - The Tool - performed by Reserve Consultant

- What assets need to be replaced over the next 30 years?
- How much will it cost?
- Only current assets owned by the Association

Reserve Budget - Short Term - Board

- Addresses the near-term needs on a schedule
- How will this be funded? (immediate)
- ADDS New Capital aka Future Capital

Community Plan - Long Term/Big Picture - Board/Membership

- Use Reserve Study to create a long term 5 - 10 - 15-year plan for replacing assets
- How will this be funded? (big pictures ideas)
- ADDS New Capital aka Future Capital



The Tool - Reserve Study

Legally required

- 2021 Reserve Study
 - Off-site
 - Some assets weren't yet included:
 - Updated Water/Roads cost from KPFF
 - Septic Systems
 - Sprinkler Systems
 - Some Boat Ramps
 - Retaining Walls
- 2022 Reserve Study (Most Recent)
 - On-site
 - Incorporating all “missing” assets
 - Incorporating all Engineering Studies
 - Water/Roads (KPFF)
 - Bridges
 - Tennis Courts
 - Pool

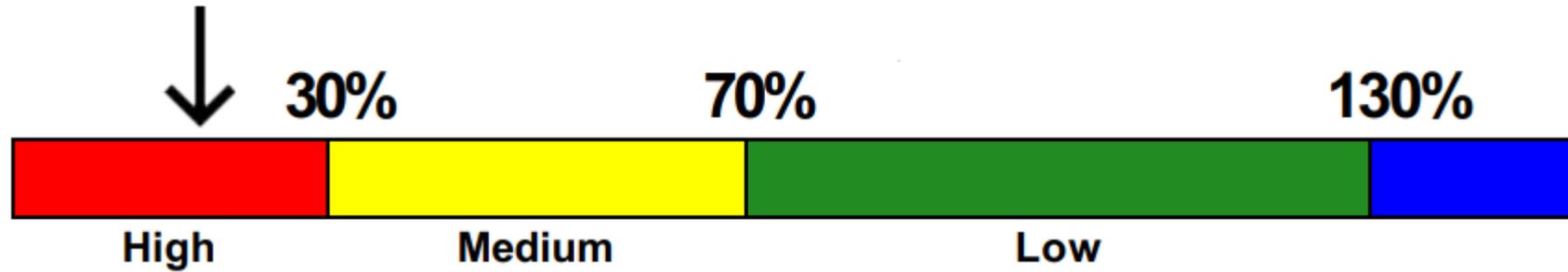
The good news is that the CCA Reserve Study is of a higher quality study than the majority of HOAs.



General Reserves

19% Funded

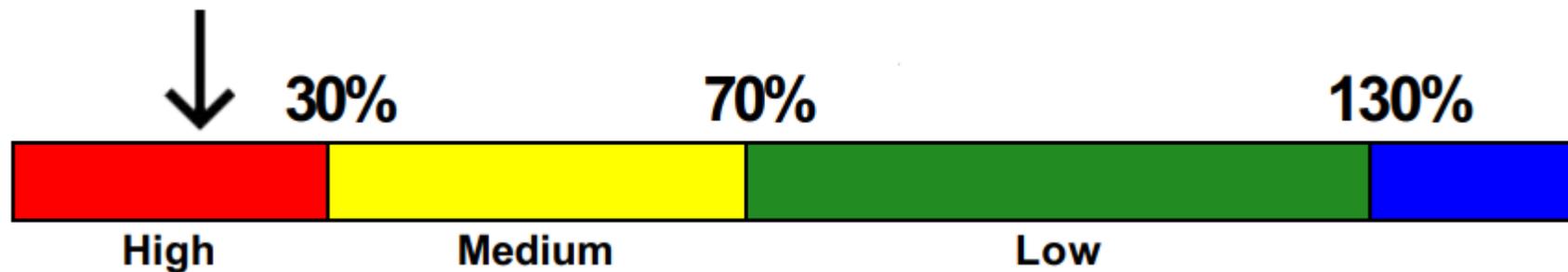
HIGH \$ ASSESSMENT RISK



Water Reserves

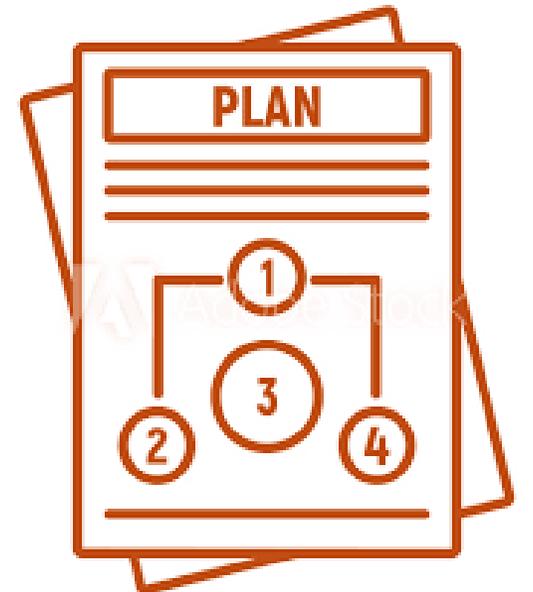
20% Funded

HIGH \$ ASSESSMENT RISK

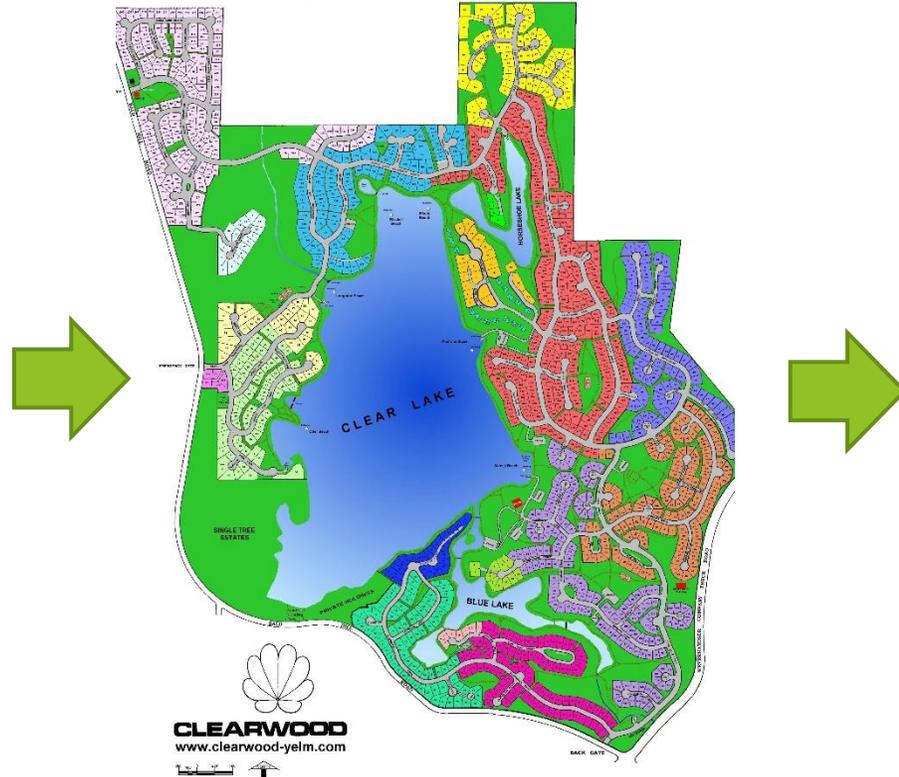


Reserve Study & Maintenance Plan

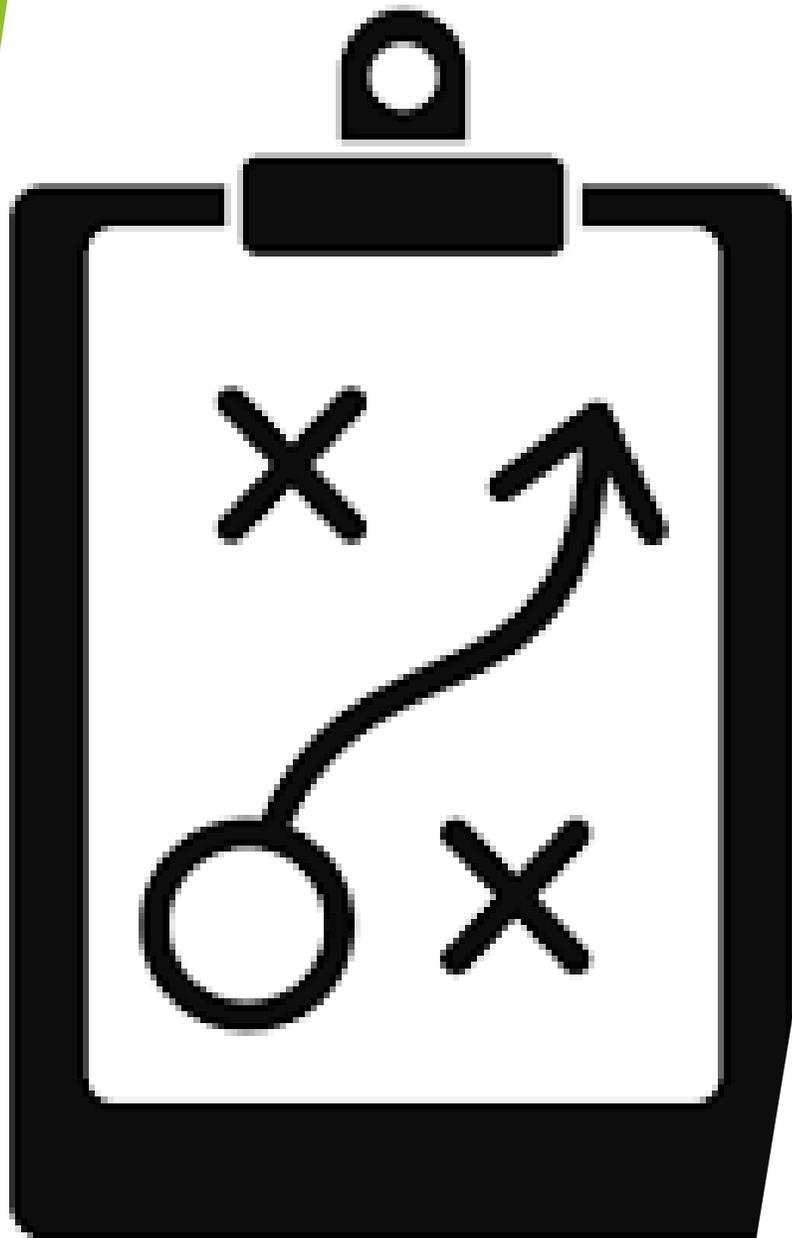
- RCW's require on-site Reserve Study every 3 years
 - Most Recent, 2022 is On-Site
- Provides community with health of reserves and capital asset replacement schedule
 - The Reserve Study helps us plan for replacements, ideally without special assessments
 - Assumes proper maintenance
 - Engineering studies in progress will heavily impact reserve study
- Includes all capital assets, water system, buildings, equipment, mailboxes, & roads
- Maintenance plan - Under Development (did not exist in 2019)
 - Must have proper maintenance for Reserve Study to be accurate



The Board Positioning CCA For The Future.....



...Should Not Happen by Chance -
It Should Happen by Design.



CCA's Original Strategic Plan

- The Association was created by a developer with a Vision who implemented it and created CCA. The developer had a big goal in mind.
- The developer owned the land, controlled the funding, and knew:
 - Where they started
 - What had to be accomplished
 - The financial obligations
 - A clear idea of an end goal
- The developer had to get permission from the County, federal agencies, banks, utility companies, regulators, and other stakeholders they didn't even know about!



Today, We Possess a Highly Credible Understanding of Our Finances and Physical Condition of Our Main Assets.

The factual Engineer's reports on our water and roads systems, parks and bridges have been incorporated into our (legally required) 2022 Reserve Study.

With that in hand, the Board of Directors, whose role is to be strategic, had to ask themselves **Three Hard Questions:**

- ▶ Are we protecting the members realty values?
- ▶ Will we have sufficient funds to maintain the common areas?
- ▶ Are we positioned to remain viable in the future?

The Other Hard Question: “When is the Right Time To Protect Our Future?”

Pictures on right are from members of a Thurston County HOA that, like CCA, provides drinking water to the membership: pictures posted on a community Facebook Page.

The least “Right Time” is
Not after the consequence
arrives.



Refrigerator
Water Filter



Childs Swimming
Pool being filled
showing muddy
water



Sink Drain

The Purpose of a Strategic Plan (Vision)



Strategic: the identification of long-term overarching goals and the means of achieving them.

Vision: the ability to imagine a future plan with wisdom



What are the Roles and Responsibilities for creating and implementing a Strategic Plan?



BOARD'S ROLE



MANAGEMENT'S ROLE



**COMMITTEES PROVIDE
THE FOOTWORK TO
ACHIEVE OBJECTIVES**



MEMBERSHIP SUPPORT

In 2021, the CCA Board Spent Considerable Effort in Developing a Strategic Plan

What Did We Want to Accomplish?

- Visioned together on what the Association needed/wanted in the next 1, 3, 5, & 10 years
- Directors visioned separately and brought their concepts back to the group for discussion.
- Discussed the processes involved in achieving those needs/wants and how they might be obtained

Strategic Plan *Needs* to Integrate the Processes by Which You Govern

- Legal concepts, Insurance, HOA finance, HR, Roberts Rules, Management vs. Governance
- We use Reserve Studies, maintenance plans, mission/vision statements, document Hierarchy (i.e. CCR's, Bylaws, Rules/Regs, Policies) to enable the future and sustain the present
- Flexibility is required as information does change, so may your goals and objectives

There is No Strategic Goal Without Membership Approval

Planning Where CCA Will Be In 50-Years Is Up To The Board.

Getting There Is Up To The Members.

Must Understand the Difference Between “Wants” and “Needs”.

- Both are Important
 - *Need* - A requirement based on achieving the purpose of an HOA
 - The annual budget should be based on the need and purpose of an HOA
 - *Want* - Something based on the vision statement
 - Generally, special assessments fund achieving the Vision Statement

The Fundamental Building Block of a Strategic Plan are the Mission and Vision Statement

- “A **mission statement** is a concise explanation of the organization's reason for existence. It describes the organization's purpose and its overall intention. The mission statement supports the vision and serves to communicate purpose and direction to employees, customers, vendors and other stakeholders.”
- “A **vision statement** looks forward and creates a mental image of the ideal state that the organization wishes to achieve. It is inspirational and aspirational and should challenge employees.”

If the Mission does not support Operational Success, it will fail.

CCA's Mission Statement

The mission of the Board of Directors for the Clearwood Community Association is to preserve and enhance the property of our subdivision by maintaining the common areas, parks, lakes, beaches, roads & water system, and by upholding and enforcing our Covenants, Bylaws, and Rules & Regulations. We will serve the homeowners by taking a fair, objective and ethical approach in representing the Corporation. We will provide ethical and fiscally responsible solutions to promote a sense of community, enhance our property values and plan for the future.

CCA's Vision and Value Statements

Vision: The Clearwood Board of Directors envision the community as a desirable place that we are proud to call home. A community of caring and respectful neighbors who cooperate to increase the value of our properties by upholding the CC&Rs.

Value: In fulfilling our vision, we value honesty, fairness, firmness, equity, efficiency, transparency, common sense, participation, respect, cooperation and neighborliness in all things we do.

There Is Not Enough Money To Do It All...

Selection of Priorities is Based On:

- Risk of Failure
- Consequence of Failure
- Mission Statement

- ▶ Wants are vision of things the Association does not have.
 - ▶ There is no consequence of failure of something we do not own.
 - ▶ No Risk.
- ▶ Needs are actions required for assets the Association currently possesses.
 - ▶ There are consequences of varying levels if our assets fail.
 - ▶ Identifying the probability of failure and consequence of said failure helps determine the priority of monies spent.

Mission Statement - We must support the purpose of our Mission.

...Formal Prioritization is Required.

Ranking and Prioritizing Incorporates Many Perspectives

Association Risk Level ↑	1	A	B	C
	2	B	C	D
	3	C	D	E
	4	D	E	E-F
	5	F	F	F
		HIGH	MEDIUM	LOW
		Association Impact Probability ←		

Reserve Projects: Indication of Impact of Failure	
A	Immediate repair/ mitigation or suffer loss.
B	Immediate mitigation with repair scheduled complete within 24 months, or project loss of asset.
C	Monitor area, provide maintenance, complete within 36 months.
D	Asset on Scheduled Preventative Maintenance Plan; functional; repair within 5 year plan.
E	Asset is surplus, obsolete or is being evaluated for strategic value. Maintenance limited to prevent failure.
F	Run to failure. No impact if failure

Management Ranks Association Impact Probability &
Governance Ranks Association Risk Level

Strategic 1 Year Goals - Voted on by Board



Board Top Strategic Goals	Estimated Cost
Fund Roads/ Water Plan - Specificially in near-term	
2021 Water & Road Construction Project 1A- Blue Hills DR & Cul-De-Sacs Service Lines, Meter, Culvert, and Roadway Replacement (in progress)	\$ 202,842
2022 Water & Road Construction Project 1B- Blue Hills DR & Cul-De-Sacs Service Lines, Meter, Culvert, and Roadway Replacement	1,014,000
2022 Water & Road Design Project 2A - N Clear Lake BLVD SE. Service Lines, Meter, Culvert, and Roadway Replacement	233,400
2021/2022 Well 5/6 Construction (in progress), \$20k expected in 2021 & balance in 2022 per Reserve Study	698,625
2021 Pool Renovation Project (in progress)	250,000
2021 Longmire Sports Court (in progress)	130,000
Administration Building - Office, Structure & Septic System Scope not determined , amount is what is in the Reserve Study	195,000
	\$ 2,723,867

CCA Board has not finalized an Office/Community Building scope statement. Members invited to Special Board Meeting September 13th to provide input.

2021 Estimated Cost Per Reserve Study	\$ 602,842
2022 Estimated Cost Per Reserve Study	\$ 2,121,025

2021 10-Year CCA Water and Roads Plan

Description of Project:	<p>Establish a formal Engineered Plan designed to achieve reliability in water distribution and roads by scheduling their replacement based on risk and consequence of failure over a 10-year period beginning in 2022.</p> <p><u>This plan will replace every road and every water service line to every member and is prioritized based on risk of failure.</u></p>
Basis for Project:	<p>CCA water distribution and roads are 48-years old, water service lines/water meters are beyond life span, water mains are at half-life, roads are 20-years past normal life span.</p>
Value to Membership:	<p>High reliability of water distribution, water quality and roads performance with less unexpected failures in systems. Packaged by risk to failure into annual projects as part of an overall 10-year plan. This plan will be a resource for CCA to guide future design and construction contracts.</p>
Preliminary Cost/ Schedule:	<p>Project awarded to KPFF Engineering after competitive bid September 2020, completed on schedule and on the \$112,010 budget with no use of contingency. Final report posted on CCA website http://www.clearwood-yelm.com/2021-2022-capital-projects/</p>

2021 -22 Water & Road Design Project 1A

- Description of Project:** Project 1 of 12 of the 10-Year Water and Roads Plan. Prepare construction drawings and specifications to remove and replace ~ 7,200' of Blue Hills Drive and cul-de-sac roads with new asphalt overlay and the removal and replacement of water service lines and individual water meters in the project area. A full description can be found www.clearwood-yelm.com/2021-2022-capital-projects/
- Basis for Project:** As noted in the Engineering report, the most significant road wear exists on the front/back gate entrance roads and Rampart. Additionally, a significant cost saving opportunity exists in partnering with Weyerhaeuser when they replace their road that runs parallel to Blues Hill Drive in 2022.
- Value to Membership:** High reliability of water distribution and water quality. High reliability of road performing with minimal maintenance.
- Preliminary Cost/
Schedule:** The CCA Board authorized a \$202,842 expenditure on June 26th to fund an Engineering, Design and Inspection Contract. Design schedule due in August. A Fixed Price Contract was issued to KPFF to complete this effort which includes the cost for Construction Management.

2022 Water & Road Construction Project 1B

- Description of Project:** Award a best value contract to remove and replace ~7,200' of Blue Hill Drive and adjoining cul-de-sac roads, water service lines, and water meters as designed in FY2021 by KPFF. Construction will be managed by professional Construction Manager to ensure selected contractor delivers goods and services as specified in design documents.
- Basis for Project:** As noted in the 10-Year Roads and Water Plan report prepared by KPFF Engineers, the most significant road wear exists on the front/back gate entrance roads and Rampart. Additionally, a significant cost saving opportunity exists in partnering with Weyerhaeuser when they replace their road that runs parallel to Blues Hill Drive in 2022.
- Value to Membership:** High reliability of water distribution, water quality, protection of road from under road culvert that will handle the increased water flow from the Weyerhaeuser road change adjacent to CCA property.
- Preliminary Cost/
Schedule:** The completed 10-Year Plan reflects a Total Estimated Construction Cost of \$1,014,208 which includes a 10% construction contingency held by CCA. Schedule will be generated by the contractors as part of their bids.

2021/22 Pool Project

Description of Project:	Establish a formal Engineered specification for the removal and replacement of the exterior pool concrete deck, wood deck, fence, and retaining walls in 3 rd Quarter 2021. Obtain bids for the work with goal to complete the project in time to open the pool in 2022. Repair both septic systems.
Basis for Project:	The exterior concrete deck surrounding the pool is fractured and determined unsafe by the CCA Insurance provider expert; to remain insured we are fixing the pool. The existing retaining wall supporting the concrete, wood deck and fence was incorrectly built, is failing and the fence around the pool is rotted. The septic systems are non-functional.
Value to Membership:	Safety for all users of the pool. Slipping and falling hazards reduced, concern over pool failure reduced (from deck failure), wood deck and fence failure concern eliminated. Protection of ground water and surrounding environment.
Preliminary Cost/ Schedule:	Contract awarded to MC2 Engineering June 2021 for (\$2,000) to write the concrete and fence specification. List of contractors assembled. Preparing to solicit bids. Septic system work in progress. Specification due by 1 st week in August. Total pool refurbishment project estimated at \$250,000.

2021 Longmire Tennis Court

Description of Project:	Remove and replace the failed Longmire Tennis Court with a new multi-use court designed for both tennis and pickle ball. Change existing court orientation rotating it 90 degrees, increase parking for both passenger cars and boats with an improved boat turn around.
Basis for Project:	Existing tennis court was deemed unsafe for use by CCA Insurance provider expert, pavement and nets had failed, parking area for boaters and members using beach is poor.
Value to Membership:	Brings a non-functioning amenity into full and dual use and allows two sport activities on one court. New orientation reduces sun in player's eyes, increased passenger and boat parking, provides easier boat turn around.
Preliminary Cost/ Schedule:	Design - Board authorized a \$20,715 amount on May 22 nd , contract signed June 15 th . Initial concept and final design approved by Board in July, contractor estimate received in July and is under consideration. Designer within budget and on schedule. Considering awarding construction contract in Spring to reduce cost. Estimate total cost range; \$130,000-180,000

2022 Well 5/6 Construction

Description of Project: Design, permit, construct and place into operation two new drinking water wells (525 gal./min. pump capability). Functions include a pump building and treatment capability requiring PSE to provide a 3-phase power line. State of Washington Permit approved 1/20/21. Design/specifications complete, bid process in progress. Awaiting final County permit.

Background: This project began in 2014 after the permanent closure of Well 4 due to E-Coli contamination. The goals and objectives for replacement Well evolved for several years. The 2019 Board of Directors initiated actions to finalize the scope, obtain required permitting, finalize design, and construct the project.

Basis of Project and Value to membership: Project completion eliminates a significant community risk of a single point of failure in both drinking and fire water supply. New increased flow rate also achieves long-term community water goals that ensure safe and clean adequate water capability at full build out within the CCA community.

Preliminary Cost/Schedule: The total estimated direct construction cost is currently estimated at \$698,625 which includes the cost of Project/Construction Management. PSE is behind schedule (45-days) in delivering their construction estimate. Decision on soliciting bids will happen on August 13th. Construction schedule will be provided by the winning contractor.

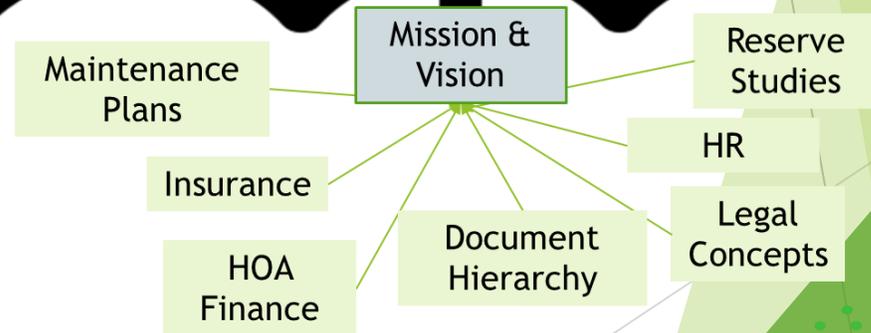
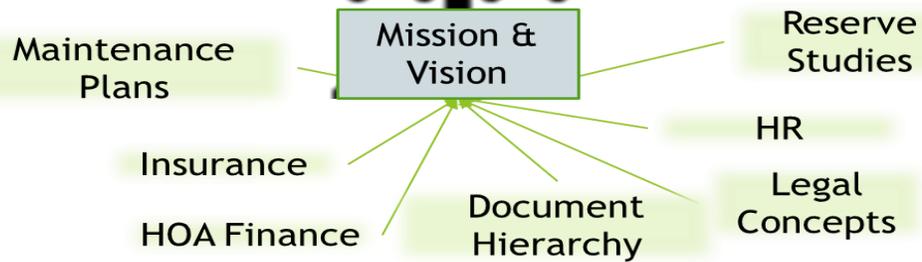
2022 Office Building (Not Yet Approved)

Description of Project: Remove and replace our existing 54-year-old office building with a multi-purpose facility capable of providing both office and community meeting space.

Basis for Project: The existing + year old CCA Office building is beyond its life cycle, is inadequate to meet modern office requirements (electrical, heating/ ventilation, network, workspace for employees/ volunteers, and file storage space. The septic system, exterior deck, insulation, and parking are inadequate.

Value to Membership: Decreased congestion at front gate, increase employee retention, possible club and committee use,

**Preliminary Cost/
Schedule:** A Special Board meeting is scheduled on September 13th to solicit member input from the community. A cost estimate will be generated once the scope of this project is defined.



Successful Change Requires a Successful Communication Strategy

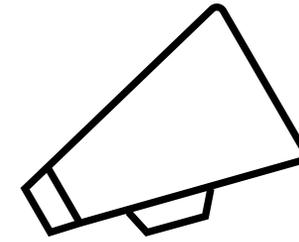
Change comes with expenses, expenses are paid with cash, cash comes from the members.

If you wish to achieve a substantial change, you will need a successful communication strategy before starting and while performing.

It's the members association and they decide the leadership.

Strategic Success Requires Communication Success

Successful HOA Communication Strategies



Gossip is the dirt you share with neighbors... communication is the soil which nurtures dialogue...

- The Board of Directors are officers of a corporation and as such are not allowed to make independent decision without Board discussion and vote.
- The Corporation has established formal means of communication which are:
 - Quarterly newsletter, email blasts, Mailers, handouts, website, posters, town halls, meetings, CCA Facebook, info@clearwood.org
 - www.clearwood-yelm.com
 - Call the Office, submit questions (FAQs), check the web, attend meetings

The Corporation is Accountable for its Communications.



Community Plan Re-Cap

All HOA's have three (3) main purposes:

- Protect Members Realty Value
- Maintain Common Areas (parks, water, roads, etc.)
- Ensure reasonableness of rules and Compliance

We are professionally managed and governed by a trained Board.

We are operationally efficient, successful and fiscally diligent.

At 45-years of age, CCA Governance implemented actions to ensure the future was not the past; stopped speculating on issues critical to our future.

Community Plan Re-Cap - Cont'd

We Possess a highly Credible Understanding of our Finances and Physical Condition of our Main Assets and our Reserve Statuses.

- General Reserves - 19% Funded**
- Water Reserves - 20% Funded**

The Board has taken on big challenges that are expensive.

- Staff and Committees fully participated and support the goals
- The issues are real and are not “wants”.

➤ Funding of Priorities is based on:

- Risk to Failure,
- Consequence of Failure, and
- CCA Mission Statement

Answering the Three Hard Questions

Q. Are we protecting the members realty values?

A. We do not have the capital funds to sustain our main assets. Without the increase, we cannot say yes.

Q. Will we have sufficient funds to maintain the common areas?

A. Yes, if we increase our capital funds, our operation budget is sufficient.

Q. Are we positioned to remain viable in the future?

A. That is what the members will answer in November.