

RIIA BOARD MEETING MINUTES

February 23, 2015

The meeting was called to order by President, Rich Swenson, around 7:00 PM at All Saints Center. Board introductions were made and attendees introduced themselves.

Board Attending: : Rich Swenson, President Charlotte Crain, VP., Sarah Brown, Secretary, Anne Scea, Treasurer; Trustees: Mike Hirko, Jim Cushing, Doug Van Doren, Linda Karle and Jud Morris. **Absent:** Trish Burnett, Trustee

Members Attending: Island members, Tom Straub, Scott Wood, Sean Taylor, Steve Brown, John Hyry, Glenn Stewart, Joe Sanchez and Joan Scrim.

Request to add agenda items: None

Member's Request to Address Board: Several Island members attended the meeting to discuss the issue of maintenance and replacement of their "private" roads: Maple, Cedar and Alder Lanes. Joan Scrim of #179 Cedar Lane had a letter dated 7/9/86 from RIIA management which sets out the agreement for paving (at that time gravel) Cedar Lane: RIIA paying 40% of the cost and homeowners on the road paying the remainder. She noted that the road runs through each of the properties, not on the property lines. A discussion was held. The members attending were in agreement that future road repair and road replacement should include all roads to retain our overall sense of community and enhance overall property values, whether the Island finances all road replacement, or there is split responsibility for the cost of the replacement, or some other arrangement. Board Trustee, Linda Karle, also residing on Cedar Lane, had letters from three homeowners expressing similar views. The Board asked those present to talk to other homeowners on those roads to see if a consensus of views prevails and to communicate that information to the Board. We want to make any proposal palatable and will have to make a decision soon.

Approval of Minutes: Minutes of the January 19, 2015 meeting were approved as corrected and will be posted on the website.

Treasurer's Report: Treasurer, Anne Scea, submitted Treasurer's reports to the Board by email on February 14th. There were no questions re the reports. Anne distributed a document produced by the **Budget** committee, Hans Kueck and Tina Shoemaker and herself, with numbers for the 2015-16 budget. The committee recommends an increase in dues to \$165/mo. That budget was compared to the current budget and a 2015-16 budget without the dues increase (which would result in a shortfall of \$4,116). The factors behind the dues increase include increased funding for audit and bridge loan, grounds and parks maintenance. Budget for the current year will have an approximate loss of \$42,000. During the discussion, it was recommended we increase the capital fund amount for North Beach by \$500. Anne will revise numbers and we'll vote by the next meeting.

- **Banking Move:** It was recommended that we move our banking from Chase to Alliance Associated Bank as recommended by Island Mgr, Juanita Carbaugh (higher interest rate, better options for members). Anne will do some more research and report back.
- **Accounting Change:** Juanita has also recommended transitioning from Quickbooks Online to a program used by most of her other HOAs. Cheaper rates, the ability to

keep a history of each property and availability to members. A motion was made by Jim Cushing, seconded by Charlotte to change our accounting from Quickbooks as recommended by Anne and Juanita. The motion passed unanimously.

- **Investment Recommendation:** Mike Hirko, Investment Committee Chair, reported on the committee's recommendation for the remaining bridge replacement funds and the setting up of a reserve account associated with the bridge replacement -- a discussion followed. A previous email to Board members (attached) explained the reasoning behind the recommendation. A motion was made by Sarah Brown, seconded by Doug Van Doren, that we approve the Investment committee's recommendation to initially invest the USDA required reserve funds in the Vanguard Life Strategy Conservative Growth Investors Fund (VSCGX), to be reviewed quarterly by the committee with an eye toward long-term appropriateness for the loan period. The motion was passed with no dissent.

Managers Report: The monthly report from Juanita Carbaugh was emailed to board members on February 12th. Juanita reported that we were able to collect past dues in full from Freddie Mac on lot #152 (\$6,534.97). There was no update on homeowners from whom we have obtained judgments.

Bridge:

- There was a short discussion on the need for installing a left turn yield sign for those vehicles exiting the bridge on the Island side. There have been reports of confusion and a near miss at that juncture because of the change the new bridge has made in the configuration of the three roads. A motion was made, seconded and passed that we order and install such a sign.
- Cleanup of the downed branches as you enter the bridge from the mainland was discussed. Several members offered to help in the task. We need to set a date and ask Juanita to send out an email.
- A new road sign was discussed. Charlotte has been talking to a contractor in Puyallup who would charge \$400. Another member has a contact who might also submit a proposal. No final decision was made.

Committee Reports:

Parks and Recreation: Regarding budgeting for North and South Beach, Shawn Taylor, Parks Chair, said the \$500 South Beach budgeted amount is OK; however, any clean up, tree or brush removal etc for North Beach would require us to add more money. There was a discussion of what was needed at the North Beach property: drainage/bank problems make tree removal unlikely, trimming, removing dead plants, etc would open up the property to some extent, keeping a natural barrier between properties is desirable. \$500 will be added to the budget for North Beach.

Roads:

- **Catch Basins:** Scott Wood, Roads Chair, reported that two catch basins have been installed per our vote last meeting and two others will be done, one at a time. Though it was recommended we get the drainage done early, it was decided that our vote on any others will wait until the road replacement decision has been made.
- **Road Replacement:** A question was asked about how reliable Jim McReynolds' estimate of road replacement cost for the Island was – It was noted that after the estimate by Peck in 2002 was made, three reputable contractors gave us estimate

updates in mid-2014. Those numbers were increased 4% for inflation. We will have a professional estimate once the vote is done to make a plan.

- **Roads Survey:** The board discussed the road replacement member survey draft prepared by Jim McReynolds, Rich and others and were largely in agreement about the wording. Anne said we should add wording about any construction being subject to the new water mains being installed by the Washington Water Co. (At this time, we have no time frame for the water mains.) Rich will revise survey and send out for approval before mailing.

Emergency Preparedness: Doug Van Doren distributed a final draft of the Board Resolution to adopt Raft Island's membership in FEMA's Natural Hazard Mitigation Plan. The resolution was ready for signature. There was a motion, second and unanimous vote to accept the Board Resolution as written. All Board members affixed their signatures to the form.

Security: The security web cam was discussed. Charlotte reported that we currently have a Comcast security camera set up aimed toward the bridge, which costs us \$69/m. It could be upgraded with a new card and converter for a one-time change of \$150. She said the camera could help Mike Neil in enforcing parking at South Beach and with other security concerns. Other members said we should not pay for such a camera without Island-wide support. The parking problem could be solved by using stickers instead of transferrable passes, issuing larger stickers, limiting stickers to two per household (replaced if you buy or sell a car) and replacing gate keys. Those changes will be implemented for the 2015-16 fiscal year. The camera issue is still unresolved.

Communication:

- The Board discussed replacing our cumbersome website hosting company with a new one per Gene Barkin's suggestion. The cost would be \$99 for *Bluehost.com*. We moved, seconded and approved the website upgrade.
- Newsletter: We will try to get it out by early or mid April. The roads membership survey should go out right away. The vote package for the annual meeting should also go out by mid April.

Old business: CC&R changes: Anne, RJ Argenzio-West, Jim Cushing and Trish Burnett have been working on By-law and CC&R changes to be brought to the annual meeting in May for a vote. Such changes are necessary because of our BRF revision, our long-term bridge loan and all that has changed during the last two years because of bridge replacement. Anne will send out a draft to Board members reflecting, in part, the following changes:

- Merging of BRF and General dues into one monthly dues amount
- Transfer of funds on a regular basis for the bridge loan payment
- Annual bridge inspection change
- Audit committee elimination

Other: Regarding storage of past RIIA files: Scot Wood will do some research on cost and feasibility of scanning existing files for storage.

No further business and the meeting was adjourned at 9:25 PM.

Respectfully Submitted,
Sarah Brown, Secretary

From: mjhirko@aol.com
Sent: Friday, February 13, 2015 12:44 PM
Subject: RIIA - Bridge Reserve Recommendation

Board Members,

A special meeting of the Investment Committee was held on February 12 to formulate a recommendation for the required United States Department of Agriculture (USDA) reserve account associated with the bridge replacement. Attendees were Monica Butler (#101) and Mike Hirko (#113); a late attempt to move the meeting to another date for better attendance was not productive.

The Treasurer advises that \$2,466 is required to be set aside monthly over the next 10 years for the reserve. That totals \$29,592 deposited per year and \$295,920 over the 10 year time frame. (The committee recommends that an automated monthly deposit into the reserve be established by the Treasurer once the new fund account minimum of \$3,000 has been collected.) There are no restrictions on where or how this reserve is to be set aside, i.e. savings or investment. In the past Jim McReynolds has stated that should the balance in this reserve fall below its schedule (i.e. during a stock market drop) RIIA would have to take steps to replenish it.

A call was placed to Jim McReynolds to clarify the purpose of this reserve which might impact mutual fund selection. He replied that the reserve could be used for "capital bridge purposes" only. Jim did not know of any restrictions associated with these funds after the 10 years has passed but will research for more long term clarity on the eventual status of this money. He knew of no required USDA reporting on the status of this reserve balance. The committee assumes that the USDA monthly reserve will be included into the overall membership payment for bridge replacement and, consequently, are Bridge Replacement Funds.

Ten Vanguard mutual funds, all with balanced portfolios, were reviewed to meet the projected purpose of the reserve. Their symbols are: VASGX, VSMGX, VGSTX, VTTVX, VBINX, VBIAX, VSCGX, VTMF, VWINX, and VWELX. All except one currently hold a Morningstar rating of four or five stars. They can be viewed in detail via Vanguard, Morningstar, or other financial sites.

With respect given to the present state, age, and possible volatility of stock market, plus the USDA requirement to maintain the reserve schedule, the committee recommends the reserve be initially invested in the **Vanguard Life Strategy Conservative Growth Investors Fund (VSCGX)**. Its current Morningstar rating is four stars and its expense ratio is only .15%. The Investment Committee will add a review of this fund to its quarterly meeting agenda. Once some experience is gained on USDA's oversight (1-2 years) it will be reviewed for its progress and appropriateness for the remainder of the period.

VSCGX is a broadly diversified, low-cost fund with an all-index, fixed allocation approach that provides a complete portfolio in a single fund. It seeks to provide current income and low to moderate capital appreciation. The fund holds approximately 60% of its assets in bonds, a portion of which is international bonds, and approximately 40% in stocks, a portion of which is allocated to international stocks. It is essentially a mutual fund of four Vanguard mutual funds: 48% Total Bond Market II Index (VTBIX), 28%

Total Stock Market Index (VTSMX), 12% Total International Bond Market Index (VTIBX), and 12% Total International Stock Index (VGTSX).
This recommendation will be made at the February 23, 2015 Board meeting and should be included in the meeting minutes.

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