

BCA Proposed Bylaw Changes Summary

for Annual Membership Meeting on May 4th, 2022
(if adopted, effective May 5th, 2022)

Voting procedures for adopting proposed Bylaws changes: Our Bylaws may be amended at any annual meeting by a vote of the membership. A quorum (10% of the members entitled to vote) must be present at the meeting, and proposed changes are adopted if a majority of those present approve the changes.

In the past, multiple proposed Bylaws changes have been voted up or down in one vote. This year, we will ask for separate votes on each proposal (with one exception – the exception is that we will combine the two proposed changes that incorporate the new state law into one vote). As a result, members will be asked for 4 separate votes on these issues:

1. **Incorporating the new state law regarding adopting budgets, dues increases and special assessments, and related notice requirements. (Proposed 1A and 1B)**
2. **Modifying the existing automatic inflation surcharge based on the CPI. (Proposed 2)**
3. **Modifying the Board's existing expenditure authority to provide more flexibility in between monthly board meetings. (Proposed 3)**
4. **Authorizing the Board to approve an alternative payment plan. (Proposed 4)**

The materials in this document are intended to explain the Board's reasoning behind each proposal and also provide the Board's thoughts on what it means if each proposal is not adopted.

The Board welcomes your input and thoughts on these proposals in advance of (or at) the Annual Meeting. You may submit informal or formal comments to the Board. Informal comments will be shared only with the Board. Formal comments will be shared with the general community, and the Board will do so by making every effort to include your formal comments in the Annual Meeting Packet that will be mailed to all property owners. **If you would like to submit formal comments on one or more of these proposed changes, please label your comments as "pro", "con" or "other" and email your comments to Kat Leathers at katleathers@comcast.net, or provide written formal comments to any Board member no later than 5pm on March 13.** Formal comments received after March 13 can be read/shared at the Annual Meeting.

PROPOSED 1A: Article 2.4 (NEW mandatory budget law, RCW 64.90.625)

1. Current Bylaw Text

Does not exist

2. Redlined Bylaw Text

None

3. Resultant Bylaw Text (if proposed changes are adopted)

2.4 Budgets – Assessments-- Special Assessments – RCW 64.90.525:

(1)(a) Within thirty days after adoption of any proposed budget for the common interest community, the board must provide a copy of the budget to all the unit owners and set a date for a meeting of the unit owners to consider ratification of the budget not less than fourteen nor more than fifty days after providing the budget. Unless at that meeting the unit owners of units to which a majority of the votes in the association are allocated or any larger percentage specified in the declaration reject the budget, the budget and the assessments against the units included in the budget are ratified, whether or not a quorum is present.

(b) If the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the unit owners continues until the unit owners ratify a subsequent budget proposed by the board.

(2) The budget must include:

(a) The projected income to the association by category;

(b) The projected common expenses and those specially allocated expenses that are subject to being budgeted, both by category;

(c) The amount of the assessments per unit and the date the assessments are due;

(d) The current amount of regular assessments budgeted for contribution to the reserve account;

(e) A statement of whether the association has a reserve study that meets the requirements of RCW 64.90.550 and, if so, the extent to which the budget meets or deviates from the recommendations of that reserve study; and

(f) The current deficiency or surplus in reserve funding expressed on a per unit basis.

(3) The board, at any time, may propose a special assessment. The assessment is effective only if the board follows the procedures for ratification of a budget described in subsection (1) of this section and the unit owners do not reject the proposed assessment. The board may provide that the special assessment may be due and payable in installments over any period it determines and may provide a discount for early payment.

4. Reason

This proposed change incorporates the new law regarding budgets and assessments, RCW 64.90.525, and provides notice of the new budget process required by state law to current and future members. This new law will apply to our community even if this proposed change is rejected.

5. Ramification if not approved

Current and future residents who review our Bylaws to better understand the rules and procedures that apply to our community will not be informed of this important budget process. We will still be required to follow this new state law even if members do not approve this change.

PROPOSED 1B: Article 3.5 (Aligns with mandatory budget law, RCW 64.90.625)

1. Current Bylaw Text

3.5 NOTICE

(a) Annual Meetings: Notice of the time and place of the Annual Meeting of members shall be given by delivering personally, or by mailing, a written or printed notice of the same, at least ten (10) days, and not more than fifty (50) days, prior to the meeting.

(b) Special Meetings: At least ten (10) days and not more than fifty (50) days prior to the meeting, written or printed notice of each special meeting of members, stating the place, day, and hour of such meeting, and the purpose or purposes for which the meeting is called, shall be delivered personally, or mailed.

(c) Regular Meetings: Notice of regular meetings other than the Annual Meeting shall be provided at least 48 hours in advance of each meeting. Notice of regular meetings is not required to be personally delivered or mailed, but may be provided by posting meeting information on the Association's website or in a community newsletter, if any, or in any manner that reasonably provides advance notice to members.

2. Redlined Bylaw Text

3.5 NOTICE

(a) Annual Meetings: Notice of the time and place of the Annual Meeting of members shall be given by delivering personally, or by mailing, a written or printed notice of the same, at least ~~ten~~^{fourteen} (14) days, and not more than fifty (50) days, prior to the meeting.

(b) Special Meetings: At least ~~ten~~^{fourteen} (14) days and not more than fifty (50) days prior to the meeting, written or printed notice of each special meeting of members, stating the place, day, and hour of such meeting, and the purpose or purposes for which the meeting is called, shall be delivered personally, or mailed.

(c) Regular Meetings: Notice of regular meetings other than the Annual Meeting shall be provided at least 48 hours in advance of each meeting. Notice of regular meetings is not required to be personally delivered or mailed, but may be provided by posting meeting information on the Association's website or in a community newsletter, if any, or in any manner that reasonably provides advance notice to members.

3. Resultant Bylaw Text (if proposed changes are adopted)

3.5 NOTICE

(a) Annual Meetings: Notice of the time and place of the Annual Meeting of members shall be given by delivering personally, or by mailing, a written or printed notice of the same, at least fourteen (14) days, and not more than fifty (50) days, prior to the meeting.

(b) Special Meetings: At least fourteen (14) days and not more than fifty (50) days prior to the meeting, written or printed notice of each special meeting of members, stating the place, day, and hour of such meeting, and the purpose or purposes for which the meeting is called, shall be delivered personally, or mailed.

(c) Regular Meetings: Notice of regular meetings other than the Annual Meeting shall be provided at least 48 hours in advance of each meeting. Notice of regular meetings is not required to be personally delivered or mailed, but may be provided by posting meeting information on the Association's website or in a community newsletter, if any, or in any manner that reasonably provides advance notice to members.

4. Reason

This proposed change aligns notice range requirements for annual and special meetings with the new state law related to adopting budgets, dues increases and special assessments. Current notice of meetings must be provided at least 10 days and not more than 50 days prior to the meeting. The proposed change is that notice must be provided at least 14 days and not more than 50 days prior to the meeting.

5. Ramification if not approved

Current and future residents will not be informed of the actual notice requirements required by the new state law as it relates to these budget meetings. The Board will still need to follow these notice requirements even if the proposed changes are not adopted.

PROPOSED 2: Article 2.4.1 (CPI Increase, previously 2.3.1)

1. Current Bylaw Text

2.3.1 Inflationary Index for Annual Assessment: Prior to the mailing of the annual statement of assessments, the Board Of Trustees shall review the inflation rate for the years since the benchmark year as documented by the Consumer Price Index [CPI], US Dept of Labor, Average Price Data, All Urban Consumers, Western Region, All Items, 1982-84 = 100¹ for last December. The benchmark year used to calculate the amount of inflation will be the December index of the year of the last change in the base amount of the assessment. For each two [2] per cent of increase in the CPI above the benchmark year, the Board may add an inflation surcharge of two [2] percent of the current assessment amount (rounded up to the nearest dollar) to the basic annual amount assessed on each property. The increase will be added without the need for further considerations or approval by the Membership but in no case shall it exceed more than twenty [20] dollars in any given year. Increases of less than two full points from the last inflationary surcharge or decreases in the rate will not be considered for the current year.

2. Redlined Bylaw Text

~~2.3.1~~ Inflationary Index for Annual Assessment: Prior to the mailing of the annual statement of assessments, the Board ~~Of~~ Trustees shall review the inflation rate for the ~~prior calendar years since the benchmark year~~ as documented by the Consumer Price Index [CPI], US Dept of Labor, Average Price Data, All Urban Consumers, Western Region, All Items, 1982-84 = 100¹ for last December. The benchmark year used to calculate the amount of inflation will be the December index of the year of the last change in the base amount of the assessment. For ~~any each two [2] per cent of~~ increase in the CPI above the benchmark year, the Board may add an inflation surcharge ~~from zero to that of the actual percent increase in the CPI above the benchmark year of two [2] percent of the current assessment amount~~ (rounded up to the nearest dollar) to the basic annual ~~dues amount~~ assessed on each property. The ~~inflation surcharge increase~~ will be added automatically without the need for further considerations or approval by the Membership ~~but in no case shall it exceed more than twenty [20] dollars in any given year~~. If the Board chooses to add an inflation surcharge [MOU] that is less than the actual percent increase in the CPI above the benchmark year, the remaining available surcharge shall not be carried forward to any future year. Increases of less than two full points from the last inflationary surcharge or decreases in the rate will not be considered for the current year. Additionally, if the annual dues are increased, then the inflation surcharge shall not be applied for that budget year with no carry forward allowed.

3. Resultant Bylaw Text (if proposed changes are adopted)

2.4.1 Inflationary Index for Annual Assessment: Prior to the mailing of the annual statement of assessments, the Board of Trustees shall review the inflation rate for the prior calendar year as documented by the Consumer Price Index [CPI], US Dept of Labor, Average Price Data, All Urban Consumers, Western Region, All Items, 1982-84 = 100¹ for last December. The benchmark year used to calculate the amount of inflation will be the December index of the year of the last change in the base amount of the assessment. For any increase in the CPI above the benchmark year, the Board may add an inflation surcharge from zero to that of the actual percent increase in the CPI above the benchmark year (rounded up to the nearest dollar) to the basic annual dues assessed on each property. The inflation surcharge will be added automatically without the need for further considerations or approval by the Membership. If the Board chooses to add an inflation surcharge that is less than the actual percent increase in the CPI above the benchmark year, the remaining available surcharge shall not be carried forward to any future year. Additionally, if the annual dues are increased, then the inflation surcharge shall not be applied for that budget year with no carry forward allowed.

4. Reason

These changes continue to allow for an inflation increase to be added to the annual dues without a vote of the membership (same as current Bylaws), but now allows for an increase range of 0 to the actual CPI increase in any given year. This change gives the Board the authority to keep up with actual inflation from year to year. It also requires that if the Board does not authorize the full CPI inflation surcharge rate in any given budget year, the remainder/unused increase cannot be carried forward to a future year ("use it or lose it" each year). In addition, the 2% minimum CPI increase threshold is removed, as is the \$20 cap on any yearly increase so we can keep up with inflation. Finally, the changes also prohibits the Board from both increasing annual dues and adding an inflation surcharge to annual in the same fiscal year.

5. Ramification if not approved

While this provision served our community well many years ago, the current restrictions do not allow us to keep with up with inflation. As a result, we have less money to pay for goods/services that continue to increase in cost over time.

PROPOSED 3: Article 4.11 (Expenditures)

1. Current Bylaw Text

4.11 EXPENDITURES Except as provided in Article 4.11.1, all projects involving the expenditure of community funds in excess of \$100.00 must be presented to the Board of Trustees at a monthly board meeting. Under no circumstances will the Board of Trustees authorize payment of any invoice in excess of \$100.00 unless the project has received prior approval or is authorized under Article 4.11.1.

Unanticipated expenses regarding projects previously approved at a monthly board meeting may be approved for payment in between monthly board meetings if: (a) a majority of the board approves payment by email or any other method of communication; and (b) such approval is recorded in the meeting minutes at the next regularly scheduled board meeting.

2. Redlined Bylaw Text

4.11 EXPENDITURES Except as provided in Article 4.11(a) and (b), (a), (b), and Article 4.11.1, all projects involving the expenditure of community funds in excess of \$100.00 must be presented to the Board of Trustees at a monthly board meeting. Under no circumstances will the Board of Trustees authorize payment of any invoice or reimbursement in excess of \$100.00 unless the project has received prior approval or is authorized under Article 4.11(a) or (b) or Article 4.11.1.

(a) Unanticipated expenses regarding projects that (i) were previously approved at a monthly board meeting—, (ii) presents an immediate safety/health concern and/or (iii) requiring timely professional assistance and which are within the current ratified budget may be approved for payment in between monthly board meetings if: (ai) a majority of the board approves payment by email or any other method of communication; ; and (bii) such approval is recorded in the meeting minutes at the next regularly scheduled board meeting.

(b) Normal and periodic budgetary operating expenses (e.g. monthly ground maintenance, financial management fees, utilities, sanitation, etc.) shall be deemed previously approved upon a ratified budget or at a regular monthly board meeting and not subject to needing further monthly board approval. It shall be the duty of the Treasurer to routinely monitor these expenses and bring any over budget expenses to the immediate attention of the board.

3. Resultant Bylaw Text (if proposed changes are adopted)

4.11 EXPENDITURES Except as provided in Article 4.11(a) and (b), and Article 4.11.1, all projects involving the expenditure of community funds in excess of \$100.00 must be presented to the Board of Trustees at a monthly board meeting. Under no circumstances will the Board of Trustees authorize payment of any invoice or reimbursement in excess of \$100.00 unless the project has received prior approval or is authorized under Article 4.11(a) or (b) or Article 4.11.1.

(a) Unanticipated expenses regarding projects that (i) were previously approved at a monthly board meeting, (ii) present an immediate safety/health concern and/or (iii) require timely professional assistance and which are within the current ratified budget may be approved for payment in between monthly board meetings if: a majority of the board approves payment by email or any other method of communication, and such approval is recorded in the meeting minutes at the next regularly scheduled board meeting.

(b) Normal and periodic budgetary operating expenses shall be deemed previously approved upon a ratified budget or at a regular monthly board meeting and not subject to needing further monthly board approval.

4. Reason

These proposed changes allow the Board to act swiftly and timely to approve certain urgent expenses in between monthly board meetings if certain requirements are met. This could be particularly useful during the 2 months when there is no December board meeting. In addition, these changes also clarify and expressly state that normal and periodic budgetary operating expenses are deemed previously approved upon a ratified budget or at a regular monthly board meeting and do not need further monthly board approval (as has been the assumption of prior boards). For example, routine monthly utility bills, Vantage fees or contracted ground maintenance fees do not need to be approved for payment each month by the Board.

5. Ramification if not approved

Failing to adopt these changes will perpetuate an existing inability for the Board to respond swiftly to urgent matters in between monthly board meetings. In addition, there will continue to be an existing ambiguity as to whether ongoing, routine operating expenses included in an adopted budget need to be approved by the Board at a regular public monthly meeting.

PROPOSED 4: Article 9.2 (Assessments)

1. Current Bylaw Text

9.2 All charges and assessments shall be payable within thirty (30) days after mailing notice of such assessment to the members. If unpaid, the amount of such assessment, plus interest at 12 percent (12%) per annum, but not less than seventy-five (75) cents per billing cycle, together with costs and reasonable attorney fees incurred in enforcing payment, shall be a lien upon the lot against which said assessment was made. Such lien may be foreclosed in the same manner as real property mortgages, provided however that no proceedings shall be commenced before the expiration of four (4) months after the date of mailing of notice of assessment.

2. Redlined Bylaw Text

9.2 All charges and assessments shall be payable within thirty (30) days after mailing notice of such assessment to the members, unless an alternative payment plan is approved by the Board. If unpaid, the amount of such assessment, plus interest at 12 percent (12%) per annum, but not less than seventy-five (75) cents per billing cycle, together with costs and reasonable attorney fees incurred in enforcing payment, shall be a lien upon the lot against which said assessment was made. Such lien may be foreclosed in the same manner as real property mortgages, provided however that no proceedings shall be commenced before the expiration of four (4) months after the date of mailing of notice of assessment.

3. Resultant Bylaw Text (if proposed change is adopted)

9.2 All charges and assessments shall be payable within thirty (30) days after mailing notice of such assessment to the members, unless an alternative payment plan is approved by the Board. If unpaid, the amount of such assessment, plus interest at 12 percent (12%) per annum, but not less than seventy-five (75) cents per billing cycle, together with costs and reasonable attorney fees incurred in enforcing payment, shall be a lien upon the lot against which said assessment was made. Such lien may be foreclosed in the same manner as real property mortgages, provided however that no proceedings shall be commenced before the expiration of four (4) months after the date of mailing of notice of assessment.

4. Reason

The current Bylaws require payment in full within 30 days after mailing. Failure to pay in full within 30 days results in late fees and interest. This proposed change authorizes the Board to be able to approve an alternative payment plan(s) for dues and/or assessments when and if the Board deems appropriate, such as allowing payment(s) to be spread out over a longer period without any penalty.

5. Ramification if not approved

The existing bylaw would remain in place, which requires full payment after a 30-day grace period and adds a 12% per annum fee until paid. The Board would not be able to authorize an alternative payment plan.