

## Summary of Proposed Bylaws Changes

This summary attempts to explain the major changes to the Proposed Bylaws but does not cover every word change or rephrase of a sentence or punctuation change. You may access the Current Bylaws on the website [lagoonpoint.com](http://lagoonpoint.com) and compare them with the Proposed Bylaws.

### Types of Changes Proposed:

1. Formatting the Bylaws with numbers and letters so they can be more easily searched and referenced. The current Bylaws contain some very long paragraphs. Some wordsmithing and clarifications have been added to some statements.
2. Includes resolutions, amendments and rules by the Membership that are in force but have never been added to the Bylaws.
3. Corrects omissions and inconsistencies resulting from amendments over the years. There are currently some references to content that no longer exist.
4. Conform to current RCWs governing homeowner's associations. (RCW "Revised Code of Washington" is a compilation of all permanent laws now in force) The RCWs governing homeowner's associations can be found at:  
<http://apps.leg.wa.gov/rcw/default.aspx?cite=64.38>  
LPCA is required to comply with RCWs regardless of what our Bylaws say.
5. Changes policy where current policy is ineffective, specifically penalties and collections.
6. Some content has been changed or added at the advice of legal counsel. (Attorney Review) These recommendations include changes for items which conflict with current law. Additions to protect the Association from potential harm or liability or where the current Bylaws are insufficient in providing direction to the Board.

### Explanations of Major Changes to the Bylaws:

- A. "Voting" - "Annual General Meeting" – "Director's Term of Service"** The proposal to change these three items are the result of changes in Washington State law that requires voting to occur at the Annual General Meeting, making our current practices at odds with current law. Making the following changes brings the LPCA into compliance with RCW 64.38.025
1. **All voting will take place at Meetings:** RCW 64.38.035 requires all voting to be done at meetings allowing Members to discuss the ballot issues before voting. We currently hold a meeting for the nomination of Directors and then vote later by mail. To comply with RCW 64.38.035 you may still vote by mail but the ballots will be due the date of the meeting so Members may mail in their ballot by the date of the meeting or attend the meeting, participate in a discussion and submit their ballot at the end of the meeting.

A mail in ballot constitutes a proxy and counts as a quorum at the meeting.

2. **Vote for Budget Approval and Board of Director Candidates at the Annual General Meeting:** Because we vote for Directors in the fall and vote to approve a ballot budget in the spring we are required to hold two General Membership Meetings and put out two ballots. This will be expensive and time consuming. Most Associations hold one General Meeting per year to elect Directors, approve a budget and vote for other issues before the Membership. We propose to hold one Annual General Meeting for the purpose of voting on all business before the Membership at one time. Because the budget must be approved before our fiscal year (July 1 through June 30th) our Annual General Meeting would be held in the spring instead of the fall.

3. **Change the Term of Office for the Board of Directors:** Currently the Directors are elected in November to serve a term beginning January 1 through December 31. We propose changing the term of Directors to coincide with our fiscal year (July 1 through June 30) allowing us to elect officers and approve a budget at one Annual General Meeting in March or April.

**B. Change the Approval process of Budgets and Assessments:** “Assessments and Budgets” RCW64.38.025” This is not a Committee recommendation, it is a direct result of changes in RCW 64.38.25 that went into effect July 2018. This is a significant change to the way budgets, annual assessment and special assessments are approved and is **in force whether or not these Bylaw changes are approved**. What you need to know is that there is no minimum vote required (quorum). Unless a majority of all eligible votes are cast to defeat a budget and or assessment proposed by the Directors, it is deemed to have passed. Practically speaking, this means that of the 444 eligible votes in this Association, 223 no votes are required to defeat a budget or assessment proposed on a ballot. Members who do not vote are counted as a yes vote. To be perfectly clear, **this is the current law in force** and has nothing to do with Board or Committee recommendations.

### **C. Changes to the Penalties and Procedures for Collection of Assessments”**

The attorney, the Association utilized to collect past due accounts has advised us to change our policies governing collection procedures. He has advised us we have the “worst procedures he has ever seen”. The Board agrees and believes the penalties and collection procedures in our current Bylaws are insufficient and have resulted in undue hardship on some Members and a loss of revenue to the Association.

The proposed changes will reduce the penalties for late payment which are currently very high by any standard and reduce the time the Association must wait to collect delinquent accounts. The biggest defect is the requirement to wait three years before pursuing foreclosure. This practice allows lenders to foreclose ahead of us and avoid paying past dues and penalties to LPCA. Numerous bank foreclosures in the past few years have cost the Association significant loss of revenue. Had LPCA pursued these delinquent accounts sooner, while they were relatively small amounts, it could have been much less painful to the delinquent Member and LPCA.

For a comparison of the current penalties to the proposed penalties see table below:

| Bylaws Proposed Revisions in Article II Section 2: Penalties   | Current Bylaws                                  | Proposed Bylaws      |
|--|---|----------------------|
| \$100 late fee per delinquent lot shall be charged to the Member's Account   | First Day of the Following Quarter<br>Past Due: | Past Due<br>30 Days  |
| Lot C Community Board Ramp Electronic Gate Card suspended  | First Day of the Following Quarter<br>Past Due: | Past Due<br>120 Days |
| Additional late fee of \$100 per delinquent lot or 10% of accrued outstanding balance whichever is greater, shall be charged to the Member's account continuing until the bill is paid in full, including all penalties. | First Day of Each Subsequent Calendar Quarter   | Deleted              |
| A lien shall be placed on the delinquent lot(s) owned and full cost of filing and satisfying said lien shall be charged to the Member's account.   | Six Months Late                                 | Past Due<br>90 Days  |
| Upon approval of the Board Directors further collection efforts may be commenced.  | Six Months Late                                 | Deleted              |
| When fees or assessment for which a lien has been recorded is 3 years late: foreclosure proceedings may be initiated by the Board of Directors, provided 75% of all Board members concur in action.                      | 3 Years Late                                    | Deleted              |
| An annual 12% of the accrued outstanding unpaid assessments and penalties shall be charged to the Member's account until such unpaid assessments and penalties are paid in full, including all accrued interest.         |   | Past Due<br>120 Days |
| The Board may take all legal action to collect assessments, penalties and accrued interest, including without limitation, foreclosure.   |   | Past Due<br>120 Days |

**D. Added “General Duties and Rights of Board Members” per the Attorney Recommendation:**

The attorney proposed a new section to provide some direction for the conduct of Board Members. Among other things it addresses conflicts of interest and voting by a Director as well as duties of loyalty that were missing from our Current Bylaws. This addition provides important protections for the Association and for Members who serve on the Board.

**E. Added “1977 Resolution” and revised the Resolution:**

This resolution set limits on the amount of money a Board can spend without a vote of the Membership. Some 41 years ago the Membership voted to authorize the Board to spend no more than \$5000 in any one year on existing infrastructure and no more than \$500 on new projects. This limit has never been adjusted for inflation and in today's dollars it would take \$21,185 to equal the buying power of \$5,000 in 1977. It would take \$2,119 to equal the buying power of the \$500 limit on new projects.

The Board recommends this limit be changed from a fixed amount to a percentage of the “the Fiscal Year Regular Annual Assessment”. By using a percentage in-lieu of a fixed amount it should be self-correcting for inflation as time passes and as the annual assessment is increased to adjust for inflation.

This proposed change would allow a Board to spend 12% of the annual assessments in a given year, increasing the amount a Board may spend without a vote from \$5,000 to \$13,213 in this fiscal year.

$$\text{Equation: } 444 \text{ Lots} \times \$248 \text{ F/Y } 18/19 \text{ Annual Assessments} \times 12\% = \$13,123.$$

It would allow a Board to spend 2% of the annual assessments for new projects increasing the amount a Board may spend on new projects in this fiscal year from \$500 to \$2,202.

$$\text{Equation } 444 \text{ Lots} \times \$248 \text{ F/Y } 18/19 \text{ Annual Assessments} \times 2\% = \$2,202$$

This increase is roughly half of the actual loss in buying power caused by inflation for existing infrastructure since this Resolution was passed but should provide a Board enough access to funds without the expense and effort of a ballot while at the same time protecting the Reserve Account from being depleted too quickly through over spending. The proposed increase for new projects would fully adjust for inflation but that amount is low (\$2,202) and has a small impact on the Reserve Fund.

Ideally a Board should include all spending in their annual budget however unanticipated things do come up and if they are not a bona fide emergency, they require a vote. When it is too difficult for a volunteer Board to do something, things don't get done.

**F. Change to the notification of the Annual Meeting and Special Meetings:** All notice requirements have been changed to conform to RCWs in effect but does not significantly change our current practices.

The following is the proposed change:

The Current Bylaws state the following requirements for providing notification of meetings to the Membership:

“Ballots should be sent not less than 21 days from before the specified due date.”

“Notice of the Annual General Meeting shall be given at least 30 days prior to that date”

“Notice of a Special Meeting will be provided at least 5 days prior to said Special Meeting.

The above has been deleted in the Proposed Bylaws and replaced with the RCW 64.38.035 (2) “Not less than fourteen nor more than sixty days in advance of any meeting of the Association shall provide notice of such meeting”. With this change the Board will only have one requirement to follow instead of three.

**END**