

**Shangri-La Shores, Inc. (SLS) Annual Meeting
Zoom Meeting
June 16, 2021 6:30 PM**

In attendance:

Board Members: Lois Craig, Billie Alcott, Brian Pulk, Ron Roberts,
Duane Smith, Dave Heron

Community Members: Beth Binger, Fred and Lisa Trompler, Marilyn
Pulk, Tom Alcott, Eric and Amy McDonald, Lisa Visintainer, Rob
Marsicek, Nancy Reed, Cindy Williams, Barbara Freeman, Steve Hucik

Proxy: Kim and Jerry Jaderholm, Perry and Tina Krallis, Stephanie and John Hucik, Fran
and Lyle Kendall, Donna O'Meara

Meeting called to order at 6:30 PM

1) Welcome and Purpose of Annual Meeting:

Lois explained the annual meeting is directed by the governing documents of SLS. Each year, the community approves the previous year's meeting minutes, votes on the next year's budget, and elects Board members. Information about ongoing projects and completed projects is shared and the community is invited to ask questions or share comments. This year, a vote will be taken for the approval of the SLS by-laws revisions.

The Board of Trustees' working guidelines were reviewed and a couple Zoom protocols were shared.

2) Approval of 2020 Annual Meeting Minutes

The 2020 annual meeting was very abbreviated. With the pandemic restrictions during our normal face to face gathering, we delayed the annual meeting until October. During that meeting, the basic requirements of our governing documents were met: approval of the previous year's minutes, approval of the next year's budget, and election of Board members. The meeting lasted 18 minutes. A motion was called to approve the 2020 annual meeting notes by Duane Smith and seconded by Billie Alcott. Vote was taken and the 2020 minutes approved.

3) Treasurer's Report -

Insurance Update: Brian began with the new insurance policy update. He explained that the agency our policies were through had a change of insurance agent and although we had made attempts to have the agent explain coverage and aspects of the policies, we felt the agent was not taking the time to know us or the needs we have.



We hired an insurance consultant to help us understand how best to obtain coverage for our assets. We are unique in that SLS is not only an HOA organization, but we also are the owners of our own water system.

With the consultant, it was revealed that our coverage was woefully lacking, and he pointed out that we have what the insurance business calls “attractive nuisances” and without barriers or signs this could leave us exposed to problems.

Insurance agencies were researched looking for policies that would cover homeowners’ associations with common properties and water systems. We ended up going with an agency out of Lynden called Guide Insurance Services and moved our common area and liability property damage to Philadelphia Insurance and added a water insurance policy with property damage and liability through Gladfelter Insurance - both policies through Guide Insurance Services. We kept our Directors and Officers policy with United State Liability and Insurance at our previous agency.



What this all means is the total cost of insurance is going up by about \$1600 a year. Which translate to a cost of about \$60 per lot per year to cover Shangri-La Shores insurance needs. Brian felt this was not excessive and these new policies leave us in a much better position.

Summary 2020 Finances: The financials with the explanations were sent out, but to recap - in the year 2020, we were about \$8000 over budget. We had water systems repairs of about \$5000, had increase in insurance of about \$2000, and some legal fees of about \$1000. In the past years, we had been under running the common area budgets and our reserves allowed us to take care of the overbudget items.

This year (2021), we have had new expenditures for the common area. We are putting up signs and gates, the insurance costs increased, sealant was put on the boat launch road, extensive repairs were made on the sea wall in the picnic area. Next year when we get together, you will hear we are overbudget again, but we have significant operating reserves to cover these expenses.

Proposed Budget for 2022: The proposed budget for 2022 does not include any assessment increases. However, beginning in 2023 there will be an increase in annual dues.

Starting in 2016, our HOA developed a long-term reserve plan as required by state statues. This asks each HOA to estimate the assets that will need replacement over time, estimate the timing of when they might need to be replaced, and to estimate the costs of replacement as best we can (factoring in inflation, etc.) The intention of the long-term reserve plan is to save funds so the

repairs, maintenance, and purchasing of replacements needs does not require constant special assessments of the community members. It is revisited every three years.

Part of the annual dues each year goes to the long-term reserve to fund the needs of the future. The common area needs might be the float or the pier, or the boat ramp while the water system may need a new reservoir, the pipes for the water system or another well which you will hear about in this meeting. We continuously plan for future by putting estimates on the lifetime of our assets: identifying what needs to be funded, when they might need to be funded, and the costs at that time.

Because we started the long-term funding slowly, we have not had an increase in the annual dues. But starting in 2023, there will need to be an increase. In the common area, there are long-term reserve funds of \$72,000 and in the water system reserve funds are \$115,000. And potentially a big expense will be a second well as we move forward with the well project.

Between long-term reserves and operating reserves, we have total cash assets of \$237,000.

Beth asked a question of how our asset value and reserves stack up to other HOAs in our area. We looked at a few, but we were most concerned about fully funding our needs. Our objective was to do the best we could to save for when replacements are needed, the example was if we need to replace the float, we hope to have saved enough so a special assessment is not needed.



Call for a motion to approve the 2022 budget by Duane, Billie second. All those in favor? Approved. 2022 budget carried.

4) Water System Report

Status of Current Water System: Duane reported everything is going well. No major problems. One small item - King Water reported the pressure regulator valve from the pump to the tank has been having problems restricting the proper pressure so it does not blow out the meter. King technicians are working on that. We are up to date on inspections, cleaning, maintenance, and in compliance with all state regulations.

Update on Investigating Second Well Options: Tom Alcott reported investigating the new well has been going on for a couple years. Initially Bill

McDonald began this work and after he passed away unfortunately (he is sorely missed), Brian Pulk stepped in and then Tom was asked to chair this committee.

Tom reported the objective of this project was to take the actions necessary to assist the SLS Homeowners Association (HOA) Board with obtaining a new water well and having that new well integrated into the SLS Group A Water System. This new well is required to mitigate the risk of having a well failure (e.g. clogged screen) due to the current age of the existing well (58 yrs. old) that would result in the loss of water to the SLS community, and to mitigate the water quality risk of experiencing high salinity (MCL 250 Mg/l)/conductivity (MCL 700 Umhos/cm) due to seawater intrusion from the close proximity of the old well to Saratoga Passage.

He reported many factors contribute to the failure of a well, and we are trying to be proactive to be prepared for that time with the age of our well.



The committee has been investigating the placement of the well. SLS has an easement on the Stewart property which is farther from the coastline and close to the reservoir. We have asked Pacific Groundwater Group to assess the county hydrology data for the site and do a pump test on the existing Stewart well. The Stewarts were not interested in having a pump test on their well.

We are still moving forward with putting a well on the easement on the Stewart property. Currently SLS is working on a Water-Right Change Pre-Application Consultation Form to be submitted to the Washington State Department of Ecology Water Resources Program. We have an existing right since we have a well and water system and we would have two wells on this right and we would not exceed the amount of water we can pump according to our right. Duane worked with King Water to gather necessary information for the form and the hydrologist recommends we have a phone conversation to make sure all parts of the form are accurate before submitting.

Site inspection Approval by the Island County Public Health is in-process, but they are concerned with the 100-foot diameter sanitary zone that is required around every well to prevent pollution.

Once approvals are obtained from the WA State Department of Ecology and the Island County Public Health Department, a well driller will be selected and contracted.

Rob Marsicek asked if the easement Tom referred to was the existing tank easement we have. Tom replied yes and whatever other things we want to do within the 100 foot by 30 foot easement. The easement specifically states we can put a well there if we so desire. As part of the easement, the Stewart and Osburn properties were given a water right and water connection to the SLS water

system if they so desire. Beth Binger asked if the easement had a timeline associated with it, but Tom said no timeline.

Brian commented about the great job Bill McDonald did to get this moving and he is sorely missed and Tom is doing a great job gathering, researching, and knowing so much more about this project and doing an amazing job.

Dave Heron asked what is the timeline about getting a new well? Tom replied trying to get this going does not seem to move quickly especially since the state and island are involved. Duane added this is a slow process as well as the deterioration of the well. This could be 2 - 15 years down the road and we want to be ready when the time comes to need a second well. We are trying to be proactive and have the time for thoughtful and purposeful decisions rather than poor decisions because of an emergency.

5) **Dock and Common Area Report:** Ron reported the float was installed with no extra activity like unplanned swimming. He wanted to thank Dave Heron, Edyfinn Tausen, Eric McDonald, and James Rudolph for successfully helping get the float in place.



The picnic area bulkhead had some pretty extensive repair work done. The wall is about one foot higher and the area behind the rocks has been engineered so the erosion problems should be alleviated. Dave Heron and

Edyfinn Tausen were extremely helpful again providing hours of work to complete the repairs.

When the picnic table was moved the 'feet' were significantly rotten. New feet will be replaced hopefully before the 4th of July weekend.

Brian had previously mentioned a sealant was put down on the boat launch road. This had never been done since the road was placed in the 1960s and the cracks in the asphalt were allowing water erosion to damage the roadbed.

6) Old and New Business

Signage Update: Dave Heron explained with the new insurance and liability, we needed to have signage with specific wording and legal reminders. He referenced with initial signage



the signs produced and Dave Heron installed them with some help from Edyfinn Tausen. A special shoutout to Beth Binger who used her personal resource to design the signs and placed the order. A new sign

is on the road gate, and a sign for the pier gate is currently mounted on a pole next to the pier entrance.

Gate for the Boat Launch Road Update: Billie Alcott has been working with Rex at Greenbank Metal Works and he has completed and installed the boat launch gate. It is heavy steel and is coated with a protection that should keep it from rusting around the salt water. There are two pin drops – one is at the left side of the gate where it is opened and closed, and the other is at the hinge side. The hinge side keeps the gate from moving as it is open. At this time, we do not have plans to lock this gate, but this gate addition is meant to limit the non-member traffic using our pier and launch. Steve Hucik added this looks professional and is more substantial. Beth Binger added the signage on the boat launch gate can be adjusted in size and color if we so choose.



Gate for Pier Entry Update: Billie Alcott explained Rex is having difficulty obtaining the materials needed to fabricate the aluminum gate for the pier. He will send drawings when the materials arrive which he thinks may be the end of June. The gate will match the tubing and design of the pier. The pier gate will be six feet high and will have a frame. There will also be a coded lock on the gate when it is complete.



Hopefully, this will be completed by July.

At this time, the signage for the gate is on a pole next to the pier reminding members about the Coast Guard regulations for life jackets on kids 12 and under and the suggestion for all people to wear life jackets.

Approval of SLS By-Law Revisions: Steve Hucik chaired this committee and made sure the revisions integrated all our governing documents: the Articles of Incorporation, the Conditions, Covenants, and Restrictions (CC&Rs), the existing by-laws, the state RCWs to update, edit, and revise the by-laws. Legal counsel reviewed the revised document and offered a couple suggestions but found little to adjust. The board had three working sessions to review all changes and the revised document was sent through email to all community members for comment before the annual meeting.

Brian commented on the outstanding job by Steve and made a motion to accept the revised by-laws as proposed. Duane seconded.

Beth commented that it says a lot that the attorney had very few additions or modifications and that saved the HOA quite a bit of budget that could have been spent on attorney fees.

All in favor. Motion passed to approve the revisions of the By-laws.

Steve Hucik will get the document ready to be recorded with the county.

Dave wondered if the final copy will be mailed out to all members. That decision will be determined at the next meeting after the document is recorded.

Reminder of single-family resident status: As the head of our Architectural Committee, Billie Alcott reported that we are zoned as a single-family resident and that means one family can live per lot. Having a second structure on the lot with full housing capabilities is not legal under county guidelines.

Billie said we hear scuttlebutt about people renovating their homes to rent out part of it and she investigated this option. For those people considering renting part of their home as a short-term rental type operation, that is not legal under county regulations. Article 18 #1 of the revised by-laws states a reminder of our single-family resident status.

Duane Smith asked if another building needs to be attached to the main building. Billie said she was not sure but according to the county planning department the new building could not be one that could operate independently like a separate house that could be rented out as an Airbnb.

Dave Heron says the structure becomes a multi-family with renting out part of the home. If a structure is used as an VRBO-like operation, it is only one family using it at a time.

Lois Craig also shared in the new by-laws Article 1, Section 6, all guests of the community are responsible for following all the SLS rules and guidelines, just as the members. Owners are expected to keep their guests informed. And this by-law asks that owners inform the Board if they are using their home as a short-term rental to make sure contact information is available in case of problems.

Arborist consult for chestnut tree in park: Last week, Bille Alcott, Lois Craig and Steve Secrist met with an arborist to consult about pruning the chestnut tree in the community park. A request had been made to prune the tree to enhance the view. Since this was on community property, the HOA paid for the consultation fee. The arborist made a couple suggestions to preserve the health of the tree and at the next board meeting, this information will be discussed, and a decision made as to the next steps for this issue.



7) Election of Board Members

Three Positions are open and three volunteers have expressed interest in filling each.

Brian asked if there are more nominations for any of the three positions. Duane Smith moved those nominations be accepted for all three nominations. Dave Heron seconded. Motion to close nominations seconded. All approved.

Brian called for the vote of having Beth Binger, Billie Alcott, and Lois Craig be elected to the three open Board positions. Voting approved for these three to be Board members for new two year terms

Before closing the meeting, Billie Alcott read a note of appreciation from Kim and Jerry Jaderholm. *"We would like to take this opportunity to thank our neighbors who graciously volunteer to serve on the Board of Trustees as well as those who have worked on the subcommittees supporting the Board's efforts this past year. The amount of time, effort and thoughtful consideration that goes into maintaining Shangri-La Shores is appreciated. There is so much behind the scenes time that is put forth by these volunteers (aka neighbors) who keep our little slice of heaven beautiful. Planning for the future is another area of appreciation. We understand members of the Board have other commitments, yet we are continually in awe of what is given freely to our community."*

Steve Hucik also offered to consult as a non-Board member to support other projects. Lois commented we are working to build capacity within SLS and in the last two years, we have welcomed 10 new owners to the community. We are hoping to invite as many people as possible to get involved in the activities and projects in Shangri-La Shores.

Meeting adjourned at 7:46 PM June 16, 2021

As tradition – new board members meet after the annual meeting to determine officers for the new Board.

Officers for 2021-2022 will be:

- Lois Craig, President
- Billie Alcott, Vice-President
- Brian Pulk, Treasurer
- Beth Binger, Secretary

Our next meeting will be July 15 using Zoom at 6:30 PM. Zoom invitations will follow as the date gets closer.

Lois Craig, President and Acting Secretary
On behalf of the SLS Board of Trustees