

MARCH/APRIL 2018

LAGOON POINT

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LPCA 2018 EVENTS

2nd Friday of the Month LPCA Board of Directors Meetings * 7:00pm
Except April Board Meeting will be on April 6th

May 11th Board of Directors Meeting is Cancelled

07/07/18 LPCA Annual Yard Sale

09/15/18 LPCA Annual Membership Meeting Greenbank Hall 7:00pm

12/08/18 LPCA Christmas Party Greenbank Hall 5:00pm

* Board of Directors Meetings are held at Whidbey Water Services 5585 Lotto Ave Freeland.
Board of Directors Meetings are open for observation by all LPCA Members.

ON POINT – Taking Care of Business

by Duane Rawson lpca.pres@gmail.com

Spring has officially arrived at Lagoon Point and it's time to take care of some business. **It's time to vote.** It's time to decide some very important issues that will impact every member financially.

If you own property in Lagoon Point, you also own a beach, a jetty, a community waterway, boat ramp, dock, a lake, parking lots and even a bridge. Did you know your property taxes include your share of taxes assessed on this community property? The annual fees you pay to the Association are used for the maintenance and improvement of this property. It also means that for each property you own, you also own one share of 444 shares that make up LPCA funds that you or perhaps the previous owners contributed to.

To live at Lagoon Point is to have a spectacular back yard, beautifully captured in the following photos by Paul Peyton. It also means as an owner you decide how that back yard is maintained and improved and how we will pay for it.



Photo by Paul Peyton

How important is this vote?

How much this Community will spend and how much each member will pay in annual fees will be decided by those members who exercise their right to vote.

Last year 56% of the 444 members voted. That's not bad.....but I bet we can do better. A lot of volunteer effort will go into this ballot and about five hundred dollars expended. Let's not squander it!

This is what you can do: There are four items for you to vote on and some of the issues are complicated and require some thought. Take a few minutes now to read the "Ballot Explanation" in this newsletter. You can find more information relating to the ballot by reading "Myth Busters" and "Reserve Study".

If you need more information.....ask! Email questions to LPCA99@gmail.com.

You will soon be receiving your ballot by mail. It's springtime. Time to enjoy your back yard and take care of some business.



Lagoon Point Myth Busters:

by Duane Rawson lpca.pres@gmail.com

Photo by Paul Peyton

Seashore Avenue is sinking and we need a new bulkhead. Dispelling a myth can be a slippery slope, like the one created by the disintegrating wood bulkhead along Seashore Avenue from the bridge to the boat ramp. It's slippery because it's not always easy to find the origin of a myth and get the whole story.

In this case, I believe this myth originated from comments regarding the bulkhead made by an appraiser in the 2010 Reserve Study performed for the Association. *“Failure to replace this component may result in the eventual failure of E Seashore Ave”*. He also suggested we seek legal advice regarding our liability should Seashore Ave be damaged. This comment appears to have resulted in the following proposal.



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The 2015 Reserve Study planned for 985 lineal feet of concrete bulkhead to be built by the LPCA next year in 2019-20 at a cost of \$786,935. The reserve fund was projected to be insufficient and another special assessment of \$291,447 or \$627 per member was planned for Fiscal Year 2019-20.

At some point a popular belief evolved that Seashore Avenue is sinking into our canal and will be damaged if a new concrete bulkhead is not constructed. This is proving to be untrue. Surveys for the bridge compared to older surveys indicate the elevation of Seashore Avenue and Shorewood Avenue have not change over the years. Chinook Engineering (LPCA's bridge engineer) is of the opinion Seashore Ave is not seriously endangered by the condition of the bulkhead. The remains of the old bulkhead are unsightly and there is some erosion taking place. Chinook Engineering recommends we take a less expensive and more environmentally acceptable approach.

There are methods of protecting shorelines called soft bulkheads which involve plants, not concrete and at much lower cost. Hard bulkheads damage the Sound by causing beached to vanish. By example, the hard bulkhead at Cornet Bay has been replaced by a new soft bulkhead. Funding to replace hard bulkheads is available through a number of agencies. Does anyone in this Community have grant writing skills?..... please step forward. Much on this subject is available online and you will be hearing more about it in the near future.

I am relieved to discover that the need for nearly a thousand feet of concrete bulkhead proposed to extend from the bridge to the jetty at a cost of nearly \$800,000 and the accompanying special assessment is proving to be a myth.

Moving On

Area 3 Representative Peter Janiszewski has stepped down from his position on the Board of Directors. Peter who has always been a strong voice on the Board was serving his third year. Peter was a faithful member who often traveled from Woodinville for the Board meetings and then made the late night drive home.

He is building a home on Shorewood Avenue, doing the work himself while running his own business. Peter and his wife Kim along with their children are considering relocating to another area.

We thank you Peter for your service, you will be missed.



Reserve Study

Although there are plenty of loopholes and exemptions, Washington State at least encourages home owner associations to perform reserve studies and set aside reserve funds to meet the financial needs for maintenance and replacement of common property for a period of 30 years. The purpose is to prevent members from being overwhelmed financially by special assessments caused by unanticipated or unplanned expenses.



Alternative Reserve Funding Plan

The LPCA commissioned a Reserve Study in 2010 and again in 2015. Because the cost of a study exceeds 5% of the LPCA budget, the Association is exempt from the legal requirement of ordering a study every year. The Board chose instead to appoint a committee to analyze the two previous studies to determine the accuracy of those studies and the assumptions they are based on. Hindsight being better than foresight, it is no surprise some of the assumptions were wrong, however errors on one side of the ledger tended to balance errors on the other side resulting in a plan that with a couple of changes could provide adequate funding for the 30 year period.

The first change requires the LPCA to abandon the \$786,935 bulkhead scheduled for 2019-20 that planned for a special assessment and instead pursue the less expensive soft bulkhead option (see Myth Buster). This change will not only eliminate the special assessment but offset another mistaken assumption that planned for the next dredging project to take place in 2043 when in fact it should have been planned for 2026 and every ten years thereafter.

The second change involves the way we compensate for the effects of inflation over the 30 year period. The 2015 study suggests the annual fees be raised 5% every 5 years and then at some future unspecified point they need to be raised again by an unspecified amount to keep the plan funded. This vague and uncertain approach requires fewer but larger fee increases.

Since this study assumes the average annual inflation rate to be 3%, the Committee suggests that raising the annual fees 3% every year will take advantage of compounding contributions and will make the hardship of increased fees more gradual and more predictable.

Testing done by the Committee suggests this approach offers good prospects for keeping the reserve “fully funded” for the next 30 year period and possibly beyond. Of course, this plan relies on the Board and the Membership faithfully increasing the annual fees by 3% every year. For example, in the first year the annual fees would increase by \$6.90, the second year by \$7.11, the third year by \$7.32 and so on.

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Since any study is based on assumptions, there is no guaranteed outcome but if we begin this plan now, time becomes our friend while if we wait, time may become our enemy. This opportunity for you to decide this matter will be presented on the Fiscal Year 2018-19 ballot. (See the following Fiscal Year 2018-19 Ballot Explanations.)

Reserve Study Committee: Vice President Paula Ratcliff, Secretary Melody Carney, Assistant Secretary Christine Anderson, Architectural Committee Member Linda Patrick and President Duane Rawson.

Questions: email lpca99@gmail.com

Fiscal Year 2018-19 Ballot Explanations: Four items require your vote.

1. Approve or disapprove the Fiscal Year 2018-19 Operating Budget of \$44,400.
2. Approve or disapprove increasing the annual fees from \$230 to \$248.
3. Choose between a financial “audit” or a financial “examination”.
4. Approve or disapprove replacing two pilings at the Lot C boat ramp dock.

1. Fiscal Year 2018-19 Operating Budget:

The Fiscal Year 2018-19 Operating Budget proposal is **\$44,400** which is a \$100 decrease from last fiscal year’s approved budget in order to preserve the \$130 per member reserve fund contribution. The details of the budget proposal will be included in the ballot that will be mailed to you in April.

2. Increase Annual Fees from \$230 to \$248:

In accordance with Washington State Law, the LPCA has established reserve funds to provide for the maintenance and replacement of community property. Contributions to our reserve funds have been eroding since 2015 due to two factors.

Since the 2015 Reserve Study, 21 lots have been combined under the provisions of the LPCA Bylaws *, reducing the number of members paying annual fees from 465 to 444. This has decreased our annual income by 4.5%. Per the Reserve Study, contributions were based on 465 lots so a one time increase of \$10.88 per lot will be required if we choose to continue the same level of funding.

The second factor is inflation. Although recent inflation rates have been lower, the average inflation rate is assumed to be 3% per year. Maintaining the same level of funding requires the annual fees to be periodically increased. Increasing annual fees by 3% per year would amount to \$6.90 this year (see Reserve Fund article).

Increasing the Fiscal Year 2018-19 annual fees by a total of \$18 is required should we decide to compensate for both the decrease in membership and compensate for inflation. This would make the Fiscal Year 2018-19 annual fees \$248. The annual fees are due on July 1, 2018.

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If you are concerned about this erosion in funding and the effect it may have on the potential for a future shortfall and accompanying special assessments, voting “yes” to approve this increase will lessen the possibility of future special assessments. This is simply one way to lessen the chance of future special assessments and compensate for inevitable effects of inflation in smaller less painful bites. This Board believes we would be remiss in not bringing this to your attention and provide you the Membership with an opportunity to make this decision.

** The LPCA Bylaws provide for members who own more than one lot to combined those lots under the rules of Island County. Once a lot has been combined with the Assessor and proof submitted to the LPCA Board, the property is treated as one lot and assessed one annual fee. This has resulted in the reduction of lots in the Plat of Lagoon Point with fewer members to pay for the expenses of the common properties of Lagoon Point.*

3. Financial Audit or Financial Examination?

Washington State laws now requires home owner’s association to have an audit performed annually. The term “audit” is very specific. What constitutes an “audit” is unfortunately a very expensive procedure. The firm that the LPCA has employed in the past to examine the books has advised us to expect to pay between \$7,000 and \$9,000 for an actual “audit”.

There are other options for a financial examination of the books that can and have been performed in the past but do not meet the audit requirement of Washington State law. There is however an exemption provision in the law. **“The audit may be waived by 67% of the votes cast by owners”**, and owners **“must vote each year to waive the audit”**.

The LPCA does have financial controls in place to safeguard against fraud. LPCA employs an independent certified public account who is not a member of the Association who reconciles the bank statements on a quarterly basis. She also prepares the annual billing invoices and watches for financial irregularities. The Board of Directors are presented with a monthly expenditure report that compares expenses to the approved budget and a monthly bank report showing balances in each bank account. The Board approves those reports at each Board meeting.

Because an audit would consume between 16 and 20 percent of the entire annual budget, costing each member between \$16 and \$20, **the Board is recommending the audit be waived and a financial examination known as “agreed upon services” be performed** by a firm specializing in audits. This examination would be performed at the end of this fiscal year, June 30th and the results provided to the membership. This examination is anticipated to cost between \$1,250 and \$2,000 and has been included in the proposed budget. If at least 67% of the members voting **do not vote to waive the audit** the actual cost of the audit estimated to be \$7,000 to \$9,000 will be paid from the annual fees collected, thereby reducing contributions to the Reserve Fund. The last LPCA financial examination was performed 3 years ago. This will be a reoccurring ballot issue each year unless the law is changed.

4. REPLACE BOAT RAMP DOCK PILINGS:

The LPCA is a participant in the permitting project organized by Division 4 resident Jo Peyton to assist private dock owners in replacing their old creosote pilings. LPCA expects to receive a permit to replace the two pilings that support the dock at the boat ramp. Originally, we believed these two pilings were approaching 50 years old however new information leads us to believe their age to be no more than 30 years old. Two Board members inspected the pilings using a method as sophisticated as poking them with a screw driver and did not detect signs of rot. The cost to replace the pilings now is expected to be between \$11,000 and \$14,000 and that price includes LPCA's share of the \$27,355 mobilization cost to be shared by 34 participants.



Photo by Paul Peyton

Argument For: Replace the pilings now because if they fail before the next piling replacement project there may be no one to share permit costs and mobilization costs making emergency replacement more expensive. Because permitting is a long process, failure of a piling may put the dock out of service for a long time. It also replaces wood creosote pilings with steel pilings.

Argument Against: It is an expense that impacts our reserve fund by replacing a component earlier than anticipated, the existing pilings could last a long time. It is possible there will be another replacement project in the not too distant future but that is not certain.

If the permits are issued in time, the piling replacement is scheduled for October 2018.

If the members approve to replace the pilings the cost will be paid out of the Reserve Fund.

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LAGOON POINT COMMUNITY ASSOCIATION (LPCA) CONTACTS:

LPCA 2018 BOARD MEMBERS

President	Duane Rawson	lpca.pres@gmail.com
Vice President	Paula Ratcliff	plratcliff1954@gmail.com
Treasurer	Vicki Powers	vpowers@windermere.com
Assistant Treasurer	Cheryl Kuss	nana.cherylkuss@gmail.com
Secretary	Melody Carney	melodyc@frontier.com
Assistant Secretary	Chris Anderson	caanderson1978@gmail.com

AREA REPRESENTATIVES

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Area 3	Vacant	lpca99@gmail.com
Area 4	Allan Darr	allanbdarr@comcast.net
Area 5	Dick Kuss	lpca.area5rep@gmail.com
Area 6	Pat McDaniel	patm@whidbey.com

DIVISION 2,3,4 ARCHITECTURAL COMMITTEE

Division 2	Cliff Lenz	c.lenz@comcast.net
Division 3	Linda Patrick	tolindawpatrick@gmail.com
Division 4	Reed Dow	reed@reeddow.com

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Bill Brown	bbrown99@whidbey.com
Steve Kesselring	sskess@msn.com
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Tim Milligan	tims2nd@yahoo.com

If you have questions about Lagoon Point, send an email to lpca99@gmail.com .

Has your Email, Phone Number or Mailing Address changed? Send an email to lpca99@gmail.com with your current contact information.

Drop Box Location – for dues payments, ballots and written correspondence: 3675 Oceanside –box attached to the fence, right of the driveway when facing the house.

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Or Mail Dues and Ballots to:

LPCA
P.O. Box 123
Greenbank, WA 98253

If you sell your home please do the following:

- a. Contact LPCA email lpca99@gmail.com that you have sold.
- b. Return your (2) LPCA Fishing tags, (1) LPCA Parking Hang Tag and (1) Boat Launch Gate Card to Dick Kuss prior to closing or you will be charged a \$150 fee at escrow. All 4 items must be turned in to avoid the fee. The address to return is 3675 Oceanside Drive. Email: lpca.area5rep@gmail.com
- c. If your buyer requires Board Meeting Minutes, Annual Member Meeting Minute and/or Financial Reports, you can find them at the website lagoonpoint.com under the tab "Members Area". It is your responsibility as a current LPCA property owner to supply a prospective buyer and/or real estate agent with the information.

GATE CARD, FISHING TAGS, PARKING PASS:

If you have not picked up your Gate Card, Fishing Tags and Parking Hang Tag contact Dick Kuss at lpca.area5rep@gmail.com

WEBSITE – MEMBERS AREA PASSWORD:

In order to access the Members Area of the Lagoon Point website you must have a password. The following are the instructions on how to receive your password:

First you go to the Lagoon Point web site Home Page lagoonpoint.com

2nd click on the Members Area tab on the far-right side.

3rd click on Private Information tab.

4th a dialogue box pops up on your screen. Click on "Register" in the lower left corner.

5th another dialogue box pops up titled "Register for this site" where you enter all your own information. You choose your own sign in name and your own personal password. Save your information.

Once you register for the Members Area, our iHost web site server will notify us of a pending new member for verification. Once LPCA is notified of your registration, we can grant you access to LPCA private access. We don't set up your private info, you do.

If you have questions or need help contact:

Rob Powers

rob@rdpowerssalvage.com

Office: 425-635-0095 Cell: 206-953-5363