

**Kahler Glen Community Association Annual Meeting**  
**10 June 2017      10 a.m.      Lake Wenatchee Recreation Club**

Members of the Board present: Mary Long, Paula Robinson, Nancy Miller, John Christianson, Dwight Miller, Kathryn DeMeritt

Also present: Gary Marks, manager; Esther Christianson, bookkeeper

Mary Long opened the meeting at 10:08 a.m. The officers were introduced. Following examination of the sign-in sheet and proxies by Kathryn and Nancy, Mary announced the presence of a quorum.

Paula Robinson moved that the minutes of the 2016 annual meeting be adopted as available on the website. Nancy Miller seconded. Motion passed unanimously.

Bill Miller moved that all action of the directors and officers of the corporation on behalf of the corporation during the past year were ratified and confirmed, provided the actions were within the scope of the directors' and officers' duties and not outside the normal course of business of the corporation. Linda Wandell seconded. Motion passed 52-7. (Secretary's note: two further actions are taken later in the meeting with regard to this motion.)

Tom Graham stated that the Community Association is obliged to assist both their tenants, the golf course and the restaurant.

The topic of the dispute between the two tenants, and the dispute between the golf tenant and the landlord was raised. Mike Wandell spoke regarding legal protection and the willingness of persons to offer themselves for office.

Nancy spoke regarding the two leases, the purpose of the KGGSR lease being to operate a golf course and lodging business and business operations connected with the golf course and lodging business, and the purpose of the Honeycomb lease being to operate a restaurant, including exclusive right to sell alcoholic beverages in the premises and on the course. The lease dispute centers on the KGGSR's decision to sell beer in the Pro Shop. It is separate from the dispute between the golf course tenant and the landlord.

Dwight spoke of the board's effort to enforce both leases, that we have received legal advice in the matter, and that it is the board's duty to investigate the situation.

Tom Graham repeated that both tenants should be supported.

John Greiner said that the community is "putting the cart before the horse" regarding the motion previously passed.

Mike Wandell moved that the motion previously passed be placed on the table until the end of the meeting. Several voices seconded. The motion passed unanimously. Mary pointed out the essential nature of the motion to recruiting board members.

Mary Long outlined the accomplishments of the board in the preceding year:

- Water rights are secured
- Metering project is almost complete
- Improved snow removal due to new equipment
- Recovery of dollars in past-due dues payments continues
- Water project funded and proceeding well
- 4 new homes nearing completion; one due to start construction this summer; KGCA lot sale pending (close 15 June)
- Insurance audit complete; financial audit (under way) ESD audit begun
- New employee time collection and work tracking system adopted
- In course of integrating Quick Book records
- Realigned business units in Quicken to match financial reporting requirements

Curtis Lynn said that there are unfinished landscaping projects in the condo area. Mary said that the board will investigate.

Sue Hennessey asked whether there had been an audit, and has there been a recent reserve study. Dwight answered that the 2012 reserve study is the basis for subsequent audit and reserve studies. Dwight said that the current audit includes replacement and maintenance, and the board will follow their recommendations. He anticipates that replacing reserve money used this year will be part of audit recommendations, and mentioned that GESA also requires maintenance of reserve funds.

Gary Marks reported on community infrastructure. Initially, he gave a financial summary. He said that amount paid monthly by owners to the community is the same, but that the amount is categorized as follows: \$160 property dues, \$85 utilities, \$5 grooming (winter recreation fee). He provided the following metrics:

- KGCA is meeting the required amounts and ratios, except for the GESA ratio, which is at 1.2 and needs to be at 1.3; KGCA is moving in the direction of meeting the requirement;
- \$52,000 reserves are in the next budget;
- KGCA is meeting all IRS metrics.

Our challenges are

- Continuing legal costs
- CPA audit, which is the first audit ever and includes appreciation of assets, thus a deep dive on which later audits will depend, hence the slow pace;
- Hope to set aside more in reserves if possible;
- Establish utility reserves;
- There is no budget for community amenities such as parks, common area landscaping, etc.

Our opportunities include:

- Pending lot sale
- Sale of old equipment (this is a consignment sale and two buyers have expressed interest)

Gary pointed out that 51% of the \$160 in monthly dues goes to mortgage reduction, and that if we could find a way to reduce the principal amount there could be relief to property owners.

Gary explained the process of turning on the irrigation system in the spring: March 15 is the date when the community association has the right to turn on the system, but that the decision is governed by spring snowfall. Typical shutdown date is end of October. He announced that there will be a brief domestic water shutdown for part of the community when Well #5 is brought on line. Owners will be notified. This will be for less than a day and involve part of the Back Nine.

Potholes and sealing for the roads will be addressed after the well work is done.

Road restrictions: currently there are no road weight restrictions. Kaher Glen will follow the county rules for weight restrictions on the community roads. If there is a question, call Gary directly.

KG outdoor fire restrictions are not in sync with the county. Gary suggested that KG adopt the county standards, as it makes enforcement less controversial. For the county, the fire ban begins June 1<sup>st</sup>. The campgrounds in the parks are governed separately.

Regarding the dumpsters, Gary pointed out that bear management has been successful. Illegal dumping in the garbage area and dumpsters is a significant problem. If garbage is in the recycle bin, the community is charged by weight as though the entire dumpster is garbage. Large garbage in the dumpster area must be hauled away by the crew in their private vehicles and KG must pay the dumping fee, both unfair to the crew and expensive to the community.

Mosquito spraying has begun.

Snow management was much improved this year because the new equipment allows more precision in plowing.

The old KG cross-country grooming equipment is being repaired to a state where it can be used on the sledding hills.

Bill's campaign for donations to the cross-country grooming last year was largely successful but was a one-year project.

Bill will not continue and a volunteer is solicited to take over this project. Gary also urged donations to the ice skating rink, as the costs for materials, skates, sharpening etc. are currently borne out of a non-resident's private pocket.

Bill Miller spoke concerning winter recreation efforts. A little over \$4000 were received in donations to Lake Wenatchee Winter Recreation Association. State grooming costs approximately \$11,000. \$7500 is in the KGCA budget for this purpose.

Gary thanked Mary Gallagher for her active volunteering in trail management, and Kathryn DeMeritt for her wonderful maps and her tireless energy in brush-cutting.

An anonymous donor has donated funds to treat the ponds chemically re invasive plants.

Dwight and Anita Miller have donated trees to be planted at the corner near the cart barn, and plants which have been planted near the memorial flagpole. Lynn Withrow inquired if anyone knows where the key to the memorial flagpole is, as she wishes to replace the flag. Jim Farmer donated the flag.

Anita Miller and Paula Robinson have volunteered as the landscaping committee. They have landscaped near the Pro Shop and look forward to tackling more projects as resources become available.

Gary reported that this is the year for pond maintenance. A rotation will be established.

Dwight showed the pie chart titled "Where Is Your Money Going?", illustrating that 50%+ of our dues goes to mortgage reduction. He showed a slide summarizing the community association's financial status and explained it. Some payments are still expected concerning meter installation. The shortfall of \$53,000 involved 1) past due accounts in the amount of \$30,000 and 2) a drawdown of about \$50,000 due to the metering project, of which \$27,000 has been received in repayment and the rest is expected.

A member suggested that the names of past-due members be publicized. Dwight responded that he had taken that matter to the attorney, who advised against it, although publishing a list of those in good standing is possible. Dwight said that liens usually involve about \$6,000 in legal expenses and usually do not realize a payback, as we do not stand in first place as creditors. He also said that foreclosures settled out of court usually cost about \$5,000 and the same problem exists.

Dwight said that KGCA actively pursues delinquent members, but waits until the past due amount become substantial so that the effort is worthwhile.

Curtis Lynn asked if KGCA is charging for water. Dwight answered 'no' and explained that there is a surcharge for the use of the irrigation system. The tenants will not pay this and it was in the budget, thus becoming another contributor to the shortfall. Mary added that we can charge for electricity. Dwight said that all the water rights questions are referred to water rights attorneys.

Kathryn suggested that members check their spam folders if they feel they have not received an invoice, as two notices were sent. Members should also be receiving a newsletter.

Dwight said that records are also available on the website, and that the board can help with sign-in and passwords if that is a problem. Mary pointed out that the website has been down, and asked for a community member to volunteer as webmaster.

Shari Bennett expressed gratitude for the messages sent out, and commented that the budgets were hard to understand. She asked for a way to compare this year's budget with last year's budget. Dwight said that the P&L statement does that. He has the actuals and the budget, but does not project a budget further into the future. Shari asked if the newest budget is for the upcoming year. Dwight said yes. John Christianson commented that posting a couple of past years' actuals might be helpful.

Dwight introduced Esther Christian, our bookkeeper, to the meeting. He thanked Esther for the special reports she has produced for this year. Dwight said that Esther can send the financial actuals to any member by email upon request. Dwight said that we are within \$2000 of accounting for every penny spent over the last three years, and that he expects the discrepancy to be resolved.

John Greiner asked for a spreadsheet concerning special assessments for the water project. Dwight answered that he can give him a full water report, all line-by-line receipts and expenditures, supported by invoices and other documentation, right now. John G replied that he wants a 8.5x11 with specifics. Dwight replied that he has 12 8.5x11 pages which is a separate water rights P&L and he will send it to John G.

Dwight reported on the receipts from the sold lot. The lot sold for \$50,500. Once the taxes and fees, payment to GESA for reduction in capital, and payment to Glenn Week for reduction in capital, the net was \$8500 to KGCA. Paula explained that those holding mortgages can ask that they be paid down if the collateral is reduced, for instance, by a land sale. Week required \$20,000 and GESA required \$16,000. Paula remarked that the positive side of the sale is that the community has acquired a new dues-payer and our principal has been lowered.

Mary Long spoke concerning Firewise: KGCA volunteers and employees have achieved enough fuel reduction within the community to be recognized as an official Washington State Firewise community, of which there were fewer than 12 such designations awarded. Some insurance companies recognize this standing and reduce premiums or maintain insurance; it also helps the local fire departments get funding, supports UW research into wildfires, and keeps us safer. Mary said that the chipping project will be carried out any moment. Our community received two Firewise grants last year, supplemented by about 3600 hours of volunteer labor, and a \$500 donation from the Marcuses.

Bill explained how the cutting projects work, pointed out that maps of the projects were on the rear table, and spoke in favor of fire-resistant landscaping and defensible space.

Mary thanked community members for buying and installing reflective house number signs, which are vital to quick arrival of first responders.

John Christianson reported on the project to connect Well #5 and secure our 'permitted' water rights. He explained a PPT slide that gave a chronology of the meetings involved to plan, design, coordinate and gain approval of the project. Next steps will be to meet with the Dept of Ecology, to review proposals and cost estimates from Torrence Engineering, and to execute the contracts. We are approaching the finish line of establishing municipal conformance.

Curtis Lynn asked about the possibility of selling water rights.

John answered that sale of rights is always possible, but that would at least years in the future. First needed is to finish the project, establish beneficial use and abundant water supplies for the community, then consider other cost options available should be monetize the asset.

Kathryn Demeritt asked that John C comment on the official KGGSR communication that stated that the community was never at risk for its water and that the CA action was unnecessary. John answered that he had read the communication and that there are many opinions, but that in his opinion there was a risk, not to the domestic water but particularly to the irrigation water. His conclusion was based on the non-compliance of the permits and certificates which were conveyed to the CA after they acquired the property.

John C pointed out our good relations with the Department of Ecology, the dollars carefully minded throughout the project, the work by good crews, and that our employees did as much of the work as possible. John said that in his experience Kahler Glen community was at risk, and we took action to mitigate that risk.

Tom Graham asked about a draw-down test for Well #2. John said that our focus is what to do to augment our water sources when the pumps are out of the river. He pointed out that Well #4 was never developed to be a viable option. He had Aspect Engineering do a 24-hr aquifer draw-down and pump test. That test yielded an 80-100 gal/min continuously; we need to put in a pump and electrical service to access this course. Our total will be close to 200 gal/min.

John pointed out that the state water conservation effort will require metering. We chose May 1<sup>st</sup> as our efficiency reporting date, as it is a convenient date considering our climate. The board has approved.

Also,

- All irrigation pumps have been replaced
- Domestic water pump replaced also
- There are multiple irrigation line breaks

John anticipates cooperation between the work teams to address the irrigation line problems.

John Bennett inquired about how the water tastes. John Christianson answered that three gallons of water were brought to the stake-holders' meeting, and that urban rumor was dispelled. There are still a number of steps to take with the Department of Health:

- No construction within 20' of well
- No contaminants
- Pump test

Department of Health has to approve before final connection. John expressed his willingness to continue to volunteer to assist on the water system as the project moves forward. He will also help with the finalization of the Small System Water Management Plan, which will be delayed so that we can do one plan for all, rather than several minor plans requiring repetition of effort.

Mary Long explained the situation underlying the PPT slide titled "Legal Actions with the LLC". An email was sent to all community members following the failure of the mediation. The Board followed the steps specified in the governing documents for conflict resolution. The mediator made a site visit in February, and mediation was on 20 April. The golf course offered to terminate the lease and sell the equipment inventory. When the Material Agreement failed, the Board followed the attorney's advise and filed a complaint in order to stop the running of the statute of limitations and preserve all options to the new board.

Sue Hennessey asked where the money would have come from.

Dwight answered that we tried to find a way finance the price with minimum impact on dues. The offer involved immediate vacation of the property, so the CA would receive all the revenue from the summer season. Payments would be delayed until fall 2017 and would be interest only, so there would be time to take additional steps. Work crews are already in place. Settling of the dispute would relieve the burden of legal fees and other special efforts. The CA would also have been able to sell/lease equipment, and the CA could seek a short-term or long-term lease arrangement with another individual or organization. Dwight said that were such a situation to present itself again, he was sure that the Board would require more due diligence and transparency as part of the package.

Dwight said that the board acted because it felt that it had a fiduciary responsibility to collect the money owed to the community.

Tom Graham stated that mediations are tricky, and that the golf course did not offer the settlement that was under consideration.

Mike Wandell moved that all action of the directors and officers of the corporation on behalf of the corporation during the past year were ratified and confirmed, provided the actions were within the scope of the directors' and officers' duties and not outside the normal course of business of the corporation. Several voices seconded. Motion passed 54-5.

John Greiner said that the content of board minutes should be improved. John Bennett spoke concerning executive sessions. Nancy Miller replied that the opportunity to amend the minutes of the previous meeting exists at every meeting, and she observes the law concerning executive sessions, both the allowed topics and the required affirmation in the minutes of any actions taken during the session.

Paula said that the complaint is acknowledged in the minutes of the meeting which followed the session with the attorney.

Mike Wandell suggested that the board take action to amend the CCRs to bring them into compliance with the county burning regulations.

Mary announced the vacant positions on the board, and the requirements for those who aspired to serve on the board. Sue Hennessey, Nancy Miller, Neil Taylor, and Lynn Withrom made statements to the meeting. Jason Trichler had a statement made on his behalf by Mary Long and Kathryn DeMeritt.

The meeting adjourned at 12:30 p.m.

Ballots were placed in the ballot box as the attendees left the meeting.

Respectfully submitted,  
Nancy M. Miller  
Secretary, KGCA Board

**Kahler Glen Community Board Special Meeting**  
**20 June 2017      12:30 p.m.      Lake Wenatchee Recreation Club**

Ballots were counted by Kathryn DeMeritt and several assistants.

Elected candidates were:

- Sue Hennessey
- Nancy Miller
- Neil Taylor
- Lynn Withrow

Board members present were Sue Hennessey, Dwight Miller, Nancy Miller, Paula Robinson, and Neil Taylor. All agreed that a quorum was present.

The new board met and elected its officers. These are:

President – Paula Robinson

Vice-President – Neil Taylor

Communications Secretary – Sue Hennessey

Recording Secretary – Nancy Miller

Treasurer – Dwight Miller

The Board's usual meeting time will be the third Sunday of every month at 9 a.m. in the Athletic Club meeting room, as available.

The next meeting will be 16 July 2017 at 9 a.m.

The special meeting adjourned at 12:55 p.m.

Respectfully submitted,  
Nancy M. Miller  
Secretary, KGCA Board