

Blakely Island Board Meeting

Thursday, Feb. 17, 2011

Facility Managers Home/Phone Conference

Board Members Present:

Sally Elliman, President

Barb Sullivan, Secretary/ Vice President

Jim Fergus, Treasurer

Doug Davidson, Water Commissioner

Bob Breidenthal, Fire and Waste Commissioner

Jim Dovey, Road and Airport Commissioner

Board Member absent: Roger Brown

Guests:

Jim Davis, Facility Manager

Paul Ellis, Member

Dan Roach, Member

Milt Reimers, Lawyer

Matt Bisturis, Lawyer

President Sally Elliman called the meeting to order at 7:05 PM.

*Barb Sullivan moved to accept the agenda as written. It was seconded and passed.*

*Doug Davidson moved to accept the minutes of the Jan. 14, 2011 meeting. It was seconded and passed.*

**BOARD REPORTS:**

President's Report: Sally Elliman

1. Sally thanked the hiring committee ( DL Fitzpatrick, Lance Douglas, Cheryl Burkhart, Kevin Clark, Doug Davidson, Roger Brown, Sally Elliman-ex-officio) for the time and work they have been doing.

2. Thanks were given to Larry Costich, Milt Reimers, and Matt Bisturis for the work they have done on our governing documents.
3. Sally reported that the auditors have the financial information from the BCF/BS and that we should have a completed audit by March 15, 2011.

**Barb Sullivan, Secretary Report:** None

**Doug Davidson, Water Commissioner:**

I have little to add to Jim's report which covered the water treatment and usages during the last few months as well as the issue with our turbidity meter.

Water production and usage is normal for this time of year.

**Instrumentation**

As Jim explains in his report BIMC currently uses a visual reference (color wheel) for checking chlorine disinfectant residuals. This is a very antiquated method and results are subject to many variables. I recommend we authorize the purchase of newer electronic Chlorine tester. The anticipated cost is around 700.00 with reagents and case. The new meter readings will be much more concise and consistent which will help both our operators with the operation of the plant and the our standing with DOH with more consistent readings. The added benefit is that with more consistent and accurate results we may be able to reduce our chlorine usage.

**Leaks**

The line to the fire hydrant by the hangars and a leak in the system at the marina continues when the lines are turned on. Both lines are temporarily shut off as there is no demand. Jim is researching methods that can be used to find the leaks without having to dig up the whole line's.

**Increase in Connections**

I reviewed and approved the letter Jim had written to the state DOH requesting clarification regarding their position to count guest houses as an additional ERU. Jim has asked for the definition of a "guest house", in case DOH tells us we must count guest houses.

**Water Treatment plant upgrade estimate.**

I receive a verbal estimate for a new water treatment skid that would both upgrade the capacity and automation of our system. The estimate for just the equipment was 200K. It would still require a WTPO level 2 licenses since it would be treating surface water. It would be similar to the process we have but would use a pressure flocculator that would allow use of pressure filters that would keep the foot print small. This would normally require the construction of a new building to house the equipment and controls which would add considerable cost. I am not

convinced this is the best or correct route for the islands water needs at this time but wanted to have numbers for budgeting purposes.

Doug W. Davidson Water Commissioner

**Jim Fergus, Treasurer**

Treasurer Report:

So far within budget: Checking account: \$ 150,004.95  
Maintenance Reserve: 86,797.54

About normal for this time of year. Liens are existing on two properties for unpaid assessments. As I mentioned at the last meeting, liens in Washington are only good for eight months unless foreclosure action has been started.

Since non-judicial foreclosure is not available for us, it would require attorney filing of suit to foreclose. What does the board think about this?

Thanks

Treasurer Jim

It was noted that on one of these properties there is a foreclosure notice from a bank. Jim Dovey will report to Jim Fergus the name of the bank so that Jim can contact them.

**Jim Dovey, Road Commissioner**

I made a visual inspection at the first of February. The roads look in great shape except as Jim Davis noted, some gravel has been washed away on the edge of the Marine Drive. This will need to be repaired in the spring when the heavy rains have stopped.

**Bob Breidenthal, Fire and Waste Commissioner Report:**

Bob had nothing to add to Jim's report. He thanked Doug for his suggestion that the winter fire drills be held later in the day to allow more participants to get on island.

**Roger Brown, BCF Liaison:** No report.

In Roger's absence, Paul Ellis who is a member of the BCF gave a brief update: there are a few excellent parties interested in running the store operation. They are looking into making it a multi-year sub-lease agreement.

**Jim Davis, Facility Manager:**

February 17, 2011

Water System

Water Treatment Plant Instrumentation

Calibration of our turbidimeters is required every three months. I serviced and calibrated these instruments in January. We have two online turbidimeters which measure untreated water from the lake and filtered water from the plant. We have a third portable turbidimeter which is used regularly to validate the accuracy of the other two. Shortly after it was recalibrated the read-out on the portable turbidimeter failed. I disassembled the unit to check ribbon cable connections and for any other obvious signs of problems. None were found. This is a complex instrument and requires factory service for most repairs. I've sent it to the manufacturer (Hach) and am awaiting their repair estimate. BIMC purchased this unit used a little over two years ago. A new replacement will cost \$2,000.

BIMC currently uses a visual reference (color wheel) for checking chlorine disinfectant residuals. This test is somewhat subjective, as the visual test can be affected by ambient light, background textures/colors and the visual acuity of the operator. For proper chlorine dosage control it is imperative we know if residuals are trending up, down or staying the same. To eliminate the guess work, I have recommended BIMC purchase an instrument (a colorimeter) which will measure the chlorine level accurately with no ambiguity.

Water production is normal for this time of year.

#### Water Usage

After rebuilding the fire hydrant by the hangars, the leak in that line remains unchanged. Similarly, the leak in the system at the marina remains unchanged. Both lines are temporarily shut off. I've recently spoken with Evergreen Rural Water of Washington and they may be able to help with leak detection. Since BIMC is a member, there may be little or no cost for this service.

#### Increase in Connections

I have written to the Department of Health requesting clarification on their directive stating each guest house must be counted as an additional connection. I've suggested that lots with a main house and guest house(s) should count as one connection, as long as the total domestic water consumed on the lot is equal to or less than BIMC's defined average daily demand of 250 gallons per day. Many accessory residential units on Blakely consist of only an extra bedroom and don't include kitchen or laundry facilities. I've asked for the definition of a "guest house", in case DOH tells us we must count guest houses.

#### Roads

##### Flooding-Road Edge/Shoulder Damage

The heavy rains continue to keep the water table very close to the surface. We continue to experience rapid run-off along the Northern end of Marine Drive. In the last few weeks more shoulder gravel has washed out.

#### Fire Response/Training:

We had five people turn out for the January 15th fire training. Practice was held with the CAFS truck and foam nozzles. To facilitate the arrival of weekend residents, off-season drills will be held on Saturday afternoon at 2:00 PM. Our fire training schedule for the first half of the year is as follows:

February 19th

March 20th

April 23rd

May 28th (change back to 10 AM drills)

June 18th

Facility Manager House Sunroom

We continue to make progress on this project. The last of the tile backer was installed last week. We started installing tile the next day and have about half of it completed.

Insurance:

I have renewed the Directors and Officers Insurance. The coverage was placed with the same company for a premium of \$3,180 (same as last year). The liability limit of this coverage is three million with a deductible of \$25,000.

The other BIMC insurance will be renewing soon. I'm waiting for quotes for general liability, airport liability and property insurance.

Recycling/Waste

I finally received a call back from San Juan County Solid Waste. They confirmed the County has cut all funding for recycling programs on non-ferry serviced and Shaw islands. Additionally, the County has cut funding for barge transportation of Blakely's waste and recycling. Since the barge bills have been going directly to the County, I do not know the exact amount they have been paying. The Solid Waste manager I spoke with told me the County has been paying a little over \$5,000 per year for barge bills and recycling trucking. Unless the County can be persuaded to reconsider their decision, this cost will shift to BIMC, resulting in a waste budget increase of more than 25% (\$5,000).

This County subsidy began in 1994, after a Blakely Committee petitioned the County to lower taxes or assume some costs on Blakely. During those negotiations, the County acknowledged the inequity of Blakely tax dollars flowing their way and nothing coming back. In resolution, the County agreed to pay the barge fees, for transport of Blakely's waste stream. With this agreement ending, the tax dollar stream will resume the one-way orientation that existed in 1993.

## Fish Plant

I've been in touch with Trout Lodge to set up this year's fish plant. They are holding some "Trophy Fish" in the four to eight-pound range for Blakely. We'll also plant about 2,500 eight to nine-inch fish. To save on cost, I'll try to schedule the plant for a day when one of the barges will already be in the area.

Sincerely, Jim Davis

Jim added verbally to his report that the fish plant has been postponed for another week.

Margo has found all of the paper work involved with the county/waste removal issue from the mid-90's. It was decided that Bob would get a plan going on petitioning the county for the continuance for this service as we receive no other county services for our tax dollars.

## **NEW BUSINESS:**

1. Milt Reimers and Matt Bisturis began walking us through the spreadsheet of the most immediate changes that should be made to our governing documents in bringing them up to date. They started with the articles of incorporation. See attachment.

Under item one, after much discussion of the different RCW's, the board unanimously chose RCW 24.03. A consensus was agreed to by five members with one abstention.

Items 2 through 5 were discussed and there was unanimous consensus.

The second attachment deals with the proposed amendments to the By Laws. Unanimous consensus was achieved. Bob Breidenthal requested that the Schwabe lawyers talk to BIMC member/lawyer Tobin Richter regarding these changes. It was agreed they would do this.

*Bob Breidenthal moved that the board authorize the lawyers to draft specific amendments to the By Laws and Articles of Incorporation consistent with the proposed amendments as discussed tonight. The motion was seconded and passed unanimously.*

2. Doug Davidson reported on the hiring committee's progress. There have been many highly qualified applicants, which have been narrowed down to about 6 or 7. These candidates have had phone interviews and on island interviews will begin this Saturday. Doug anticipates that the committee will have a recommendation towards the end of this month or the first part of March.

3. *Barb Sullivan moved that the Board accept a month to month contract for the Davis's beginning Mar.1, 2011. This contract will remain the same as the 2009 contract with one small change in the amount of health insurance. The contract specifies that the Davis's will be given one months notice of termination and that the contract will not extend beyond June 30, 2011 as requested by the Davis's. The motion was seconded and passed unanimously.*

4. Barb Sullivan made a motion that the BIMC will have the regular Board meeting on March 10<sup>th</sup> and the BCF/ BIMC Joint Board Meeting is rescheduled for March 24,2011 at which time the audit should be completed and ready for discussion. The motion was seconded and passed

5. Discussion of water assessments to be made to the two non-plat properties of 'No Name City' currently owned by Janet Taggares and Dan Roach & Ellen Roth, which are currently receiving BIMC water. The BIMC Water Policy was discussed and the differences between the Taggares property and the Roach/Roth property. Doug made a motion to table this discussion until the March 10<sup>th</sup> meeting so that all board members can read the BIMC Water Policy and an informed decision can be made. The motion was seconded and passed.

6. Doug Davidson asked that the BIMC buy an electronic chlorine tester (colorimeter) to test the chlorine in our water plant, rather than use the color wheel that is currently being used. It is hoped that the electronic device will better regulate the chlorine and possibly reduce its usage. Doug moved that the Board allocate \$700.00 for this tool. The motion was seconded and passed. Doug and Jim will work on the purchase.

### **Old Business:**

1. March 10th, 2011 will be the next Board Meeting and March 24th, will be the BIMC/BCF Board meeting. Both at 7:00 PM Pacific time at the Facility Managers House and by conference call. Other meetings on the schedule are:

March 31, 2011,

April 7, 14, 21, & 29, 2011

May 5 & 12, 2011

June 9 & 30, 2011

July 2, 2011 at 9:30 for the Annual Meeting (place TBD)

2. Barb Sullivan reported that the sink hole on the BIMC right of way by the Meslin property, which was made by the paving equipment, has been put on hold temporarily. Coralie is going to have some drainage work done on her property and would like to hold off on the cover until that work is completed.

*Barb Sullivan moved to adjourn the meeting at 9:27 PM. It was seconded and passed.*

Respectfully submitted,

Barb Sullivan

Secretary

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## ARTICLES OF INCORPORATION

Proposed Revisions to be Considered at the  
February 17, 2011 Board of Governors' Meeting

SUBJECT	BACKGROUND	PROPOSED REVISION
<p><b>1. Refile the BIMC's Articles of Incorporation</b></p>	<p>The BIMC's Articles of Incorporation were filed in 1961 under RCW 24.04. Washington's non-profit corporation act then in effect. RCW 24.04 was repealed in 1969.</p> <p>Since BIMC's organizational statute, RCW 24.04, is no longer in effect, BIMC can choose whether to be governed by the current Washington Non-Profit Corporation Act (RCW 24.03) or the Nonprofit Miscellaneous and Mutual Corporations Act (RCW 24.06).</p>	<p>The Board should reorganize the BIMC under either RCW 24.03 or RCW 24.06. The primary difference between reorganizing under RCW 24.03 and 24.06 is whether the BIMC can issue stock and distribute surplus funds to members.</p> <p>Under <b>RCW 24.03</b>, a homeowners' association cannot issue stock to members or make any disbursement of income to members. A homeowners' association may be permitted to refund excess dues to its members without violating this prohibition if certain precautions are taken. One advantage to RCW 24.03 is that the BIMC will be able to more easily maintain its tax-exempt status under Section 528 of the Internal Revenue Code.</p> <p>Nonprofit corporations organized under <b>RCW 24.06</b> are similar to those organized under RCW 24.03 in that they cannot engage in business for profit, but they can issue stock and distribute surplus funds to members in some circumstances. Associations organized under Chapter 24.06 RCW can make distributions of surplus funds to members without violating restrictions in Section 528 of the Internal Revenue Code, but the association must exercise care to distribute only surplus <i>member dues</i> to avoid jeopardizing its tax exemption.</p>

<p><b>2. Remove “Inc.” from BIMC’s Name</b></p>	<p>Whether reorganizing under RCW 24.03 or RCW 24.06, the name of the BIMC cannot end with the words “Inc.” or “Incorporated”. Only for-profit corporations can have “Inc.” in the name.</p>	<p>Remove “Inc.” from the name so that the association is referred to as simply “Blakely Island Maintenance Commission.”</p>
<p><b>3. Modify the BIMC’s Purpose</b></p>	<p>The BIMC’s “purpose” within the Articles of Incorporation is outdated and should be revised to better reflect the purpose for which the BIMC exists.</p> <p>Article III provides: “The purpose of this corporation, hereinafter referred to as association, is to provide water, road and landing strip maintenance for the occupants and owners of San Juan Aviation and Yachting Estates, and to promulgate and enforce rules and regulations necessary to insure equal and proper use of the same.”</p>	<p>The BIMC should revise the “purpose” within the Articles of Incorporation to better reflect its responsibilities and the activities for which it undertakes.</p> <p><u>Proposed Language:</u> “The BIMC is organized to act as a homeowners association pursuant to the Washington Homeowners’ Associations Act (being Chapter 64.38 RCW, as amended; the “HOA Act”) for the operation of that certain residential subdivision known as San Juan Aviation Estates in San Juan County, Washington. The BIMC may perform all functions of a homeowners association set forth in the recorded Blakely Island Covenants (as may be amended from time to time, the “BICs”), the BIMC By-Laws (as amended from time to time, the “By-Laws”), and the HOA Act. The BIMC may engage in all such activities as are incidental or conducive to the attainment of the objectives of the BIMC and all other lawful business of activity permitted under the Washington Nonprofit Corporation Act, as may be amended from time to time. The BIMC shall be operated for the mutual benefit of its members in accordance with the Covenants.”</p>
<p><b>5. Include a Statutorily Required “Dissolution Provision”</b></p>	<p>Both RCW 24.03 and RCW 24.06 require certain language addressing distribution of assets upon dissolution of the entity to be included in the Articles of Incorporation.</p>	<p>Include the required language regarding distribution of assets.</p> <p><u>Proposed Language:</u> “The BIMC may be dissolved in</p>

accordance with the provisions of the Washington Nonprofit Corporation Act; provided, however, that the BIMC shall not be voluntarily dissolved until the BICs have been terminated of record in accordance with the terms of the BICs. Upon voluntary dissolution, the BIMC will distribute its assets to its members in good standing at the time of such dissolution or to one or more organizations engaged in activities substantially similar to those of the BIMC.

If the BIMC is involuntarily dissolved, or if the BIMC is voluntarily dissolved but the BICs remains in effect, the BIMC shall automatically be succeeded by an unincorporated association of the same name and having the same purposes. All assets, property, powers, and obligations of the BIMC existing prior to such dissolution shall thereupon automatically vest in the successor unincorporated association.



### **Notice by Electronic Transmission – Consent Required – When Effective.**

Notice to members and directors in an electronic transmission that otherwise complies with the requirements of the HOA Act is effective only with respect to members and directors who have consented, in the form of a record, to receive electronically transmitted notices.

Notice to members and directors includes material that the HOA Act or By-Laws requires or permits to accompany the notice.

A member or director who provides consent, in the form of a record, to receipt of electronically transmitted notices must designate in the consent the message format accessible to the recipient, and the address, location, or system to which these notices may be electronically transmitted.

A member or director who has consented to receipt of electronically transmitted notices may revoke the consent by delivering a revocation to the BIMC in the form of a record.

The consent of any member or director is revoked if the BIMC is unable to electronically transmit two consecutive notices given by the BIMC in accordance with the consent, and this inability becomes known to the secretary of the BIMC or other person responsible for giving the notice. The inadvertent failure by the BIMC to treat this inability as a revocation does not invalidate any meeting or other action.

Notice to members or directors who have consented to receipt of electronically transmitted notices may be provided notice by posting the notice on an electronic network and delivering to the member or director a separate record of the posting, together with comprehensible instructions regarding how to obtain access to this posting on the electronic network.

Notice provided in an electronic transmission is effective when it (i) is electronically transmitted to an address, location, or system designated by the recipient for that purpose, and is made pursuant to the consent provided by the recipient; or (ii) has been posted on an electronic network and a separate record of the posting has been delivered to the recipient together with comprehensible instructions regarding how to obtain access to the posting on the electronic network.

## BIMC BY-LAWS

Proposed Revisions to be Considered at the  
February 17, 2011 Board of Governors' Meeting

SUBJECT	BACKGROUND	PROPOSED REVISION
<p><b>1. Possible Issuance of Stock Shares (if the BIMC files its Articles of Incorporation under RCW 24.06)</b></p>	<p><b>BACKGROUND</b></p> <p>If the BIMC is organized under RCW 24.03, it cannot issue stock or disburse any income to its members. A homeowners' association may be permitted to refund excess dues to its members without violating this prohibition if certain precautions are taken. One advantage to RCW 24.03 is that the BIMC will be able to more easily maintain tax-exempt status under Section 528 of the Internal Revenue Code.</p> <p>Alternatively, if the BIMC is to be organized under RCW 24.06, it could issue stock and distribute surplus dues to members. Making such distributions would necessarily increase BIMC's risk of noncompliance with Section 528 because some of BIMC's income is non-exempt and it therefore may not be clear which funds are available for distribution. However, with care in segregating income from member dues and other income, this risk can be mitigated.</p>	<p>Ensure the By-Laws are consistent with the Articles of Incorporation with regard the possible issuance of stock, depending on whether the BIMC chooses to file under RCW 24.03 versus RCW 24.06.</p>
<p><b>2. Notice for Board of Governors' Meetings</b></p>	<p>Article 7, Section 6 seemingly provides that special meetings of the members may be held upon 30 days notice. By comparison, the Homeowners' Association statute (RCW 64.38) provides that meetings may be called by providing notice to the members not less than 14 nor more than 60 days in</p>	<p>The BIMC should revise the notice requirements to be consistent with the Homeowners' Association statute.</p> <p><u>Proposed Language</u>: "Not less than 14 nor more than 60 days in advance of any special meeting, the secretary of the BIMC shall cause notice to be hand-</p>

	<p><u>advance of the meeting.</u></p> <p>Notice within the By-Laws should be consistent with the notice requirements of the HOA Act. This will give the Board more flexibility to promptly address issues as they arise</p>	<p>delivered or sent prepaid by first-class United States mail to the mailing address of each member or to any other mailing address designated in writing by the member. The notice of any meeting shall state the time and place of the meeting and the business to be placed on the agenda by the Board of Governors.</p> <p>Notice of regular Board of Governors' meetings must be made by providing each member with the adopted schedule of regular meetings for the ensuing year at any time after the annual meeting and 10 days prior to the next succeeding regular meeting and at any time when requested by a member."</p>
<p><b>3. Electronic Notice for Meetings</b></p>	<p>Article 7, Section 5 provides that notice for meetings may only be provided by mail</p> <p>While the HOA Act requires notice of member meetings to be hand delivered or sent by first-class mail, the BIMC should consider allowing for electronic notice (i.e., via e-mail) for Board of Governor meetings if it so chooses.</p>	<p>In order to receive notice by email, members and the Board of Governors must sign a written consent to receive electronic notice of meetings. The Association should include a provision describing the electronic notice process in the By-Laws. A proposed revision to the By-Laws allowing for electronic notice for Board of Governor meetings is attached to this spreadsheet</p>
<p><b>4. Roberts' Rules of Order</b></p>	<p>Article 11, Section 6 provides "Roberts' Rules of Order (latest edition) shall govern the conduct of Association meetings when not in conflict with the BICs, the Articles of Incorporation, or these by-laws."</p> <p>Roberts' Rules of Order can be a useful tool that the BIMC should refer to when questions arise. However, the BIMC should look to it as a helpful tool, but not as a mandatory authority.</p>	<p>The BIMC should consider revising its reference the Roberts' Rules of order to read:</p> <p><del>In the event of any dispute regarding the parliamentary procedure for any meeting, the secretary of the BIMC may refer to the most current available edition of Roberts' Rules of Order. The inadvertent failure by the BIMC to adhere to Roberts' Rules of Order does not invalidate any meeting or other action."</del></p>

<p><b>5. Two or More Offices May Be Held By the Same Board Member</b></p>	<p>Article VI, Section 6, must be amended to provide that any two or more offices may be held by the same person, except the offices of president and secretary (the same person cannot hold these offices under RCW 24.03 or RCW 24.06).</p>	<p>Revise the By-Laws to allow for offices to be held by the same person, except the offices of president and secretary.</p>
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