

Canterwood Division 12 STEP Association

c/o Diamond Community Management

7512 Stanich Lane, Suite 6

Gig Harbor WA 98335

253-514-6638

IMPORTANT NOTICE TO

Canterwood Division 12 STEP Association Owners:

DUE TO THE

WASHINGTON STATE Senate Bill 5011,

THE 2022 ANNUAL MEETING WILL BE CONDUCTED VIA

MAIL-IN BALLOT ONLY

Enclosed you will find The Annual Association Report, 2021 Annual Meeting Minutes Draft, 2022 Budget Reports, 2023 Budget, and your Ballot.

In order to establish the Quorum, you need to mail in your signed ballot form to Diamond Community Mgmt, in the envelope provided with your packet. You may email your ballot to carol@diamonddcm.net or Fax your signed ballot to the DCM office at 253-514-6639. Ballots need to be received before 5pm, November 10, 2022.

Because there will not be an in-person owners forum, please email us prior to the return date to let us know if you have comments or questions for Board Members. Email them to carol@diamonddcm.net. Comments and/or questions and Board responses will be included in the 2022 Minutes along with the voting results and distributed to all owners within 60 days after the return date.

On behalf of the Board Members and Diamond Community Mgmt Team, thank you for your patience and understanding. We have received legal guidance assuring the validity of proceeding with annual meetings via mail based on the passage of the above Senate Bill.

THANK YOU

2022 CANTERWOOD DIVISION 12 STEP ASSOCIATION ANNUAL REPORT

2022 Board Members: Lynn Singleton, President; Megan Amherst, Vice President; Chad Scialabba, Treasurer; Rick Meeder, Secretary; and Scott Lane, Director

2021 Annual Meeting Minutes: Enclosed, please review and vote on the ballot.

2022 Financial Report: Enclosed

2023 Budget: Enclosed, please review and vote on the ballot.

Board Member Election: Enclosed, please review and vote on ballot by November 10.

2022 Accomplishments

- Confirmed the ability and implemented tri-annual service calls for the treatment house, saving \$2300/year
- Terminated low return Reserve Account CDs and had them reissued at much higher rates
- Significantly reduced community costs with volunteers; Steve Muretta—website support and security; Lynn Singleton— infrastructure equipment modification, repairs and finding “lost” system components; Chad Scialabba—Reserve Study Model development, finding “lost” system components, and equipment
- Replaced tank valves to stop bleach leaks in the treatment house
- Coordinated with the city of Gig Harbor regarding the upcoming terminus flow meter replacement
- Found and assessed/repared several “lost” system components
- Updated system component locational documentation
- Performed the bi-annual valve exercising
- Recompeted and selected Aadvanced Services for our operation and maintenance (O&M) work, includes a second-year option
- Obtained special rates from Aadvanced Services for our community members
- Maintained transparency—a core value, by routinely updating our website: <http://Canterwooddiv12step.org>
- Enhanced website security
- Updated, distributed, and posted community educational resources
- Developed and validated a Reserve Fund Model to better inform financial planning

2023 Planned Priorities

- Monitor the status of our terminus flow meter and replace if needed
- Continue the search for “lost” infrastructure and update documentation
- Promptly address any infrastructure issues
- Assess any end-of-life equipment issues and plan accordingly
- Exercise the second-year O&M service contract option or recompute
- Maintain and update website content to ensure transparency and accountability
- Contract a Reserve Study that incorporates a more complete equipment accounting
- Investigate AirBNB options for the frog families using the terminus vault

Please forward questions or comments for inclusion in the 2022 Meeting Minutes.

**Canterwood Division 12 STEP Association
Annual Informational Zoom Meeting
Minutes
November 4, 2021**

Meeting Called to Order at 5:04 PM

Board Members participating: Lynn Singleton, Randy Young, Megan Amherst, Rick Meeder, and Frank Addison

Diamond Community Management participating: Carol Burton and Lisa Dillon.

Owners participating: Larry Fleming; Dan, and Paula Riley; Scott Lane; and John Voris.

Lynn Singleton opened the meeting by introducing the Board Members, Diamond Community Management, and the community members. He thanked everyone for their participation in today's meeting, the efforts in putting together the annual meeting documents, and the efforts throughout the past year. Special thanks were made to Carol Burton and Lisa Dillon for their ongoing support and Frank Addison and Randy Young, both retiring board members, for their service. Community members Scott Lane and Chad Scialabba were also noted for their willingness to be considered for the STEP Board.

Lynn reviewed the annual informational meeting format and explained that the mail-in ballots can meet the Washington State annual meeting requirement for Associations. The ballots are due on November 12 at 5:00 PM, and 33 households were submitted as of the November 4th Informational Meeting. As such, the participation quorum of 24 homeowners has been met. The Board will announce the ballot results and provide the draft meeting minutes to the community in mid-December before the mandated 60-day response.

2020 Draft Annual Meeting Minutes—no questions or comments, and acceptance will be determined through the mailed ballots.

Recap 2021 Accomplishments

Lynn presented the many things we accomplished in 2021.

- We had no monthly dues increase. Sewage treatment fees from Gig Harbor make up over 80% of our annual budget, and therefore those increases have the greatest impact on the budget. Savings in other areas like liability insurance premiums have helped keep our dues low despite increases from the city.
- We obtained and installed a new flow meter with the data logger. Seametrics gave us a \$2600 flow meter for participating in their beta test program. We now are implementing flow-based chlorination, so the amount of chlorine added to the system is dependent on sewage flow rates. We expect to use less chlorine, save money as a

result, and STEP is now in full compliance with the Gig Harbor sewage treatment agreement.

- We saved the association significant resources through the use of volunteers. Lynn Singleton and Steve Tyson were noted for their efforts and support during the flow meter replacement, and Lynn Singleton was thanked for his willingness to participate in the Seametrics beta program that resulted in the free meter, and his ongoing efforts to work on the system throughout the year. Steve Muretta, our volunteer webmaster, has continued to support our community tirelessly.
- We refreshed the equipment and reconfigured the plumbing in the pump house.
- We renegotiated the annual operations and maintenance contract, which included homeowners' special rates with Aadvanced Services.
- We kept our website updated regularly with community information to meet our core values of transparency and education. The recent hack where traffic was routed to a website in Canada was rapidly repaired by our volunteer webmaster Steve Muretta.
- We issued a summer newsletter that included a document on what to do if your septic tank alarm goes off.

2021 Budget Review/2022 Proposed Budget

Treasurer Randy Young discussed the three budget-related items members received in the annual meeting packet that presented the status of the two STEP Association financial accounts/budgets: Operations and Maintenance, and Reserve.

2021 Operations and Maintenance Budget

Gig Harbor sewer fees account for 80% of our costs. We avoided a dues increase in 2021 as Gig Harbor gave us a significant one-time 2020 "COVID" discount on our bill. That discount and other savings allowed STEP fees to remain flat for the fourth year. Additionally, some of the 2021 expenses were appropriately taken from the Reserve Account.

The 2022 budget considered the \$2400 carry-over from 2021, the ongoing savings from our new insurance carrier, and the increase in Gig Harbor fees. As a result, a dues increase to \$106 per month (about 5%) is needed in 2022. We don't anticipate any unusual equipment expenses in 2022 because of the completed refresh in 2021.

Larry Fleming asked about the duration of the insurance premium savings and the Gig Harbor surcharge for non-city residents. Randy noted that the Board had the option to shop for insurance at any time and would do so if rates increased unacceptably. Megan Amherst, who performed the insurance research for the Board, noted that many insurance companies did not understand STEP systems and were reluctant to insure a sewage conveyance system. With her

help and a recommendation from Diamond Community Management, we found a company that understood our needs, doubled our insurance coverage and cut the cost in half.

Regarding the Gig Harbor surcharge for sewage treatment, Randy explained that it is a common practice allowed by Washington State Law, widely used by many cities, could cover all city-provided utilities and must be uniformly applied to all users falling outside of the city boundaries. The Gig Harbor surcharge for wastewater treatment is in keeping with their right under Washington law, and a change to the practice would be a challenging statewide issue.

Reserve Account

The Reserve Account is our "piggy bank" that is present to avoid special assessments when major equipment assets need to be repaired/replaced. Need and funding levels are determined by a Reserve Study that considers system assets, the useful life of each, estimated replacement costs, and inflation. It is based on a 2019 Study. The study will be revised in 2024.

We did not actively increase our reserves through resident contributions, but we did earn \$136 from interest on FDIC-insured CDs. The reserve account started the year with \$76,772 and finished at \$73,201. Flowmeter plumbing changes and needed equipment upgrades to allow for flow-paced dosing amounted to \$3707 in costs. There are no homeowner contributions to reserves included in the 2022 budget.

Our calculated Reserve Account funding level is still healthy at 79%. This estimated metric decreased from last year because of inflation additions and additional depreciated values. STEP complies with Washington State reserve study and reporting requirements.

2022 Priorities

Four priorities were discussed.

- The new flow meter will allow the analysis of flow patterns to evaluate seasonality and system leaks. John Voris asked about the impacts from residents who leave for warmer climates. That variability was acknowledged, and we plan on learning more about our general seasonal flow patterns.
- Our terminal flow meter, used by the City of Gig Harbor to determine the bimonthly billable flows, is nearing the time when the non-replaceable battery will run out. The ten-year battery is projected to fail in 2023, but research and precoordination are required for the needed replacement. Before the failure, we must contact the city to identify an acceptable replacement meter, understand the city coordination requirements, source the meter, and determine installation requirements. The goal is to replace the meter with one of the exact same physical size to avoid any plumbing modifications. Our service contract with Aadvanced now includes quarterly checks of the low battery monitoring system that provide a six-month failure warning.

- Solicit interested vendors to perform our ongoing operation and maintenance needs. Selection will occur in June 2022.
- Meet any identified system needs expeditiously.

Other Participant Questions:

Larry Fleming asked about a system failure in Forest Village. Lynn reported that there was a leak at a residence, and the adjacent neighbors in the cul de sac were notified that the STEP system would be shut down for a few hours to make needed repairs. A few years ago, we found and uncovered the buried system shut-off valves to ensure that the fewest residents, i.e., small zones, could be shut down, and therefore impacts from a failure/repair would affect the fewest possible. Excavation revealed the leak was from a cracked backflow preventer on the homeowner's side of the system shut-off serving that property. As a result, that house could be isolated, repaired, and impacts to neighbors avoided.

The meeting was adjourned at 6:02 PM.

Respectful submitted,

Frank Addison, Secretary

Post Meeting Follow-up—Ballot Results:

37 ballots were returned by the November 12, 5:00 PM deadline.

The draft 2020 Meeting Minutes were approved with no comments by the 37 responding residents.

The three candidates for the STEP board; Megan Amherst, Scott Lane and Chad Scialabba were elected to the board with 37, 36 and 36 votes respectively, and there were no write-in candidates.

The 2022 Budget was ratified by 37 affirmative votes

Thank you for your ongoing support—Your Division 12 STEP Board

**Canterwood Division 12 STEP Association
2022 Estimated and 2023 Budget**

GL#		BUDGET	ESTIMATED	BUDGET	2023
		2022	EOY 2022	2023	Explanation
		(71 Lots)		(71 Lots)	
	REVENUE	2,451	0	1,810	2022 Carried Over
4000	Monthly Dues	90,312	90,312	90,312	\$106 per Lot
4100	Late Charge	-	350	-	Due on the 1st
	Total Income	90,312	90,662	92,122	
	EXPENSES				
5005	Annual Registration	10	20	20	
5010	Management Fees	6,000	6,000	6,000	
5106	Printing/Coping	250	225	250	Newsltr/Ann Pkt
5130	Postage	225	205	225	
5200	STEP System Rpr & Maint	8,652	8,192	7,600	***
5300	Electricity	515	503	515	
5315	Gig Harbor Sewer Fee	75,311	72,100	75,311	
5441	Tax Preparation	200	185	200	
5520	Insurance	1,300	1,222	1,300	
5525	Reserve Study	0	0	1,800	2023 Update
5570	Website	300	200	400	
8010	Reserve Fund Transfers	0	0	0	
	Total Expenses	92,763	88,852	93,621	
	Excess/(Shortfall)*	-	1,810	(1,499)	**

* 2023 Includes carry over from 2022

** 2023 Shortfall covered by previous years accrued carry over

R & M Recap

*** Tri-Annual Serv: 2022	6,032.00
Supplies & Parts	2,160.00
Total	8,192.00

MONTHLY DUES ALLOCATION CATEGORY	PER MONTH PER HOME 2023
Sewer Fees	88.39
Management Fee	7.04
STEP System Maintenance & Repairs	8.92
Insurance	1.53
Reserve Study	2.11
Allocation to Reserves	0.00
Other	1.89
Total Monthly Dues Per Home	109.88
Carry Over Credit	3.88
Net Monthly Dues Per Home	106.00

Estimated (E) End Of Year Financial Synopsis

CW Division 12 STEP Association
30 September 2022

	E(Actual)	Budget	E(Variance)
Revenue			
4000 Dues Assessment	90,312.00	90,312.00	0.00
4100 Late Fees	350.00	0.00	350.00
Total Revenue	90,662.00	90,312.00	350.00
Operating Expenses			
5005 Annual Corp. Registration	(20.00)	(10.00)	(10.00)
5010 Management Fees	(6,000.00)	(6,000.00)	0.00
5106 Coping & Printing	(225.00)	(250.00)	25.00
5130 Postage	(205.00)	(225.00)	20.00
5200 Maintenance & Repair	(8,192.00)	(8,652.00)	460.00
5300 Electricity	(503.00)	(515.00)	12.00
5315 Sewer Expense	(72,100.00)	(75,311.00)	3,211.00
5441 Taxes Preparation	(185.00)	(200.00)	15.00
5520 Insurance	(1,222.00)	(1,300.00)	78.00
5570 Website	(200.00)	(300.00)	100.00
Total Operating Expenses	(88,852.00)	(92,763.00)	3,911.00
NET Operating Income	1,810.00¹	(2,451.00)	4,261.00
Investment Income			
4160 Investment Interest Income	177.06 ²	0.00	177.06
Total Investment Income	177.06	0.00	177.06
Other Income & Expenses			
9017 Reserve Fund Expenditures	0.00	0.00	0.00
4161 Other Interest Income	0.36	0.00	0.36
Total Other Income & Expenses	0.36³	0.00	0.36
Net Income (Loss)	\$1,987.42⁴	(\$2,451.00)	4,438.42

Asset Accounts	Balance as of		
	1-Jan-22	E(12/31/2022)	Variance
Operating Account			
CW12 STEP Operating Account	22,394.45	24,204.45 ⁵	1,810.00 ¹
Reserve Account			
CW12 STEP Reserve Account	11,366.51	11,366.87	0.36 ³
Reserve Investment Account			
CW12 STEP Certificate Deposits	61,871.19	62,048.25	177.06 ²
Total Assets	\$157,331.48	\$159,490.76	\$1,987.42⁴

Notes: ¹ Anticipated Increase in operating account balance from 2021 due to lower than expected Sewer Expenses in 2022.

² Interest Income from Reserve Funds invested in short-term Certificate of Deposit Accounts.

³ Interest Income from Reserve Account.

⁴ Anticipated Net Income covering future anticipated Operating and Reserve Fund Expenditures.

⁵ Balance includes funds for bi-monthly city of Gig Harbor Sewer charge and resident pre-pays.

**CANTERWOOD DIVISION 12 STEP ASSOCIATION
RESERVE FUND SUMMARY AND PROJECTIONS
2022 Summary Values Based on 2019 Reserve Study*
2023 Projections Based on 2019 Reserve Study**

Balance as of 12/31/21	\$ 73,237.68
2022 Contributions (Projected interest)	\$ 223.77
2022 Expenses	\$ 0.00

Projected Reserve Fund Total EOY 2022 **\$ 73,461.45**

2023 Reserve Study Projections				
100% Funded Amount*	Total EOY % Funded	Total Fund Deficiency	Deficiency/Lot /Year /Month	Comment
2019: \$73,351	\$73,692 / 100%	\$0.00	\$0 / \$0	Funded 100% per 2019 Reserve Study Projections
2020: \$79,387	\$75,835 / 96%	\$3,552	\$50 / \$4	Contributions: CD interest 1 lot hook-up fee (\$1,500)
2021: \$92,739	\$73,201 / 79%	\$19,538	\$1,628 / \$23	** Contribution: CD Interest
2022-\$102,619	\$73,461 / 72%	\$29,158	\$2,430 / \$34	** Contribution: CD Interest
2023-\$103,012	TBD	TBD	TBD	

* The 2019 Study update meets the requirements of WUCIOA (RCW.64.90.525) enacted on July 1, 2018. Reserve Study Reports are available at www.canterwooddiv12step.org. The Board intends to have the Reserve Study updated in 2023.

** The Reserve Study projected replacement of the sump grate (\$577) in 2018 and pump house flow meter (\$4,000) in 2019. The expenditure of (\$40,186) was projected in 2020 for pipe replacement. The pipe replacement will not be necessary; pipe life should exceed 30 years and we have not had any problems to date. The above Components were not replaced in 2018, 2019 or 2020. The funds reserved for these 2018 and 2020 replacements will continue to be held in Reserves until replacement is needed. The flow meter was replaced in 2021. The 2021 Reserve expenses of (\$3,707.52) include pump, pump house flow meter installation, plumbing and electrical work. The 2022 Reserve expense was projected to be (\$393.00) Treatment building Heater.

Proposed homeowner monthly charges for 2023 will not include contributions to the Reserve Fund.

Canterwood Division 12 STEP ASSOCIATION

Annual Meeting via Mail

Return Date: November 10, 2022

BALLOT

ONLY ONE VOTE PER UNIT

I, the undersigned owner of address _____, _____, WA
do hereby vote for the following:

BALLOT

2021 Annual Meeting Minutes - Enclosed

Approve

Do not Approve – Correction: _____

Board Members remaining: Chad Scialabba, Megan Amhurst, Scott Lane

Board Members with expiring terms: Lynn Singleton and Rick Meeder

Vote for 2 Board Members:

Lynn Singleton

Dan Riley

_____ I would be interested in volunteering for the Board

2023 Budget - Enclosed

Yes, I vote to ratify the 2023 Budget

No, I do not ratify the Budget

Your Name Print	
Your Signature	

(MUST be SIGNED to be VALID)

**Please return to:
Diamond Community Management
7512 Stanich Lane, Suite 6
Gig Harbor, WA 98335**

**Ballots must be mailed or delivered to the Diamond Community Mgmt. office
NO LATER THAN 5 p.m. November 10, 2022.**

Note: A signed ballot counts toward a quorum - 24 Owners