

Attendees: Steve Muretta, Mike Hondorp, Doug Allen and Ed Caudill (Directors); Russell Tanner (Canterwood Development Co.); Carolyn Tucker and Debbie Rench (Kalles Community Management); Eva Hill (Still Water Planning, Inc.)

The meeting was called to order at 4:10 PM at the offices of Prudential Canterwood Realty. The members and guests were introduced.

As a formality, the Board moved, seconded and unanimously approved the minutes of the September 6 meeting (which had previously been approved in September via e-mail in order to expedite the changes in the STEP's checking account signatories).

The Board received a written proposal from consultant Eva Hill concerning the feasibility of a large on-site system (LOSS) for the Canterwood STEP. Essentially, Hill proposed to commence Phase 1 feasibility work as outlined in her proposal. After discussion, it was agreed to increase the Phase 1 scope to about 10 hours to encompass director's input and Hill agreed to accept payment within 30 days rather than 15 days of billing. It was moved, seconded and unanimously approved that the STEP President be authorized to enter into the revised contract with Hill for Phase 1 work at a fee not to exceed \$750. President Muretta and Board advisor Tanner were designated the administrators of the agreement and Hill's efforts.

The group discussed various financial matters with the representatives from Kalles. Due to the necessity to complete the bi-monthly billing for October, the STEP's "un-reconciled" financial statements as of September 30, 2011 were not available for the meeting. Since final monthly statements are generally not available until the 15th of the next month, some directors felt that future Board meetings should be scheduled for the third Thursday of each month rather than the first Thursday so that such financials are available for the meetings. The Kalles staff was also asked about the proposal to move the STEP's bank account to Community Association Bank (a Mutual of Omaha bank) at Kalles's recommendation. Tucker briefly cited some of the advantages of such a change in terms of payments from members, cash management and earnings, and web site access options for the directors and members. She was asked to put together a package for the directors that summarize these issues and advantages of the change for their consideration. She was also asked to attend the November Board meeting to discuss the process in further detail so that a change in the STEP's banking relationship can be expedited at that time if deemed appropriate by the Board.

Co-Treasurer Hondorp briefly outlined the purpose and benefits of the formal STEP Financial Policies he had prepared on behalf of the Board. After discussion, the Board moved, seconded and unanimously approved the Financial Policies and they will be posted on the STEP web site.

Hondorp also discussed the footnotes to the STEP's financial statements that he had drafted and distributed to all previously. In addition to STEP accounting procedures outlined therein, Hondorp explained that information is still needed from Tanner about the value of donated assets from the community developer, approximately when such assets were put into service (major phases), as well as the cost of the STEP's treatment facility. It was recognized that the group still needs further information on the estimated useful lives of various types of STEP assets, both for future depreciation purposes and, more importantly, for replacement reserve purposes. The group agreed that replacement reserves should be established to encompass both capital costs and major repairs of \$5000 or more, although the initial total reserve balance is yet to be determined. That decision may coincide with the establishment of a new banking relationship with Community Association Bank and the investment of available funds for replacement reserve purposes at that time.

The group also agreed that a reserve for bad debts and bad debt expenses need to be reflected in the STEP's financial statements once appropriate amounts are determined based on further analysis and collection efforts currently underway.

Discussion then turned to the status of specific delinquent accounts receivables using a partial list from Debbie Rench as of September 30. It was agreed that, procedurally, Doug Allen would be the point of contact with the attorneys handling liens and collection efforts on behalf of the STEP. Input for such actions would be based on Board discussions of accounts in arrears at each meeting and other factors. The Board also agreed that Scott Alexander, Esq. would be used for collections pursuant to the STEP's contract with him for such services. The Board agreed to continue to use Mark Roberts, Esq. to file liens on the STEP's behalf and for general legal advisory services.

After discussions, Allen was asked to have Roberts file liens against the properties of members Deeth and Strieby, both of whom owe large amounts. Kalles was directed to send final dunning letters via registered mail to eight other members with large overdue balances of \$400 or more. In the event that any of these eight members do not pay in a reasonable time after such letters are sent, those accounts will be subject to collection efforts by Alexander. It was the consensus of the group that in the future, the STEP's collection policy is as follows: **Once several billing notices of delinquency and a dunning letter from Kalles via registered mail have been attempted and are unsuccessful, any delinquent member receivable of \$500 or more will be turned over for collection. Large balance delinquent accounts will also subject to lien or litigation on a case by case basis after Board consideration.**

There was brief discussion about the continuing subject of whether the Utility Excise Tax is required to be paid by the STEP. Tanner said that Rush Construction is not paying such a tax to the state for the STEP it operates in Div. 12 even though that STEP also uses the City of Gig Harbor for sewage treatment. Allen is working on this issue and Eva Hill suggested that he contact someone at the City for guidance on the applicability of the tax. Based on the amount of money such taxes are costing the STEP annually, Hondorp said that regardless of what the City says, it may be worthwhile to obtain the assistance of Mark Roberts, Esq. to get a definitive opinion on whether the STEP is obligated to pay such a tax.

With respect to Operational issues, Tanner is still working on obtaining member water usage reports from Peninsula Light. These reports will help in the comparison of household usage for periods of time to the volumes being recorded and billed to the STEP by the City of Gig Harbor. Tanner briefly discussed the meeting that he and Mike Williams had with Darrell at the City's treatment plant to talk about effluent levels and the City's long overdue report to the Association on that subject.

Some agenda matters under Organizational, Operational or Projects were covered as part of other discussions, although much of these three areas were not addressed due to time constraints.

Muretta asked that, in the future, all directors try and use specific and clear "subjects" in their STEP business e-mails to avoid confusion and facilitate communications. He also asked that members respect the assigned "ownership of issues" boundaries, while recognizing that we are all working as a team with a common purpose to benefit the STEP. It was felt that copying the other directors on e-mail messages of importance or significance is very useful and keeps everyone "in the loop" between meetings.

Finally, the Board tentatively set Thursday, November 17 at 4:00 PM as the next meeting date and time with the location unchanged. Notices and an agenda will be sent out in advance by Muretta.

The meeting was adjourned at 6:00 PM.