MINUTES OF THE BOARD OF DIRECTORS’ MEETING February 24, 2013
Subject to approval and correction at the Board of Directors’ Meeting on March 17, 2013

CALLED TO ORDER: by President Mark Sexton at 12:00 p.m.

PRESENT: Lee McCollum, Doug Cash, Mark Sexton, Meredith Moench & Kent Nielsen via SKYPE.
Mitch Nimon arrived at 12:30 p.m.

EXCUSED: Ron Bain

STAFF PRESENT: John Graham & Penni Idol

VOTING STATUS: All board members present are in good standing. Quorum

Approval of January 27, 2013 Minutes: Cash made a motion to approve the minutes. The motion was seconded by Lee. The motion passed unanimously.

COMMUNICATIONS: A letter was received from Tom Zano regarding payment for water usage. A letter was received from Joy Krell regarding increasing dues and the process to approve the budget.

COMMITTEE REPORTS:

ADMINISTRATION – Ron Bain not present but he submitted a proposed change to the bylaws numbered 4.4.1.8. regarding directors attending meetings via SKYPE. The board determined this needed further review. Ron also submitted an amendment to the rules & regulations numbered 5.4.3.3 regarding the charge for a simple water disconnection.

MOTION: Lee made a motion to table 5.4.3.3. for further review. The motion was seconded by Meredith. Discussion followed. Cash abstained from voting. The motion to table passes.

FINANCE REPORT – Meredith Moench had a meeting with our accountant and a member accountant. The accountants recommend that LISECC financial reports be published in an accrual basis.

MOTION: Meredith made a motion to have our account prepare the profit & loss and balance sheet reports in the accrual method. The motion was seconded by Lee. Discussion followed. The motion passes unanimously.

Meredith stated that Penni went through all the minutes back to the last audit done in 2002 and pulled out all the motions regarding reserve funds. Att Lilyroth has prepared a spreadsheet of these motions showing the money going in and coming out of reserves. However, the motions are often vague and it is undetermined if the funds were actually moved as the motions suggest. Because of this our accountant, Julie Harkness, has recommended that we have a vote at the AGM to establish a new base line of reserves.

MOTION: Meredith made a motion to place on the ballot for the AGM a new reserve base line for the reserves for the membership to vote on. The motion was seconded by Lee. Discussion followed. The motion passed unanimously.

MOTION: Meredith made a motion for the board to recommend an audit in 2013. The motion was seconded by Lee. Discussion followed. The motion passed unanimously.

Leslie Dempsey made a presentation to the board regarding the DWSRF loan. The state made a clerical error on the interest on the loan. According to the original contract the interest was to be 1.5%, but they had entered it as 1.0%. The state has discovered their error and it has resulted in an additional interest payment of $6409.66.
MOTION: Meredith made a motion to have the state transfer $6409.66 from the additional principal payment made in September of 2012 over to pay the balance of the miscalculation on the loan. The motion was seconded by Cash. The motion passes unanimously.

Leslie made a report on the 2012 close out transfer into reserve funds.

MOTION: Meredith made a motion to close out the 2012 books to transfer $16,356.11 from the Key Operations account into our Key Bank unallocated reserve account. The motion was seconded by Lee. Mitch abstained from voting. The motion passes.

Leslie presented the board with a foreclosure/delinquency plan. A foreclosure costs approximately $5,000 per LISECC’s attorney. Discussion followed. Mark requested that Leslie send out an email to the board with the information she provided so the board can review it further.

OPERATIONS – Lee McCollum wanted to thank Meredith & the finance committee for all their time and efforts putting together the reports provided to the board today. Lee referred to John who discussed the growing issue with disinfection by products. They are working to find the source of the issue. John also states that the 2012 Annual Water Report (Consumer Confidence Report) should be posted to the website and mailed out to all members with the AGM mailing.

PLANNING – Doug Cash has nothing new to report.

WATER – Mitch Nimon questioned John regarding a reported leak. John stated a leak was found on a member’s property that used 30,000 gallons. Mitch states he and his committee has specific concerns regarding the water main project and continued use of Wilson Engineering. Mitch is encouraged by the board to draft a letter with his specific requests of Wilson Engineering and submit it for board approval via email.

COMMUNICATIONS – Kent Nielsen stated March 7th is the deadline for board members newsletter articles to Penni and the AGM mailing will go out no later than March 21st.

QUARRY – Kent Nielsen gave an update on recent activities with the quarry. At the February 13th meeting, the hearing examiner expressed his displeasure with the quarry’s actions and has set the next meeting to discuss progress on April 10th. Kent is composing a letter to the county regarding the quarry’s application to develop a service road and service areas outside of the MRL zone and will submit it to the board for approval.

UNFINISHED BUSINESS: Mark discussed a letter received from Wilson Engineering regarding Professional Consulting Services Water System Analysis. Mitch would like to see additional bids for an expenditure of this type. Mitch will contact John Thielmann to find out who else has experience with surface water systems. This issue is tabled until the next board meeting.

NEW BUSINESS: LISECC received another Notice of Small Claim from Louise Weber and Victor Armfield regarding the LISECC budget approval process. The hearing date is set for February 28, 2013.

Next board of directors meeting scheduled for March 17, 2013
Meeting Adjourned: 2:45 p.m.
MINUTES OF THE BOARD OF DIRECTORS’ MEETING March 17, 2013

MEMBER CONCERNS: Neva Buechner gave an update on the Ramp It Up Project. Barry Allison gave an update on the mapping project. John Weber read from a letter he wrote to be added to the member communications.

CALLED TO ORDER: by President Mark Sexton at 12:12 p.m.

PRESENT: Kent Nielsen, Meredith Moench, Mark Sexton, Doug Cash, Mitch Nimon and Lee McCollum.

EXCUSED: Ron Bain

STAFF PRESENT: John Graham & Penni Idol

VOTING STATUS: All board members present are in good standing. Quorum

MOTION: February 24, 2013 Minutes: Kent made a motion to approve the minutes. The motion was seconded by Cash. Mitch abstained from voting. The motion passes.

COMMUNICATIONS: Letter from Victor Armfield regarding the small claims case and a dues refund; Letter from Charles Ortego requesting a copy of the 1961 Covenants. Kent will prepare response letters to Mr. Armfield and Mr. Ortego. Email from Roger Howarth regarding late charges. **MOTION:** Meredith moves to remove the late charges. The motion was seconded by Lee. Discussion followed. The motion passed unanimously. Email from Kristi Sells in regards to the Croy account. Kent will send a letter to Ms. Sells requesting power of attorney or guardianship documents for Mrs. Croy. Letter from John Weber regarding an underground electrical service conduit installed on his property. The board will research Mr. Weber’s issue and response to him in writing.

COMMITTEE REPORTS:

ADMINISTRATION – Ron Bain – not present

FINANCE REPORT – Meredith Moench went over the 2012 final profit & loss and balance sheet. Meredith also went over the adjustments made to the 2013 Proposed Budget. The bottom line expense to members remains the same as it was when they voted on it last November. Meredith stated that our accountant is recommending an audit every 3 years and a financial review on the years in between.

OPERATIONS – Lee McCollum went over the Operations report provided by John.

PLANNING – Doug Cash wants to move forward with submitting the required material to increase the water connections. Discussion followed. This issue was tabled until the next meeting.

WATER – Mitch Nimon does not have a letter yet for Wilson to ask for a remedy for what happened before or 2 more bids from other engineers to increase water connections.

**MOTION:** Mitch made a motion that if someone has moved into an additional tier that we should send them an informational letter indicating that they have used more water than they were billed for. Meredith seconded the motion. The motion passed unanimously. Mitch made a motion to make an effort contact members directly that are more than 60 days delinquent. Lee seconded the motion. Discussion followed. Meredith abstained from voting. The motion passes.

COMMUNICATIONS – Kent Nielsen has nothing new to report.
QUARRY – Kent Nielsen states there is a meeting with the hearing examiner set for April 10th to check up on progress that Quarry and county have made with regard to permits and remedying of some of the things that the hearing examiner asked from the quarry operators. All members are encouraged to attend. A new issue has arisen regarding Smuggler’s Cove being used as a parking lot for vessels.

UNFINISHED BUSINESS: MOTION: Meredith made a motion for the board approve setting the reserve base line for $268,553.05 and add this to the AGM ballot for members to vote on. Mitch seconded the motion. Discussion followed. The motion passed unanimously.

Meredith states the reserve study site visit is planned for Thursday, March 21, 2013 at 1:00 p.m. at the treatment plant.

Mark stated at the small claims court hearing, Louise Weber was found to be correct in that the RCW does require the budget be voted on at a meeting of the members. The verdict was in her favor for $274.00.

NEW BUSINESS: MOTION: Meredith made a motion to approve the 2013 Budget for presentation to the members. The motion was seconded by Kent. Discussion followed. Mitch abstained from voting. The motion passes.

The AGM packet material was reviewed, discussed and approved by the board of directors.

LISECC received a letter from Whatcom County Council requesting volunteers for the Surface Mining Advisory Committee (SMAC). Kent states that he is aware of one member who is already participating in this.

Mark states we received notice of legal action from the recently established Lummi Island Homeowner’s Alliance. MOTION: Kent made a motion to go into executive session to discuss legal strategy. The motion was seconded by Meredith. Discussion followed. The motion passed unanimously.

Meeting Adjourned: 2:12 p.m.

Executive Session: 2:15 p.m.

In executive session, the board members discussed legal strategies and Michael Wardell offered legal advice for the LIHA and LILCO lawsuits. One motion was made and passed unanimously.

Executive session adjourned at 2:58 p.m.

Regular Session: 2:58 p.m.

The board reiterated the motion made in executive session in open session. MOTION: Mitch made a motion to empower Greg Thulin to explore hiring co-council and report back to the board in a timely manner. The motion was seconded by Kent. Discussion followed. The motion passed unanimously.

Next board meeting at scheduled for April 13, 2013 at 5:00 p.m.

Meeting Adjourned: 3:00 p.m.
FROM THE PRESIDENT

We approach the 2013 AGM with some exciting new developments and at least one return to the way we used to do things. Louise Weber sued LISE in small claims court to get the dues increase we voted on by mail overturned. The commissioner found in her favor, ruling that our new system of voting by mail-in ballot to approve our budget and dues amount does not meet the standards of Washington’s HOA Laws. We must vote on these matters at a meeting of the membership, so we will return to voting at the AGM on our budget. The enclosed budget is fundamentally the same as that circulated in November of 2012 and for which 79 members voted in favor and 17 voted against. Please review it carefully. There are two changes but the bottom line is still the same and the 2013 proposed dues increase remains the same.

Speaking of our budget, you surely noticed the increase in the dues amount. You will hear from other board members about that, but I am excited that we finally have budgeted for the engineering work to increase our number of potential water connections. We have a contract from one firm to do that work for the amount we budgeted, but it was pointed out to us that we should try to get other bids on the work, so we are on hold while we try to find someone else who can do this submission to the state. If we don’t find any other options, I hope the board moves forward as quickly as possible to approve this and bring this project to completion. Additional money has been budgeted for work on the storage tanks in order to keep our water system functioning well.

We are proceeding with a reserve study to understand how large our reserve account should be. It is logical to have a clearer plan for the future and it is required by the new HOA statutes. We are asking for your support behind the idea that we establish a baseline for our reserves based on our bank account balances on the last day of 2012. Our accounting and documentation has been so lax in the past that we can’t absolutely say what funds were meant for reserves. Drawing a line at 12/31/12 and saying that our balances at that time equals our reserves allows us to have a starting point that is clear.

We feel it is time to have an audit considering that it has been 10 years since that last review. The amount necessary to perform the audit has been removed from other line items in order to keep the total the same as the budget presented in November, 2012.

I don’t want to sound like a broken record, but we really need more involvement in our HOA. We have more than 250 members, and I would be surprised if more than 20 have participated as board members, in the last few years. Please volunteer to help out, I’m sure we are missing out on great ideas that could improve our community and help keep costs down.

Mark Sexton
Submitted by Meredith Moench

Finance Committee

The past year has been a busy one for finance. With the help of volunteer members we have improved our accounting practices, streamlined our banking, initiated a reserve study as required by state law, closed out our Drinking Water State Revolving Fund (DWSRF) loan, and improved oversight of our spending. It has taken us two years to untangle all the refunds and credits that were complicating our bookkeeping. Hopefully, you will pass the 2013 budget and we can avoid repeating this problem. As I leave the board, I wish to thank committee stalwarts, Leslie Dempsey and Att Lilyroth for their excellent work as well as other community members who have stepped forward at various times to help. I hope you will offer the next Finance Chair your full support in our continuing efforts to improve LISE finances.

- **AUDIT**: Your Board of Directors has unanimously voted to recommend approval of an audit at this year’s AGM. Our last audit dates back 10 years (2002). Given the upheavals in our finances over the past several years, our accountant feels it is very important to have an audit this year and every three years thereafter. This will give us better oversight over our finances as well as be less expensive in the long-run.

- **DWSRF LOAN**: Due to an error on the part of the state which resulted in an incorrect amortization schedule, LISE was invoiced for an additional $6,409 interest. At their February 2013 regular meeting, the Board voted to have the state re-post the 2012 loan payment and apply a portion of the extra principal payment toward the additional interest. This will not affect the amount of your loan payment this year.

- **RESERVES**: On your ballot you will see an item asking for your approval to set the reserve account baseline going forward at $268,553.05. The board is asking you to approve this at the recommendation of our accountant. It is accurate to the best of our knowledge upon review of all past board minutes recorded since our last audit in 2002. Unfortunately, these records are incomplete and it is difficult to reconcile reserve account activities with current account balances. We therefore need to agree to a baseline amount going forward and be sure to precisely record in our minutes all reserve account activities in future.

- **DELINQUENCY PROBLEM**: A significant challenge for LISECC in 2013 and going forward will be to improve our collection results and reduce the high number of member account delinquencies.

As of 12/31/12:

- 5 members are in repayment plans
- 8 improved lots have liens and water shut-offs
- 17 undeveloped lots have liens

(Finance report continued on the next page)
(Finance report continued from the previous page)

LISECC invoiced $197,904 in dues for 2012 but by year-end had only received $147,698. This problem is growing. As of March 1st 2013, 23 members, in addition to those listed above, have made no payment toward 2013 dues/water/loan. The Board is following the procedures detailed in LISECC Policy 7 Dues and Assessments (see Bylaws on website www.lisecc.com) to address delinquent accounts and is now considering proceeding with foreclosures per that policy.

Delinquencies impact the ability of LISECC to function; they impact each LISECC member’s investment in home and land, and they impact the ability of our community to survive financially going forward. Please come to the AGM prepared with your thoughts about how our community can work together to address this problem.

Submitted by Doug Cash

Planning Committee

Dear Community members,

We are in the first few months of the new tiered water system. We are still working on a more efficient billing system, with ideas to be brought up in the next board meeting.

We are also moving forward with member requests to acquire more water hook-ups or “ERU’s”. I know this has been a big issue for a lot of members for quite some time and I am pleased to see an end in sight. We have had concerns with proceeding with Wilson engineering for moving forward. The request for other bids has been delegated and will be settled at this month’s board meeting.

I would like to encourage all members, who are able, to attend this year’s AGM. I look forward to your comments and feedback.

Calendar of Events

<table>
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<tr>
<th>Month</th>
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<tr>
<td>March</td>
<td>17</td>
<td>Board of Directors’ Meeting</td>
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<tr>
<td>April</td>
<td>13</td>
<td>Annual General Meeting</td>
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Submitted by Ron Bain

Administration Committee

As chair of the administration committee it has been a busy year. The committee has reviewed some of the Bylaws and recommended changes with respect to water hookups and disconnections, and some clerical updates to make our language current. An update of these will be given at the Annual General Meeting. I thank Paul Bowman, Mark Sexton, and Michael Wardell for their contributions to this committee. Much appreciated.

Speaking of appreciation, it should be noted that in my opinion, I think we are very fortunate to have such honest, diligent and dedicated employees in Penni Idol, Kevin Southworth and John Graham. If you get the opportunity, please convey your thanks for the work they do on our behalf. I sometimes think they do not get the credit they deserve.

For personal reasons, I will not likely be continuing to serve on the Board of Directors after the AGM. I have nothing but admiration and gratitude for our president, Mark Sexton, who has done much for the betterment of our association, not the least of which was saving us a considerable amount of money in the replacement of the furnace in the clubhouse. He has served us well as a knowledgeable, competent and patient leader, sometimes under unforeseen adversity. Kudos to Mark.

I also thank the other members of the board for their volunteer work for our community. I would encourage others to give serious consideration to serving on the board and becoming actively involved with administrating the affairs of Lummi Island Scenic Estates. You can make a positive difference and get to know your community better.

Finally, my thanks to those who supported me throughout the year.

Respectfully,

Ron Bain

DON’T FORGET!

ANNUAL GENERAL MEETING

The LISECC Annual Membership Meeting is on April 13th at 10:00 a.m. at the Lummi Island Grange. Sign-in begins at 9:00 a.m.

It is important for all members to attend to guide the direction of LISECC for the future.

If you are unable to attend, absentee ballots are included in this package. Proxy forms are also enclosed if you would like a trustworthy member to vote on your behalf.
Submitted by Kent Nielsen

Quarry committee

In the last report, we outlined the pending issues that were before the Whatcom County Hearing Examiner. That hearing took place on October 17, 2012. His decision kept in place the three stop work orders issued by the county earlier in 2012 including the service road built on the west side of the quarry, outside of the permit boundary, and very close to the southern boundary of Lummi Island Scenic Estates (LISE); the commercial dock and conveyor system built into Hales Passage; and the unpermitted moorage area in Smuggler's Cove. He also asked the quarry operators to prepare a storm water plan as required by the county in their June 4 Notice of Required Correction and a plan to restore the vegetation along the shoreline. At the same time, the Hearing Examiner notified the county to proceed with all pending permit applications (for the pier/conveyor system, new mining service road, and the proposed MRL expansion.) He felt that the county had not been responsive enough to those applications and that the hold on the expansion application was unwarranted. He scheduled a follow-up hearing to report progress.

During December and January, the quarry operators began a routine of late night operations. There were 10 after hour incidents recorded by LISE residents during which tug boats moved barges about, often hauling them away in the early morning hours. These operations lasted as long as three hours. Shoreline residents were awakened by bright lights shining through their bedroom windows and loud diesel engines. The LISE board wrote a letter of complaint and on February 1, county planning issued a Notice of Violation for operating outside of permit hours.

At the follow up hearing on February 13, 2013, the Hearing Examiner was very unhappy with the quarry operators. They had not prepared a shoreline restoration plan; they had not submitted the requested engineered storm water runoff plan; and they had committed yet another violation of their operating permit. He indicated that he was close to shutting down the quarry completely and said they were “out of control.” Once again, however, he gave them the opportunity to comply and set another follow-up hearing for April 10, 2013. The county indicated that they would conduct one environmental review for the various permit applications, including the MRL expansion. This environmental review will take at least 3 months.

Also, on February 12, 2013, the quarry operators submitted a revised mining permit application to county planning which would create a new service road extending along the east side of the quarry with associated service and storage areas. Similar to the current unpermitted service road and storage areas, this new proposal lies on quarry property outside of their permitted mining boundaries. An open comment period for this application ended on February 26, 2013. As this proposal represents an expansion of the mining operation without the proper regulatory process, the LISE Board of Directors unanimously approved submission of a letter opposing this revised application.

As indicated in the previous report, 2013 will be a critical year in the future of the quarry and LISE. Depending on the outcome of the April 10th Hearing Examiner's review, the quarry could face continued work stoppage and/or move ahead with their plans to expand the quarry to 47.5 acres. We encourage you to follow these developments and to speak up as you see fit. If you want to be involved then please contact Kent Nielsen (360-820-2148) or Meredith Moench (360-738-8920). Also, visit the Lummi Island Conservancy’s web site at www: lummiislandquarry.com to get the most recent information about all of these issues.
Submitted by Mitch Nimon

Water committee

Hello to All!

As we approach the annual meeting I would like to thank everyone. There has been progress in most areas. We have identified the things that need continued improvement. I ask you to work together to keep moving forward on the improvements that have been made. Changes are in place that should make serving on the board easier. If we as owners demand that we use the modern tools available to manage our club then we can control these runaway costs. The way we are doing business is not efficient. Costs may go up either way. But I can promise that if you continue to vote and demand the changes that we have started that we can put ourselves in the best possible position going forward. The recent attempt at a dues increase was not well publicized or discussed with members. A judge ruled in a recent small claims case that the board did not follow the law. We now must try again in an actual meeting and a vote before we can pass the dues increase and the 2013 budget. The board failed to listen to warnings from experts and members concerns about this matter prior to the case being filed. The real issue is not the budget but it’s that we continue to operate as we have in the past with little or no oversight. Most of the current board is not interested in community involvement or a process of active committees. Last year we had active committees and they helped make the most positive changes. This year there were few if any published committee meetings. There is still too little communication to the membership. Many owner members that served on committees last year were not included this year. We are stuck in the legacy of leaders that think your involvement is a hindrance to the process. We have been taken advantage of by some of our members, by some of our vendors, by some of our past attorney’s, by our engineering firm, and by some of our employees etc...

It is time to put a stop to it!

We can do that with a relatively few people who care enough to exercise good judgment and participate. There may be as many as 4 board seats available. Please take a turn. With a quality board and proper oversight of our finances we will be in good shape.

We need to integrate 3 main areas; data collection (Master meter reader), billing (ABS billing system), and our bookkeeping (QuickBooks).

At this time we are seeking bids for engineering to request more water connections. We have contracted out a reserve study to tell us how much we should be saving to pay expected future costs to maintain the water system we have.

We need to change from crisis management to pro-active management.

Mitch Nimon, Water Chair

425-239-3167
Ramp It Up
Fund Drive

Ramp It Up is preparing for the permitting process and hopes to build the ramp this summer.

The committee is also working on some possible fund raising events to be held this spring and summer.

To make a monetary donation for the ramp -

Please contact Neva Buechner at 758-2549.

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**Election Committee Volunteers Needed!**

If you would like to volunteer to be on the LISECC Election Committee, please contact Penni at the business office at 360-758-2699 or business@lisecc.com for more information.

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**Board of Directors Meetings**

The LISECC Board of Directors generally meets 12:00 p.m. on the third SUNDAY of each month at the Clubhouse. For a list of the upcoming dates please refer to the calendar at www.lisecc.com.

Members are encouraged to attend.
TAKE NOTE!

In the event of emergencies it is necessary for LISECC to have current contact information for each property owner.

If you have any changes in your contact information, please contact the business office to update our records with your current address, phone number and email address.

HOW TO REACH US:

In respect for the personal lives of our employees, please use these numbers for LISECC business.

<table>
<thead>
<tr>
<th>Operations: John Graham</th>
<th>Business: Penni Idol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office: (360) 758-7055</td>
<td>Office: (360) 758-2699</td>
</tr>
<tr>
<td>E-mail: <a href="mailto:john@lisecc.com">john@lisecc.com</a></td>
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</tr>
<tr>
<td>Cell: (360) 220-6718</td>
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<tr>
<td></td>
<td>1211 Island Drive</td>
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<td></td>
<td>Lummi Island WA 98262-8684</td>
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</table>

OTHER TELEPHONE NUMBERS:

(360) 966-3641 Aggregates West (Quarry)
(360) 428-1617 NW Clean Air Agency
(360) 733-2080 Animal Control

Whatcom County
(360) 676-6907 Planning
(360) 676-6907 Code Compliance

LISE NEWS

LISE News is a quarterly publication by Lummi Island Scenic Estates Community Club, Inc. LISE is a non-profit homeowners association. There are 448 properties within the LISE boundaries. LISE has a governing Board of Directors, operations staff and administrator.
MINUTES OF THE ANNUAL GENERAL MEETING APRIL 13, 2013
Subject to approval and correction at the Annual General Meeting on April 12, 2014)

CALLED TO ORDER: by President Mark Sexton at 10:00 a.m.

Mark Sexton introduced the Board Members and Staff: Kent Nielsen, Mitch Nimon, Lee McCollum, Meredith Moench, Ron Bain, Doug Cash & Penni Idol.

EXCUSED: None

STAFF PRESENT: Penni Idol

VOTING STATUS: 16 Absentee Ballots, 46 Proxies, and 65 members checked in. Quorum

PRESENTATION: Greg Thulin made a presentation to the membership regarding the LIHA lawsuit.

MESSAGE FROM THE PRESIDENT: Mark touched on the proposed 2013 budget that is up for approval. He wants members to note that if you exclude 3 large ticket items added to the 2013 budget; the $10,000 for engineering work to increase the number of service connections in the community, the $12,000 for repair and improvements on the storage tanks and the $8,500 for audit expense; then the income is actually lower than the 2011 budget. Mark also commented that our delinquency rate is not particularly unusual and is similar to other home owners associations. Mark states LISECC received a proposal from The Willows proposing a potential management arrangement for the clubhouse. This proposal will be posted to the website for members to review and it could be an opportunity for another revenue stream for LISECC.

April 14, 2012 Minutes: Jack Small made a motion to approve the 4-14-12 minutes. The motion was seconded by Pam Miller. The motion passed.

COMMITTEE REPORTS:

ADMINISTRATION – Ron Bain’s committee recommended some bylaw and rules & regulations changes. Some changes have been made and there are others that are still being reviewed and considered.

MOTION: Victor Armfield made a motion to remove bylaw 4.5.3.5 from our existing bylaws. The motion was seconded by Louise Weber. Discussion followed. The motion passes.

MOTION: Meredith made a motion that we have a special meeting in the fall to ratify the 2014 budget. The motion was seconded by Paul Dempsey. Discussion followed. Tim Slater made a friendly amendment to give the board the discretion as to the timing, location and agenda of this special meeting, so the general membership is charged the board with working out the details of this meeting. Meredith accepts the friendly amendment. The motion passes as amended.

FINANCE REPORT – Meredith Moench discussed the DWSRF close-out and the changing of the original resolution regarding the loan. Meredith states that LISECC is in compliance with the State in regards to the loan. Meredith also discussed the new HOA laws in reference to reserves and how this affects LISECC. As a result of these new laws, the board hired a Reserve Study Consultant to prepare a full reserve study to give LISECC an idea as to how much money should be held in reserves. This study will help us to budget for future needs. The preliminary report indicates that LISECC is currently 88% funded; this is considered exceptional. On the ballot, the board is asking the members to approve the reserve baseline of $268,553.05 as recommended by accountant, Julie Harkness. Meredith states this is the reserve bank account balance as of 12-31-12. She also stated that our accountant is recommending an audit as our last audit was in 2002. Meredith discussed delinquent accounts and Mark stated that 4 liens are being removed this month. Meredith also went over the proposed budget and dues increase, explaining that the $10,000 allocated for engineering is for completion of our application to the state for additional water hook-up permits. She states that the board expects to have quite a few new permitted hook-ups approved.
OPERATIONS – Lee McCollum states this is last his meeting as a board member. He would like to thank the members for voting him in to office and his fellow board members for volunteering their time to LISECC. Lee states the docks are being worked on, but overall LISECC operations are in good shape.

PLANNING – Doug Cash states the water rates have changed and he encourages members to contact him with their ideas. The application for additional water hook-ups is close and is now just waiting on a vote of the board. Ramp It Up has recently received a $5,000 donation and now has enough funds to move forward with the permit. Doug states a lot of manual labor will be involved in the building of the ramp and he encourages member to volunteer to help keep the costs down.

WATER: Mitch Nimon encourages members to supply their email addresses and phone numbers in order to be kept in the loop with what is happening with LISECC. Mitch states his committee has been gathering data and Barry Allison has prepared a new map that was presented for members to view. Mitch wants input from the members how to entice volunteers for the board and committees. He states the vast majority of the membership is silent and more community involvement is needed.

COMMUNICATIONS: Kent Nielsen encourages members to use the LISE website to stay current on the lawsuit.

QUARRY: Kent Nielsen states it has been a very momentous year with the quarry. There have been 3 stop work orders issued for a variety of permit issues. These have been appealed by the quarry operators, but upheld by the Whatcom County Hearing Examiner. There was a new violation for operations outside of working hours. There was a meeting with the hearing examiner as recently as last week. The hearing examiner was stressing certain reclamation issues and the replanting of some shoreline plants to help mitigate some of the storm run-off. There will be another meeting with the Hearing Examiner on June 5th for further monitoring of progress on the permit applications. The most recent development is that the quarry operators have gone into a voluntary receivership.

Election of Directors: Ron Bain calls for nominations for the Board of Directors.
Ken Swanson nominated Tim Slater for the Board. Meredith seconds the motion. Tim accepts.
Norma Bohl nominated Barry Allison for the Board. Barry accepts.

UNFINISHED BUSINESS: None

NEW BUSINESS: None
Meeting Adjourned: 12:45 p.m.

2013 AGM Results

<table>
<thead>
<tr>
<th>Board of Directors:</th>
<th>Votes</th>
<th>Term</th>
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<tbody>
<tr>
<td>Bridged Lott</td>
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<tr>
<td>J. Barry Allison</td>
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<td>Tim Slater</td>
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<tr>
<td>Kent Nielsen Confirmed</td>
<td>118</td>
<td>1 Year</td>
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</tbody>
</table>

2013 Budget & Dues Increase

95 yes votes versus 25 no votes

Audit

118 yes votes to have an audit versus 2 no votes

LISECC Reserve Account Baseline to $268,553.05

101 yes votes versus 17 no votes

LISECC Annual General Meeting – April 13, 2013
Minutes Recorded and Prepared by Penni Idol

Plaintiffs 2156
To Kent Nielsen

Subject: Reserve Study Comments;

Septic systems are not mentioned.

Page 1 asphalt paving says" the association intends to make repairs through their operating budget" 2010 total spent was $1685 on roads. In 2011 $739 was spent. In 2012 $1065 was spent. A drive around the estates shows there are many areas that need repair which we have not been doing.

Page 4 regarding the dock appears to be optimistic in making the dock work as is for ten more years. Actual costs were 2009 $1629 2010 $2836 2011 $1905 2102 $1726 I would consider painting it annually and standardizing the zinscs. We also need to secure our water at the dock. The annual estimate is 1000 to launch and remove it and 2000 for zinscs a year for a 3000 budget.

Page 9 clubhouse repairs actual from 2008 $3393 2009 $6377 2010 $5486 2011 $1125 2012 was 918 but I did the pest control myself.

Given the condition of the clubhouse a conservative figure could be 25000 in 5 years.

Page 11 water meters estimated at 50,000 and 17 years for the computer. This can be discussed as much cheaper meters are available. The computer would be generous at 5 years. That’s 3k plus software.

Page 12 If I use their estimate of 105000 with a next repair in 10 years. Is 7000 a year an estimate for valves? John Graham estimates he needs 25,000 now?

Page 13 water towers and accessories underestimated in short and long term also doesn’t account for potential need for a new tank to be needed for ERU build out. The current budget approved $12000 for the accessories such as catwalks and a ladder so suggesting 3-5k every 25-30 years appears underestimated. The circulation system has not been approved nor has it been demonstrated that it will solve the problem of stratification which may result in the residual chlorine problem. So if we accept these figures we will spend 15000 this year and 16000 next year and then the next repair in 5 years.

Page 14 We spent 625 each for a dam inspection fee last year? Our dam leaks so we have a 24/7 pump back system keeping it above flood stage. Anytime you have a large volume of water running thru an earthen dam has potential for risk. When it’s kept this high it overflows into and across roads in the Scenic Ave side of the mountain. That affects road repairs. This area iced over much of this winter. We also have silting in of the reservoir that may require a catch basin and dredging. 5000 in ten years appears low. The issues are not well understood and the water survey is a major component of the ERU submission.

Page 15 The swim lake is our back up water supply and could need some upgrades so we could use it in an a emergency. If we include the docks, the beach area and the dam it will likely result in more short term spending.
Page 16 The clear well has not been discussed until now.

Page 17 Ignores the likelihood that the treatment plant may need upgrades to supply ERU build out. This needs further study.

Page 18 Water Mains. We have just put in 8000 feet of 3” HDPE pipe at a cost of 600,000. There estimate is of 17,849 total lineal footage and the next repair is in 10 years for $75,000. We have significant water losses.

Page 20 If we do enough to use our backhoe for 5 years it will likely last longer and the replacement cost would be less if we buy a good used machine when necessary. 1500 a year is estimated for repairs.

Page 21 A better estimate of the truck is 5 years. And 1500 a year maintenance

Page 22 our mower likely will not last 10 years try 5.

Page 23 Professional services are underestimated in our current environment try 20,000 a year then tapering off in 5 years. John Graham estimated 15,000 for the ERU build out engineering plus any additional work that might be required. The Clear well engineering is estimated at 5000. The Circulation tank estimate was 3000 total estimate of engineering alone is over 23000.

The Completion of the study is a starting point as we refine our information.

The last John Graham budget request suggested 25,000 is needed in the distribution system right now in the way of pressure reducing valves, shut off valves, blow offs etc.

Treatment plant upgrades total 8300.

There are 45000 needed in maintenance in the 900 section of the budget for things we know. There is more to figure out...

A review of our annual expenses shows we are not spending as much as we should. Consequently deferred maintenance is growing.

We have significant unaccounted for water. This needs to be addressed.
Hi Kent,

I have not been receiving any emails regarding work by the finance committee. Can I please be copied on all the emails? It would seem there is work going on but I haven't heard anything.

I have looked at the reserve components and have the following comments:

1. The list is inconclusive. There are two septic systems I can think of here in the Scenic Estates. One is at the Clubhouse, and the other is at the Cabana. I did research on the Clubhouse system at the Health Department and found the following:
   a) We have no system plan on file with the Health Department as it is older than 1970 when they started to keep records
   b) The last time the tank was pumped was in 2003 by Budget Septic. 1,200 gallons were pumped. I have also been reminded that at that time, a crack was discovered in the tank that had to be repaired.
   c) There has been no septic inspection performed on this system, and this may be required in the future.

For the Cabana, I don't have an address and didn't get any information.

Also, in regards to the Willows Inn proposal, I seriously doubt that this septic would be able to withstand constant use by many groups of people. Should this septic fail, I don't even know what our options may be.

As I go through the list, I question a number of items:

2. Asphalt paving: The driveway and parking area at the Clubhouse is in serious need of repair and cannot wait 5 years for this to happen.

3. Docks: I doubt that the docks have another 10 years of additional life before they will need to be repaired and replaced. I would recommend that this figure be pushed up to five years, and that more be spent on annual maintenance in the future in the annual budget.

4. Clubhouse roof: I think the figure for replacing the roof is seriously under-estimated. We should have someone who does contracting give us a figure that would better represent the costs.

5. Clubhouse interior and exterior: I think the figure for interior and exterior repairs is again quite under-estimated. If we were to replace just the flooring alone, we would spend 15,000. It would be better to list the individual items that are being considered for repair and/or replacement and have a dollar cost for each item.

6. Common buildings: same as for the clubhouse. There needs to be a list of possible projects, each with its own estimated costs. 20,000 will not get much done if there is a major repair.

7. Reservoir and dam: As the dam is leaking, why would be wait 10 more years to consider any repair? Also think the 15,000 total budgeted is a low number

8. Have never heard of this clearwell item, and would like to see the documentation from the state requiring this item.

9. Water mains: Again, need to see the small water system management plan with all the future plans in order to get the proper budget amount for any and all repairs that will be taking place.

10. The backhoe will not need to be replaced every 15 years. Why are we budgeting 50,000 for a new backhoe when there are plenty of good used backhoes available for much much less?
I am not sure what the contract with these reserve specialists asked them to do. Is it possible for me to get a copy of that so I can see what they are supposed to be figuring out for us?

Also, when will the finance committee be discussing the Willows Proposal? I did not see any estimated revenues in their proposal which I found interesting coming from a for-profit company. Surely they have crunched some numbers? When I was at the Health Department looking at information on the Clubhouse septic, I also looked at the septic for the Willows. It turns out that they had to file a document with their new septic design in 2005 promising that they would never do laundry on site at either the restaurant or the inn. Island rumors say that they are making a couple of trips a day into town to do the linens for the business. As they are very vague on the reasons why they think they should manage our clubhouse, which is already managed by us, I hope that they don't aspire to have some laundry facilities there as well. The septic system would never survive that.

Thanks,
Louise
Summary of Comments—LISE Reserve Components, May 14, 2013

1. Septic Systems at both the Cabana and the Clubhouse need to be considered. Regular inspections and clean out will be taken from operating budget. It is proposed to have $10K/15 years for both systems to handle potential repair.

2. Asphalt Paving. Paving, particularly at the Clubhouse, is in need of repair. The estimate of 5 years of life on that section seems optimistic. $20 K (2-3 years) followed by proposed repair cycle

3. Marine Docks. Maintenance of ~$3K/year comes out of the operating budget. Major repair and/or replacement of pilings should be considered in reserves. At this point, major repair is envisioned between 5-10 years ($35K) and pilings at 20-30 years ($100K).

4. Clubhouse Roof. Annual maintenance of $1K/year has been taken out of the operations budget. The life span of flat roof is 20 years (?). Replacement cost appears too low and suggest increase to $19K/10 years

5. Clubhouse Exterior/Interior. Need a list of likely repairs and/or replacements, but there is a need for renovation. Estimates appear low, increase to $25K/5-10 years.

6. Cabana. Need a list of likely repairs and/or replacements. Estimates appear low, increase to $25K/10 years.

7. LISE Operations Building. This building was built from money in operations budget. Total renovation would be approximately $10K/20 years.

8. Water meters at members houses. The replacement cost for batteries is $40K/20 years. However, that was proposed to come out of operations budget. Meter replacement is a club expense and the estimate is based on figures supplied by LISE ($50K/17 years).

9. Valves in distribution system. There is a regular maintenance and replacement schedule which in the past has been taken out of the operations budget. Identified cost of $10K/year has led to the proposed reserve component of $105K/10 years.

10. Concrete Water Towers. There is concern about the tank capacity, if full build out is envisioned for LISE. There is some question about the effectiveness of the proposed Circulation system. Estimate appears too low for the next 5 years. Suggest increase to $35K/5 years and then use proposed replacement schedule.

11. Reservoir and Dam. Question about leaks and possible repair as well as sediment infilling of the reservoir over time could lead to dredging and/or a catchment basin. Estimate
low? Standard expense for the lake maintenance is modest and up until now was taken out of operation budget. ($5K/5 years)

The LISE Community needs to decide whether we want to repair the leak in the dam and whether to make that part of the annual reserve allocation (estimate $120K in 10 years). This will add $8K to suggested annual reserve allocation.

12. Clearwell. This a holding pond to dissipate chlorine from the treated water used in cleaning the system before discharging it into Aiston Creek. It has been suggested that this should come out of operating budget over time. Having it as a reserve component will remove the item from the operating budget and assure that the money is there when needed.

13. Treatment Plant. Upgrading the equipment and materials has been coming out of operating budget. There is concern about the processing capacity with full build out. Estimate may be low. The $77K was calculated from information supplied by LISE.

14. Water Mains. Need a plan for regular replacement. Of the 18,000 feet of distribution line, 8000 feet were replaced three years ago. At this time there is no plan to make any further replacements of the mains. Repairs have typically been taken from the annual operating budget at ~$4K/year. $7.5K/year was a generous annual allotment to cover potential increasing leakage issues and accounts for the proposed amount in reserve.

15. Backhoe. Serviceable with a few more years of service assuming continued maintenance. This backhoe is at least 25 years old and could be serviceable for 5 more years. There were several suggestions to buy a used backhoe. The new cost is ~$50K. The replacement schedule should be longer than 15 years, but the initial replacement should be within 5 years.

16. Truck. Replacement schedule for the truck appears optimistic. Replace in 5-10 years rather than 16 years. $25K.

17. Mower. Replacement likely needed in 5-10 years. Suggested that we increase replacement cost to $4K rather than the $3K listed.

18. Professional Services. This is to include legal and engineering and given the current situation is thought to be low. Suggested increase to $100K/15 years to be used as needed. This could provide $20-25K/year in the next couple of years and then taper down for the remaining years.
From the President

We send you greetings from the Lummi Island Scenic Estates and a packet of material to consider for a Special Meeting on November 9, 2013. The purpose of this Special Meeting is to approve the budget for 2014. With approval, this budget will be in place at the first of the fiscal year. The Finance committee and the Board of Directors have reviewed and approved this budget. We would like you to vote for its approval. Over the last year, there has been a lawsuit at another homeowners association in Whatcom County concerning the budget approval process. As a result, we have asked and received a legal opinion from our attorney dealing with the approval process. Please read over that letter and look at the comments from Tim Slater, Administration Chair. In addition, there are two bylaw proposals submitted by members of the community. One proposal would reduce the number of directors on the board from the current 7 to 5. The second proposal would change the date of the Annual General Meeting (AGM) from April to August. The Board has decided not to make recommendations on these proposals and to rely on the wisdom of the members. The implications of these proposals are provided. Please take the time to review these materials and submit your votes before the deadline. If you can come to the Special Meeting on November 9, 2013 then we look forward to seeing you. Otherwise, vote and vote as early as possible.

Clearly, this has been a year full of major events in our community. The continuing lawsuit is occupying the mind of all members. The Board is approaching this legal action with the upmost seriousness. If you would like to review details of the lawsuit, please consult the website for copies of the important documents. We sent you an update during the first week of September. At this point, we are still waiting to see whether Judge Meier will reconsider his decision “not to decide”. Both attorneys have asked for a decision based on the facts of the case. Related to these legal battles, you will not be surprised to know that our budgeted legal expenses for this year have been severely strained. We are meeting those expenses, painfully. In reviewing the proposed budget for 2014 you will find that the legal expense line item has been increased 5 times over last year. The specifics of that increase are discussed in the Finance Chair report. As I said, the Board is taking this legal action very seriously and we want to insure that we have the where with all to take this matter to conclusion. There are a number of scenarios for these proceedings. We could have a decision from the current judge and the resolution may come about without a trial. At the other end of the spectrum, we may have to take this to trial and possibly appeal, which, of course, means the cost will escalate. We have chosen to provide an amount to take us into 2014. By the spring, we will have a much better idea of the pathway we will be following as well as the likely cost. If we are pressed, then please realize, we may have to come back to you for additional funding through an assessment. We are trying very hard to hold the line without the assessment. In fact, the proposed budget has been prepared so that there will be no change in dues for next year.
Beyond these legal issues, I want to let you know about the substantial progress this board has been able to achieve in 2013. The previous board initiated a reserve analysis. The current board brought that analysis to conclusion in May (consult the website to see the complete reserve analysis). The results are very good. We are currently 80% funded which is considered well above average for similar communities. The integration of an active reserve will promote long range planning and timely repair of aging facilities. Further discussion of the reserve analysis is presented in the Finance Committee report. Obviously, we have been able to prepare our budget on schedule (unlike some governmental groups). We will be completing the audit very soon. We will be receiving a clean bill of health on the audit. There is significant renovation of the water storage tanks underway which will be completed in October, after the ferry comes back from dry dock. Finally, your board is moving ahead with the water system analysis using current water data from the recently installed water meters and careful monitoring of the lake levels. That analysis is being prepared professionally and will be ready by the middle of October. When completed, that analysis will be combined with a new Small Water System Management Project (SWSMP) prepared by our staff and members. This thick package will be sent to the state agencies, serving as an application to increase the number of permitted water connections. Additional hookups will permit the LISE to grow well into the future.

These are the major activities of this board, but keep in mind that the “normal” day to day operations have continued by our staff (see the Operation Committee report). Their efforts clearly keep us on an even keel. Our operations staff was recently awarded a Silver Certificate (Five Years of Superior Performance) by the Department of Public Health for water quality. We are fortunate to have these people working on our behalf. When you can, please join us, to let them know that we all appreciate their efforts.

Again, I encourage you to come to the Special Meeting and vote on the budget proposal and the bylaw changes. If you cannot attend, it is equally important to get your votes in.

As Fall is rapidly approaching and the holiday season is not far away, we wish the best for you and your family. Our community is moving ahead, even in the face of some serious head winds. We all hope that 2014 will bring resolution and more tranquil times. With a solid financial base, a productive board of directors, and engaged members we can look forward to rewarding future together.

Kent Nielsen

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**Calendar of Events**

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<tr>
<th>Month</th>
<th>Date</th>
<th>Event</th>
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</thead>
<tbody>
<tr>
<td>October</td>
<td>20</td>
<td>Board of Directors’ Meeting</td>
</tr>
<tr>
<td>November</td>
<td>9</td>
<td>Special Meeting of the Membership</td>
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Submitted by Kent Nielsen

Finance Committee

The Finance Committee dealt with two major issues this past year. The first was to facilitate the reserve analysis for our community. That was completed in May, 2013. The second effort was to generate the 2014 Budget Proposal by late August so that, with Board revisions, we could submit a budget to the members for approval at the Special Meeting in November 9, 2013. Both of these goals have been met because of the dedication of this committee and the participation of the board.

Washington State (RCW 64.38.070) requires that community associations such as LISECC have a reserve analysis to help maintain the financial well-being of the organization. Everyone realizes the fundamental importance of a reserve. It is literally the “rainy day” fund. Most of us have thought of it as a savings account that sits passively on the sidelines waiting to be called in emergency. The concept of the reserve in our current analysis is that of a dynamic, integrated, long range element linked closely with our operational budget. The analysis evaluates all of the components of our community, such as the docks, the clubhouse, the treatment plant, and so on. Each component is evaluated as to replacement cost and lifespan. A time line is created for the progressive replacement of each component. Then, the available funds are projected into the future with these replacement cycles identified. Finally, it is possible to calculate the annual contribution necessary to keep the reserve solvent. With judicial use of the funds, the reserve will not drop below a critical level, will grow, and in the end prevent the need for assessments. That makes the organization a much more stable financial institution. The good news is that our reserve is 80% funded. That is considered a very good position when compared to similar communities. While we did not know that until May, 2013, it does speak to the common sense of those who were running LISECC before. We owe them thanks. The complete reserve analysis is available on our website under the financial documents. This report includes tables and graphs that show the reserve account over the next thirty years, assuming we maintain our annual contribution and withdraw according to the time line described above. Please take a few minutes to review this document. It should provide you with reassurance and a sense of foresight.

To give you a sense of the process, we have a recommended contribution of $45,800/year to the reserve. That is a large number considering that our total budget is ~$340,000/year. However, from the very beginning, there are components scheduled for replacement and/or repair. For example, the current repair work on the water storage tanks is identified as a component in the first year of the reserve. We are expected to use that money now. That in turn reduces the demand on the annual operational budget. Other projects that are on the near horizon are the pavement in the parking lot at the marina and clubhouse and a circulation system for the water storage tanks. Those are scheduled for repair in a year or two. You will be able to see the effects relatively soon. We now have a long range planning tool and the funds to handle each component in turn. The flow of funds from the reserve to the operational budget will be transparent. Funds will be identified in the reserve account as to the component. The minutes of the monthly board meeting will specifically identify those funds, how much, and the purpose of the funds. At the same time the board will be returning funds to the reserve.
(Finance Committee Report continued from Page 3)

on an annual basis. There will be some years that we will draw out more than we put in, but hopefully, there will more years where the flow is into the reserve.

The 2014 budget proposal has utilized this close interrelationship to sustain our legal efforts and to continue the systematic repair and upgrade of the water system. You have the 2014 budget proposal in the packet of information. Please look it over carefully. There are several new line items compared to last year as we are trying to reduce the use of terms like “miscellaneous” as a category.

The first section of the budget is income. The biggest part of that section is the dues. This proposed budget does not include a dues increase. Everything we are trying to do will be handled at the same dues level as 2013. There is one line currently without a number that is identified as Annual Reserve Withdrawal. That amount is $27,000. $7,000 is from the component identified with the water distribution system. Those funds are targeted for specific valves in the distribution system. The remaining $20,000 is being taken from the “Professional Services” component. In that component, we have $100,000/15 year cycle. While that averages out to $6,666/year we are free to use it as needed, providing we can moderate the withdrawal in a couple of years and catch up. We cannot exceed the total component amount in the 15 year cycle. The need for the legal funds is clear. Until we reach a conclusion of this lawsuit, the financial demand will continue.

The second section of the budget contains the expenses. These are broken into major areas such as Operations, Utilities, Administration, Employees, etc. Each of these categories is then subdivided into “line items”. The line numbers simply provide a code to assign each expense as it comes in. Among other things this is the stuff that keeps Penni, our Office Manager, up at night. Several of these categories are fairly predictable and the next year will be relatively easy to estimate. Others are more difficult. For example, if you look at line number 640 on the first page you will find “Legal Fees”. Outside of Employee Wages (line 730), this is the largest amount in the proposed budget. We have traditionally spent $5,000 -10,000/year on legal fees. As stated earlier, we are very concerned about the current legal challenge. Therefore, we tightened the budget and were able to put $30,000 into “Legal Fees”. However the board felt that was not enough, so we are proposing to move $20,000 from the reserve to supplement the existing amount which resulted in a total of $50,000 for next year. As stated earlier, we firmly hope that this will be enough. Only time will tell if that is true. Your awareness of the costs is critical.

There are modest changes to the budget outside of the “Legal Fees”, but look over this budget carefully. If you have questions then please ask. Also, remember to look over the letter from our attorney concerning the approval process. The board encourages you to approve the 2014 budget.
Submitted by Bridged Lott

Communications Committee

As the Communications Chair my portfolio is made remarkably simple by the amazing efficiency of Penni, our Office Manager and my fellow Board Members. I am tasked with ensuring smooth and effective communications between the members, board and staff and virtually every time I follow up on a letter or e-mail, I am told “done and done!” But having said that, we do welcome your comments, concerns and questions and do our absolute best to provide satisfactory answers in a timely manner. So, if there is something that you need to know or say, please do not hesitate to communicate!

Another item that falls under the "Communications Umbrella" is our website. Our current, rather boring website is written in an archaic code and is not particularly user friendly and could most certainly benefit from a revamp and "freshening up!" So, if amongst our membership there are some computer or graphics wizards who would be willing to donate some time, we would really love to have your help!

The board, as you know, if made up of volunteers from our membership and any board is only as strong as the support it receives. Board meetings are open to all our members, so, as many of my fellow board members have done, I encourage you to attend the board meetings and participate in the decision making process that keeps Scenic Estates a wonderful place to live.

Submitted by Doug Cash

Planning Committee

Dear Community members,

It has been an extremely busy summer for me. So I would just like to say that I apologize for not being able to focus as much attention as I would like to Planning and scenic estates. As some of you have probably noticed, in June I was hired for the On-Call position on the Whatcom Chief. It is a great experience. That being said it has severely limited my free time. This is not an excuse for not being able to work on tasks, which I have told members I would do. I thank you for being patient.

Due to the loss of a respected and valued member of Scenic Estates, Tom Christiansen, Neva Buchner has had to pass the reigns of the “Ramp It Up” project over to Paul Bowman. Neva’s hard work and dedication to this project is an inspiration to us all. I plan on sitting down with Paul in the near future to figure out where we stand and what we need to do next.

Thank you again for your time. I encourage members to attend the monthly board meetings. They are the best way to see what members are passionate about, and how the board seeks to please the community.
Submitted by Mark Sexton

It may come as a surprise to some see me writing another newsletter article as a board member. It was certainly a surprise to me to be asked to fill in for the vacancy that opened up due to a resignation shortly after our last AGM. I agreed to serve because I felt that we had made great strides the last couple of years toward better management and accountability to the members, and I did not want to see that progress slow down. I am proud to say that this current board has continued working very hard to try to balance the needs of the whole community in a very trying time.

Since last April we have moved forward in the effort to increase the number of our water service connections. We have contracted with Wilson Engineering to update our Water System Analysis and to add the information on storage capacity that we have been collecting for the last several years. At the same time, we are updating our water system management program in house, with the goal to have both completed about the same time. We hope to have everything ready to submit this fall, and the preliminary review by the Department of Health usually takes 6 to 8 weeks.

I hope everyone is keeping up with the developments of the LIHA lawsuit, I trust others will be explaining in other sections of this newsletter what has transpired. I just want to remind all of our members that there is significant pressure on our budget from the expenses of this lawsuit, and although we have developed a budget that has no dues increase this year, we intend to defend all of our interests to the fullest extent. This has the potential to require additional funding in the future, and we should all be prepared for that.

I was asked to address the implementation of a proposed bylaw change that would reduce the number of directors from 7 to 5. We currently have 2 positions up for election in 2014, 2 positions up for election in 2015, and three positions up for election in 2016, all scheduled to serve for three years. (One of the director positions scheduled for 2016 is the one I was appointed to, and will need either confirmation or a newly elected director in 2014.) I think the simplest solution to this situation is simply to allow the terms expiring in 2014 to not be filled, creating five board positions. A consequence of having two positions elected in 2015 and three in 2016 creates by necessity a system that would only have two year terms. This is certainly not the only way this could be worked out, but I think it is important that we agree on the details before we vote on this. Simply stated, voting to reduce the number of directors from 7 to 5 would also reduce the directors terms from 3 years to 2.

The reserve study we contracted for is posted on our website, and I would like to point out to all that they characterized our reserve as “well-funded”. Our audit has been completed, and I understand that it was generally positive; we will all hear more about that in the future. Look carefully at our budget for next year, but I think it deserves your support.

Check out our website: www.lisecc.com for an excellent source of information about what is happening with LISECC.
Submitted by Tim Slater

Administration Committee

I came on the Board at the AGM last April. One of the things Board members are expected to do is serve on one or more committees. I ended up as chair of the Administration Committee. As I understand it, the primary function of the Administration Committee relates to the governing documents of the Association including our Bylaws. As a result I am advising you, the members, that since April, the Board has received two proposed Bylaw amendments which are being presented to the membership for a vote without a recommendation from the Board.

The first proposal is to reduce the number of directors from seven to five. My understanding of the rationale behind the proposal is to reduce the number of members serving at any one time so that when someone’s term expires it may be easier to get people to step up to the plate and serve (i.e.: we aren’t churning as quickly through the relatively small percentage of our members who are apparently willing to serve). Personally, I look forward to the day when we have more people wanting to serve as Board members than we have open positions on the Board. I sincerely hope that those members who take the time to read this and who haven’t yet served on the Board will consider doing so. Most of the members I have had the pleasure of meeting over the years are good people and I think the Association would be greatly benefited if more people would get involved. In any event, the proposal to reduce the number of directors didn’t specifically address how the reductions would be carried out but the logical way of implementing the change would be to simply not fill the two board positions with terms expiring in 2014. I believe Board member Mark Sexton, who remembers when we did have only five Board members, is going to address in his newsletter contribution how the reductions would be carried out if the membership approves this proposal.

The second proposal is to change the date of the AGM from April to August. I believe the rationale behind this proposal is that more members may be able to attend in August verses April when many retired members are south enjoying warmer weather. The August AGM date also allows for getting the budget ratified before the start of the next fiscal year rather than ratifying it several months into the fiscal year. It is my understanding (and I believe the view of the rest of the Board members) that if the AGM date is changed to August that those current Board members whose terms are expiring in 2014 would continue to serve until August 2014.

The other development I wanted to touch upon is a recent Whatcom County Superior Court decision involving the Sudden Valley Community Club, which is located along Lake Whatcom east of Bellingham. The issue in the Sudden Valley case was whether the Association’s Bylaws or the State Home Owner’s Association Act controls when it comes to method of increasing revenues. Specifically, the Home Owner’s Association Act (RCW 64.38.025) provides that once a budget is adopted by the board, it is to be submitted to the general membership for ratification. The Act specifies that unless the budget is rejected by over 50% of all lot owners it is deemed ratified and goes into effect. The Association’s budget was ratified by the membership in that not more than 50% voted against it. However, the Association’s bylaws required that dues/assessments had to be approved by 60% of the

Plaintiffs 2175
members who voted. The end result was that the Association budget was ratified in that it wasn’t rejected by more than 50% of all the lot owners but the dues increase to pay for the expenditures included in the budget were not approved for lack of a 60% approval vote. The lawsuit was brought by the Association’s former president when the Association refused to implement the dues/assessment increases on the basis that they had not been approved by 60% of the members who had voted, notwithstanding that the budget had been ratified. The long and short of all this is that the Court held that the budget must cover both revenues and expenditures and that once the budget is ratified it goes into effect including the revenue increases. In its Declaratory Judgment the Court held that “any dues and assessment measures proposed by the Sudden Valley Community Association must be ratified by membership vote in accordance with the requirements of RCW 64.38.025. To the extent that RCW 64.38.025 (the “Statute”) and Article Ill, Section 19 of the SVCA Bylaws are inconsistent, the Statue governs.” Not only did the Court hold against the Association but the Court also awarded over $20,000 in attorney fees to the plaintiff and against the Association. The Court’s decision is being appealed by the Association. You can review the pleadings (i.e.: motions, briefs, judgment) in the Sudden Valley case by going to the LISE website and clicking the heading for LIHA documents and following the directions but instead of typing in the case number for the LIHA case (i.e.: the case pending against LISE), you will need to type in the case number for the Sudden Valley case which is 122024061.

If you are voting absentee, don’t forget to mail in your ballot!

In order to be counted, your absentee ballot must be
Mailed to:  P.O. Box 131, Lummi Island, WA 98262
and
Received by:  Friday, November 8, 2013.
Submitted by Ron Bain

Operations committee

As chairman of Operations, I am pleased to report that operations are performing well, thanks in no small measure to John Graham and Kevin Southworth. Indeed, so well, we recently received a Silver Award from the Department of Health, State of Washington, in acknowledgement of our water system being exceptionally well run and maintained to the highest standard for five consecutive years. Given the number of water systems in the State of Washington, and that only 5 water systems were given this award, this is no small achievement. Bravo, John and Kevin.

John gives a succinct report on operations and the water system to the board on a monthly basis. This will now be posted on the bulletin board outside of the clubhouse for any and all interested members to share, without the necessity of coming to a board meeting.

I am also pleased to announce that we are able to put the “social” back into Scenic Estates. Celine and Larry Hagan along with the support of Dan and Ann Lincoln will serve as a social committee. Please give Celine a call at 604-531-1771 if you are willing to lend a hand at social events. Given the challenges of these times, I would encourage all to participate in future planned social events and enjoy food, fun and festivity. We should be a community of friends and neighbors, and this serves as a great venue to meet them. On this same topic, I would be remiss if I did not thank Neva Buchner, Audrey Bowman and Lucy Bain who have helped to host several happy and successful social events in the recent past. I would also like to give special acknowledgement to the late Tom Christiansen for those many glorious crab feeds that he so generously contributed to with the help of friends year after year. I can’t begin to estimate the hours he dedicated to making this something unique and special for our community to enjoy. Tom, we miss you.

Finally, I would encourage all to consider taking a turn as a board member. This is at least my third term as a board member, and though it is not always fun and games, it can be stimulating and character building. New membership to the board is always welcomed, and I would urge us to think about doing our share in serving our community. Please think about it, as we are all in this together.

Take care of each other.
Election Committee Volunteers Needed!

If you would like to volunteer to be on the LISECC Election Committee, please contact Penni at the business office at 360-758-2699 or business@lisecc.com for more information.

Submitted by Kent Nielsen

Quarry committee

During the spring, the owner/operator of the Lummi Island Quarry encountered significant financial problems and went into receivership. The operations have shut down, some of the equipment has been shipped off, and the derelict barge and tug have been moved away. As a result, the quarry has been very quiet this summer. We do not know who or what comes next, but the people in charge of the property have been looking for potential buyers. We have no word on who is looking. There are many rumors, of course, but for the moment we have to wait and see.

Board of Directors Meetings

The LISECC Board of Directors generally meets 10:30 a.m. on the third SUNDAY of each month at the Clubhouse. For a list of the upcoming dates please refer to the calendar at www.lisecc.com.

Members are encouraged to attend.
Roadside Parking

Our community is controlled mostly by common sense and courtesy to our neighbors. Recently, we have received several complaints about vehicles and other equipment parked by the road. As many of our roadways have sharp turns, are frequently narrow, and have limited shoulders, these vehicles present a potential driving hazard. Also, some of the vehicles have been left for long periods of time, creating an unsightly appearance to our community. Please consider this when you park. Obviously, the special event at your house will require occasional parking along the shoulders. Long term storage of vehicles and equipment should be avoided, for safety and aesthetic reasons.

SPECIAL MEETING OF THE MEMBERSHIP

A Special Meeting of the Membership has been called on November 9, 2013 at 10:00 a.m. at the Lummi Island Grange. Sign-in begins at 9:00 a.m.

It is important for all members to attend to guide the direction of LISECC for the future.

If you are unable to attend, an absentee ballot is included in this package.

Proxy forms are also enclosed if you would like a trustworthy member to vote on your behalf.
TAKE NOTE!

In the event of emergencies it is necessary for LISECC to have current contact information for each property owner.

If you have any changes in your contact information, please contact the business office to update our records with your current address, phone number and email address.

How to Reach Us:

In respect for the personal lives of our employees, please use these numbers for LISECC business.

<table>
<thead>
<tr>
<th>Operations:</th>
<th>John Graham</th>
<th>Business:</th>
<th>Penni Idol</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office:</td>
<td>(360) 758-7055</td>
<td>Office:</td>
<td>(360) 758-2699</td>
</tr>
<tr>
<td>E-mail:</td>
<td><a href="mailto:john@lisecc.com">john@lisecc.com</a></td>
<td>E-mail:</td>
<td><a href="mailto:business@lisecc.com">business@lisecc.com</a></td>
</tr>
<tr>
<td>Cell:</td>
<td>(360) 220-6718</td>
<td>Mail:</td>
<td>LISECC</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1211 Island Drive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lummi Island WA 98262-8684</td>
</tr>
</tbody>
</table>

Other Telephone Numbers:

(360) 966-3641   Aggregates West (Quarry)
(360) 428-1617   NW Clean Air Agency
(360) 733-2080   Animal Control

Whatcom County

(360) 676-6907   Planning
(360) 676-6907   Code Compliance

LISE News

LISE News is a quarterly publication by Lummi Island Scenic Estates Community Club, Inc. LISE is a non-profit homeowners association. There are 448 properties within the LISE boundaries. LISE has a governing Board of Directors, operations staff and administrator.
MINUTES OF THE BOARD OF DIRECTORS’ MEETING SEPTEMBER 22, 2013

Subject to approval and correction at the Board of Directors’ Meeting on October 20, 2013

Board Members
Present: Kent Nielsen
Mark Sexton
Ron Bain
Tim Slater
Doug Cash
Bridged Lott
Excused absence: Mitch Nimon

Staff Members
Present: John Graham
Excused absence: Penni Idol

10:40 am Due to extreme winds and rough seas, the foot ferry is not running. Mitch, Penni
and LISE CPA Susie Thomson were unable to cross to island. Even though there is a quorum of
BOD members, the prepared meeting packets are not available. BOD members present voted to
conduct an abbreviated meeting to discuss the 2014 budget and then go into executive session.
Bridged left to go home and print out 2014 proposed budget. Leslie Dempsey agreed to take
meeting minute notes.

11:00 am BOD members reconvened.

Member Communications: Louise Weber verbally addressed two issues
1. A dispute of the September supplemental billing for YTD water
usage greater than billed tier; requested LISE investigate
accuracy of meter and provide more details on future billings
such as date of reading and beginning and ending meter
readings. BOD instructed John Graham to check accuracy of
Weber meter. John clarified that meters are read on the 1st
day of each month at 7:00 am.
2. Perceived ridicule of John Weber’s letter to BOD at August
meeting. Tim Slater and Mark Sexton commented that no
disrespect was intended; Kent Nielsen instructed BOD members
and general members to communicate appropriately. As a
follow-up to John Weber August letter, Kent Nielsen will draft a
written response.

11:25 am BOD Meeting called to order.
Legal Update

Kent Nielsen stated that there were no new developments to report.

Finance Committee Report

Discussion of 2014 Proposed Budget with the following suggestions by Tim Slater:

- A special assessment to proactively generate funds for 2014 legal expenses. Kent Nielsen reported that Finance Committee recommends deferring assessment until later in 2014 when legal expense related to LIHA suit is known.
- Hiring a part time General Manager to operate LISE to reduce burden on volunteer BOD President. Kent reported that Finance Committee recommends initiation of discussion on hiring a part time General Manager and to bring a recommendation to the membership at the 2014 AGM for a vote. If members vote to add this position, then cost would be added to 2015 budget.
- Budgeted reserve withdrawals should be itemized rather than shown as lump sum on spread sheet for clarity. BOD members agreed this was a good idea; Finance Committee will make adjustment to 2014 budget.
- Budget Summary included in Special Meeting mailing should mention potential for 2014 special assessment to cover legal expenses. BOD members agreed this was a good idea; Kent will include in his summary.

Motion by Tim Slater, Doug Cash seconded: To include a $100 per lot special assessment in budget to fund hiring of part time General Manager. Discussion followed. BOD members generally agreed on the need for a General Manager but opinions vary on timing.

Vote: Tim for, Doug abstain, other BOD members decline – motion fails.

Motion by Ron Bain, Bridged Lott seconded: To approve 2014 budget as submitted by Finance Committee.

Vote: Tim abstain, all other BOD members approve – motion carries.

2013 DWSRF Loan Payment

Treasurer Leslie Dempsey reported that on 9/13/2013 LISE made a payment of $33,441 (all funds in Key Bank Water Loan Savings account as of 8/31/2013).

Motion by Mark Sexton, Ron Bain seconded: To pay current month’s attorney invoice.

Vote: all BOD members approve – motion carries.

Motion by Mark Sexton, Doug Cash seconded: To include both member submitted Bylaw amendments on Special Meeting mailing and ballot. Discussion followed.

Vote: Tim abstain, all other BOD members approve – motion carries.
**Next BOD meeting: 10/20/2013 @ 10:30 am.** Susie Thomson CPA will be invited to attend and present audit report.

**Motion** by Doug Cash, Bridged Lott seconded: To go into executive session to address employee vacation accrual.  
Vote: all BOD members approve – motion carries.

**Meeting general session closes.**

**General session re-opened at 1:15 pm.** No action taken, no votes taken.

**Board meeting closed at 1:15 pm.**

Respectfully submitted,

Leslie Dempsey  
LISECC Treasurer

**Action Items:**
- Kent Nielsen to prepare letter to Webers
- Finance Committee to update budget spreadsheet to itemize reserve withdrawal components
- All BOD members to write and submit Newsletter items to Penni as soon as possible.
MINUTES OF THE SPECIAL MEETING NOVEMBER 9, 2013
(Subject to approval and correction at the Annual General Meeting on August 23, 2014)

CALLED TO ORDER: by President Kent Nielsen at 10:02 a.m.

Kent Nielsen introduced the Board Members: Doug Cash, Bridged Lott, Ron Bain, Tim Slater & Mark Sexton.

EXCUSED: None

STAFF PRESENT: Penni Idol

VOTING STATUS: 44 Absentee Ballots, 48 members checked in or with proxies. Quorum

MESSAGE FROM THE PRESIDENT: Kent Nielsen gave an update on the LIHA lawsuit. Kent stated the Reserve Study has been completed and it will be a very useful planning tool. The renovation on the water storage tanks has been completed which included a new ladder and catwalk. Additionally, the water system analysis has just been completed and pending board approval it will be submitted to the Department of Health for additional water hook-ups.

BYLAW PROPOSAL: Tim Slater discussed the two Bylaw change proposals that were submitted by members. The first one to change the number of directors from 7 to 5 and the second to change the date of the annual meeting to the fourth Saturday in August.

BUDGET: Kent Nielsen states the finance committee has prepared a conservative, but responsible budget that does not include a dues increase and tries to deal with the looming issue of legal expense. This includes drawing money from the professional and legal services reserve for the legal expense. Discussion followed.

VOTING

Meeting Adjourned: 10:32 a.m.

Special Meeting Results

<table>
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<tr>
<th>Issue</th>
<th>Yes Votes</th>
<th>No Votes</th>
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<tr>
<td>2014 Budget</td>
<td>85</td>
<td>10</td>
</tr>
<tr>
<td>4.3.1.1. Change the date of the AGM</td>
<td>93</td>
<td>2</td>
</tr>
<tr>
<td>4.4.1.1. to change the number of directors</td>
<td>68</td>
<td>26</td>
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### Lummi Island Scenic Estates

#### Income:

<table>
<thead>
<tr>
<th>Acct No</th>
<th>Description</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
<th>2014 Proposed Budget</th>
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<tbody>
<tr>
<td>400</td>
<td>Dues of $590 for 447 lots</td>
<td>194258</td>
<td>199,171</td>
<td>236,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtract 5 lots owned by LISE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subtract 42 bound lots</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>401</td>
<td>Dues Previous Years (est 10 lots @ $1300 per)</td>
<td>354</td>
<td>49,666</td>
<td>13,000</td>
<td></td>
</tr>
<tr>
<td>405</td>
<td>Water Fees</td>
<td>32598</td>
<td>49,666</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>410</td>
<td>Water Loan Reserve Account</td>
<td>4,385</td>
<td>4,385</td>
<td>28,386</td>
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<tr>
<td>430</td>
<td>Penalty &amp; Legal Fees</td>
<td></td>
<td>1,200</td>
<td>1,200</td>
<td></td>
</tr>
<tr>
<td>440/450</td>
<td>Other Income</td>
<td>11225</td>
<td>13,493</td>
<td>11,000</td>
<td></td>
</tr>
<tr>
<td>450</td>
<td>Transfer Fees</td>
<td>90</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>460</td>
<td>Doubtful accounts (2012 = 25 delinquent accounts)</td>
<td>710</td>
<td>4,730</td>
<td>(14,000)</td>
<td></td>
</tr>
<tr>
<td>470</td>
<td>Interest Income</td>
<td>105</td>
<td></td>
<td>120</td>
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<td>480</td>
<td>NSF Check Charge</td>
<td>90</td>
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#### Total Income


#### Expenses:

<table>
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<tr>
<th>Acct No</th>
<th>Description</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
<th>2014 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>Operations</td>
<td>9063</td>
<td>5,671</td>
<td>6,750</td>
<td>6,550</td>
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<tr>
<td>1010</td>
<td>Vehicle Maintenance</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1020</td>
<td>Maintenance-Buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1030</td>
<td>Maintenance-Marina</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1031</td>
<td>Dock Deployment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1040</td>
<td>Maintenance-Grounds/Roads</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1050</td>
<td>Supplies</td>
<td>171</td>
<td>624</td>
<td>250</td>
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#### Total 1000 Operations

| | 9063 | 5,671 | 6,750 | 6,550 |

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<tr>
<th>Acct No</th>
<th>Description</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
<th>2014 Proposed Budget</th>
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<tr>
<td>500</td>
<td>Utilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>510</td>
<td>Telephone (Cell &amp; Internet &amp; website hosting)</td>
<td>2655</td>
<td>2,344</td>
<td>1,850</td>
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<tr>
<td>520</td>
<td>Website Hosting</td>
<td>14</td>
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<td>15</td>
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<tr>
<td>530</td>
<td>Electricity</td>
<td>6244</td>
<td>5,656</td>
<td>6,500</td>
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<td>540</td>
<td>Garbage</td>
<td>256</td>
<td>255</td>
<td>250</td>
<td>250</td>
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<tr>
<td>550</td>
<td>Propane</td>
<td>2585</td>
<td>2,159.59</td>
<td>3,500</td>
<td>2,500</td>
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<td>560</td>
<td>Gasoline/Diesel</td>
<td>3142</td>
<td>2,041</td>
<td>3,000</td>
<td>2,500</td>
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</table>

#### Total 500 Utilities

| | 14,882 | 12,469 | 15,100 | 13,765 |

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<th>Acct No</th>
<th>Description</th>
<th>2011 Actual</th>
<th>2012 Actual</th>
<th>2013 Budget</th>
<th>2014 Proposed Budget</th>
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<td>600</td>
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<tr>
<td>610</td>
<td>Accounting/Bookkeeping Fees</td>
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<td>6,330</td>
<td>6,150</td>
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<td>620</td>
<td>Bank Charges</td>
<td>455</td>
<td>96</td>
<td>100</td>
<td>100</td>
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<tr>
<td>630</td>
<td>Homeowners Assoc Insurance</td>
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<td>10,197</td>
<td>10,450</td>
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<td>640</td>
<td>Legal Fees</td>
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<td>7,311</td>
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<td>660</td>
<td>Web Development/ Hosting</td>
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<td>670</td>
<td>Postage, Mailing Service</td>
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<td>1,500</td>
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<td>680</td>
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<td>1,722</td>
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<td>695</td>
<td>Misc</td>
<td>641</td>
<td>1</td>
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#### Total 600 Administration

| | 32243 | 27,350 | 40,840 | 70,850 |

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<td>66000</td>
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<td>Employee Training</td>
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<td>720</td>
<td>Employee Ferry Fees</td>
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<td>740</td>
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<td>9,049</td>
<td>11,100</td>
<td>8,800</td>
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<td>745</td>
<td>Payroll Taxes State</td>
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<td>750</td>
<td>Labor &amp; Indus (2011)</td>
<td>7470</td>
<td>3,881</td>
<td>6,000</td>
<td>3,380</td>
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<td>760</td>
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<td>14,592</td>
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<tr>
<td>761</td>
<td>Employee Benefits / 401k Contribution</td>
<td>3,360</td>
<td>3,450</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Total 700 Employees

| | 156274 | 134,152 | 152,610 | 146,330 |

---

**LISECC**

**2014 Proposed Budget**

**Plaintiffs 2189**
# License & Taxes

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>800</td>
<td>License &amp; Taxes</td>
<td>3216</td>
<td>530</td>
<td>1,030</td>
<td>1,190</td>
</tr>
<tr>
<td>810</td>
<td>Income Taxes</td>
<td>145</td>
<td>160</td>
<td>145</td>
<td>145</td>
</tr>
<tr>
<td>820</td>
<td>License</td>
<td>2582</td>
<td>2,968</td>
<td>3,000</td>
<td>3,025</td>
</tr>
<tr>
<td>830</td>
<td>Property Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>840</td>
<td>Business Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total 800 License & Taxes**: 6,960

# Water

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>900</td>
<td>Water</td>
<td>2,792</td>
<td>3,274</td>
<td>2,300</td>
<td>8,367</td>
</tr>
<tr>
<td>910</td>
<td>Treatment Plant Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>920</td>
<td>Reservoir Mgmt (Water Ops)</td>
<td>445</td>
<td>148</td>
<td>145</td>
<td>500</td>
</tr>
<tr>
<td>930</td>
<td>Storage Tanks</td>
<td>2,894</td>
<td>12,000</td>
<td></td>
<td>3,000</td>
</tr>
<tr>
<td>940</td>
<td>Distribution System</td>
<td>2,681</td>
<td>2,650</td>
<td></td>
<td>12,595</td>
</tr>
<tr>
<td>950</td>
<td>Engineering Fees</td>
<td>3,688</td>
<td>500</td>
<td>10,000</td>
<td>2,000</td>
</tr>
<tr>
<td>960</td>
<td>Chemicals</td>
<td>2,274</td>
<td>2,370</td>
<td>3,600</td>
<td>3,000</td>
</tr>
<tr>
<td>970</td>
<td>Water Testing</td>
<td>1,888</td>
<td>1,454</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>980</td>
<td>Permits &amp; Fees</td>
<td>2,271</td>
<td>2,429</td>
<td>2,250</td>
<td>2,900</td>
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</table>

**Total 900 Water**: 34,865

# Reserve Study

<table>
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<tr>
<th>Code</th>
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<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>996</td>
<td>Reserve Study</td>
<td></td>
<td></td>
<td>34,000</td>
<td></td>
</tr>
<tr>
<td>997</td>
<td>Annual Reserve Contribution</td>
<td>0</td>
<td></td>
<td></td>
<td>34,000</td>
</tr>
<tr>
<td>998</td>
<td>Depreciation Expense (added to reserve contribution)</td>
<td>0</td>
<td>11,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bad Debt Expense</td>
<td>39,301</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interest Expense DWSRF</td>
<td>5,211</td>
<td></td>
<td>5,494</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DWSRF Principal</td>
<td>0</td>
<td></td>
<td>22,892</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>44,512</td>
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<td></td>
</tr>
</tbody>
</table>

**Total Expenses**: 352,706

| Net Profit (Loss) | 70,111 | (0) |

**Proposal for 2014 Budget Cycle:**

- **400** lots pay annual dues of **$590** + DWSRF loan fee of **$71**
- **214** water users pay RTS fee of **$120** + usage based fee as illustrated below

**Example of typical member costs per dues paying lot:**

- **Member without water connection pays**
  - **dues**: $590
  - **water loan**: $71
  - **$661 annual expense**

**Assumes constant monthly water usage**

- **Member with water connection / usage level = 0** pays
  - **dues**: $590
  - **water "ready to serve" fee**: $120
  - **water usage fee**
    - **water loan**: $71
  - **$781 annual expense**

- **Member with water connection / usage level = tier 1 # gallons** pays
  - **dues**: $590
  - **water "ready to serve" fee**: $120
  - **water usage fee**
    - **water loan**: $71
  - **$901 annual expense**

- **Member with water connection / usage level = tier 2 # gallons** pays
  - **dues**: $590
  - **water "ready to serve" fee**: $120
  - **water usage fee**
    - **water loan**: $71
  - **$1,021 annual expense**

* LISECC will make member account adjustments for monthly higher or lower usage.