

Lake Entiat Lodge Associated

Meeting of the Board of Directors

October 19, 2011

FINAL APPROVED

TIME AND PLACE

The Board members of Lake Entiat Lodge Associated met Wednesday October 19, 2011. The meeting was held at the Coast Hotel in Bellevue, Washington. The meeting was called to order by Board President Brandon Fix at 5:01pm.

PRESENT

The following Directors attended the meeting in Bellevue: Brandon Fix, Greg Zeller & Darrell Richards. Also present were: Board Secretary/Treasurer; Kevin Kalberg and representing the Management Company was Ken Flynn. The following Directors attended via conference call: Dan Lungren, Scott Blair, Nick Nelson and Don Sass. Also joining via conference call was Community Manager; Jeri Fifer. No members of the Association were present.

Treasurer; Kevin Kalberg pointed out that although the budget meeting is scheduled for October each year, no members attended. If owners wish to participate with any issue regarding the Association budgets and/or assessment proposals, they will need to attend the October Board meeting.

FINANCIAL STATEMENT REVIEW PROVIDED BY KEVIN KALBERG

1. Overall through September Year to Date the Association has a loss before depreciation of \$1,172 versus an expected budgeted loss of \$15673 because we have not yet collected for the 4th quarter assessments which were billed out October 1st.
2. Reserve balances at the end of September are:
 - a. Special Capital Fund \$299,801
 - b. Waterfront Improvement \$32,665
Release of Surety Bond \$47,547 8/2011
 - c. Loan Repayment \$208,505
Payment made \$93,038 Principal and \$23,260 in interest
 - d. Water System Improvements \$66,270
 - e. Capital Fund \$27,400
3. We currently have three serious delinquent accounts which total over \$24,000 that are being processed for Non-Judicial Foreclosure. We have one account in Bankruptcy. This account had paid their first two quarters of assessments. We have one account given notice for the water to be shut off.
4. Total YTD operating expenses are \$301,858 which is about \$4081 over expected budget. Grounds Supplies are over by \$2921 from the tree trimming. Legal Expense is \$4500 from issues of collections from delinquent accounts and work performed on bylaw and CC&R revisions. Office Supplies are over budget year to date due to computer, software and IT work performed.
5. Jeri has found out why our budget in the Financial Statements has been off for Social Events. Expenses miss classified were the gift of \$600 to Otto Ross, the annual meeting expense of \$258.33

and the constant contact bill of \$494.95 for the Sun Cove Website were placed in the Social Events line item account by mistake. We will have \$1,617.62 removed from this line item and reclassified to their respective expense accounts on the October Financial Statements. The true total to date is \$9,484.70 in social event expenditures.

2012 OPERATIONS BUDGET & ASSESSMENT PROPOSAL BY KEN FLYNN

Managing Agent; Ken Flynn went over the proposed budget summary with the Directors. Jason Knight will be taking classes to become a Certified Water Manager and Cross Connection Control Specialist and Certified Pool Operator in the coming months. Mike Knight, after training Jason, will be retiring in October of 2012. The proposed 5% increase in labor costs over last year reflects Jason Knight's on the job training. Continuing education and water program class tuitions reflect an increase of \$1400 over the budgeted amount in last year's approved Budget for staff Training, Meetings and Travel. Discussion followed.

There was a question regarding the line item "Community Storage". Directors requested that records be kept as to whom is using the Association paid RV spaces. The Association sponsored spaces were to be used by those owners of building lots within the first three years of ownership as an incentive to move those RV's while not in residence to the RV lot. so as to come into compliance with the CC&R requirements of 1.16. The Board would like the site manager to report on who is parking their RV's in those spaces and check to see if in fact they are in compliance with the use as defined in the CC&R's at next meeting.

Ken Flynn and Treasurer Kevin Kalberg reviewed with the Board the proposed assessments for Fiscal Year 2012. Kevin Kalberg noted that the Board voted not to raise the assessments for Fiscal year 2011. He felt that the Water System Improvement Fund needed to be raised to its original amount as instituted to avoid any special assessment to meet the Department of Health and State requirements in the future now that we are designated as a small Municipal Water System. Our current Bylaws state the the dues can be raised \$35 plus the current consumer price index increase each year. Kevin Kalberg noted that the good news is that owners will actually be paying \$60 less in payments in 2012 than 2011 because of the special capital assessment which ended in 2011. Discussion followed.

Darrell Richards made a motion to accept the 2012 operating and capital budget as presented with the provision that the Board get a legal opinion from the Associations Attorney on providing for an increase in the water improvement fund. Don Sass seconded. Motion was unanimously carried.

ACCEPTANCE OF SEPTEMBER 14, 2011 BOARD MINUTES

After a motion duly made by Darrell Richards and seconded by Greg Zeller, the minutes of the September 14, 2011 Board meeting were approved as written. Motion was unanimously carried.

OPEN ITEMS

SURVEY RESULTS

Brandon Fix reviewed the survey results with the Directors. The results will be used to assist the Board in future planning. There were no big surprises and with 152 owners completing the survey, it was a great tool to give the community a voice.

SMALL WATER SYSTEM PROGRAM

Ken Flynn shared that the Dept. of Health required program was presented to them on September 22, 2011 for review. Next he shared a spreadsheet of costs presented by the engineer who assisted with several elements of the program. Ken negotiated with Larry Cordes to save the Association close to \$1000 by getting him to

reduce his fee. The Board approved the \$861 cost overrun for his work performed and thanked Ken for his assistance in this matter.

Depending upon revisions requested by the Department of Health and the State we may be looking at being required to install a second reservoir at an estimated cost of \$250,000, or upgrading the backup pumps to a higher horsepower and making them fully automated at a cost of over \$15,000. They have already stated that as of 2010 we are considered a Small Water Municipality and as such must read meters and keep records on leak loss and water conservation efforts and file reports with the state. The cost to upgrade all water meters with RFID units could cost \$86,000. The cost for upgraded meter reading and billing software is over \$15,000 and we have to purchase that at the beginning of January 2012. Ken Flynn stated that bids on this equipment, billing and record keeping software as well as an additional computer hardware are being collected to present to the Board at future meeting so they can make an informed decision.

GOLF CART ZONE

Brandon Fix shared the Douglas County Ordinance with the Board. This ordinance was given for this trial period, October 25, 2011 to September 30, 2012, and will not be renewed if the authorities report problems according to enforcing the RCW rules. Brandon will be assisting staff to implement the registration program. Discussion followed. Scott Blair, Rules/CCR chairmen, will assist with finalizing the Sun Cove Golf Cart Rules & Regulations that will be enforced by staff on community property along with the RCW's. More information will be given as the program details are finalized. Fines will be steep to encourage compliance because we want to work with the authorities to get a long standing ordinance in 2012.

COMMITTEE REPORTS

Social – Don Sass reported that the Wheelers put on a fabulous Oktoberfest Golf Cart Poker Run again this year. Attendance was up and the weather was great. The next Association event is new this year. Pumpkin Carving/Costume Contest party will take place in the clubhouse on October 29th @ 4:30 pm. Come in your costume and bring a "cleaned" pumpkin. Prizes will be awarded. Our Wine/Cheese Tasting event will be held on Nov. 12 this year and a \$5 cover per person will be charged to cover the additional cheese tasting element. The Christmas Party Potluck- TBA will be chaired by the Jack & Mary Divine. The New Year's Eve Party has been cancelled due to lack of volunteers and possible insurance liability to the Association. The association will have the clubhouse close at 10pm on NYE (or later if rented). If anyone wishes to rent the clubhouse, please contact Jeri Fifer.

Long Term Planning – Greg Zeller shared that Douglas County will be having a public hearing regarding approval of permitting for Phase 1 of the community trail system on October 20, 2011 @ 1:30pm. Greg Zeller and Brandon Fix are working on setting up a meeting with Wenatchee Irrigation District Board to discuss a possible easement through their property within Phase 2 of the proposed trail since there are new commissioners on that Board.

The PUD is surveying the property boundary down river and adjacent to Sun Cove due to perceived owner encroachments on their property. They have talked about possibly putting up a fence where the stakes are currently placed by their surveyors. The Board contacted them and plan to meet with them this month to discuss a possible partnership to assist in enforcement of encroachment & abuse issues and in turn request an easement for Phase 3 of our proposed trail system.

Rules and Regulations: The Board had received 13 letters from members questioning Phase 1 of the Community Trail and the voting process of our Bylaws. President of the Board, Brandon Fix asked Ken to get a legal opinion from the Associations Attorney concerning the vote at the annual meeting of Phase one of the trails and to seek advice on alternative options to voting at the annual meeting. Ken Flynn stated that in a phone conversation with the Associations Attorney she in fact did confirm that the Board followed the Bylaws at

the 2011 Annual Meeting regarding the vote for Phase 1 of the trail system. Ken shared that the attorney will send a letter to the Board outlining their opinion. He stated that he could have them review the voting options and through a bylaw change to allow for Mail or Online Voting of the members on all future issues of importance. The bylaws could be presented and voted on at the 2012 Annual Meeting. Discussion followed. The Board agreed to put out an online survey through the Sun Cove website to gauge owner sentiment on this issue.

Scott Blair, Rules Chair, will be presenting a proposed Bylaw change at the next Board meeting.

OTHER BUSINESS

RESERVE STUDY

Ken Flynn reported that under the Homeowners' Associations, RCW 64.38 the House passed bill 1309 during the 2011 legislative session. The bill signed by the Governor becomes effective January 1, 2012, and requires all homeowner association boards to provide unit owners detailed information regarding current and future projected reserve account funding, reserve-related assessments, and contribution rates for fully funded plan. LELA has significant assets because of the domestic water system thus this will require the Association to contract with a reserve specialist to perform a yearly reserve study. The cost could be anywhere between \$2,000 and \$3500 to prepare.

ASSESSMENT PAYMENTS

Ken shared with the Board that owners are coming into the clubhouse office on the 15th of the month to make assessment payments. Jeri then has to send an overnight to the Management Company in Seattle which makes the payments past the due date. Others are making cash payments and Jeri does not currently have a way to make deposits into the Association banking account much less have a safe on property to hold these payments. Ken requested that the Board approve the requirement that all payments in the future must be sent to the Management Company in Seattle. A letter will be sent with the assessment payment coupons in December explaining this requirement and restating that the membership approval of the bylaws revisions at the Annual Meeting in 2011 reiterates that dues are payable by the 1st of the quarter and requires payments to be received no later than the 15th of the quarter.

ADJOURNMENT

A motion was made by Brandon Fix and seconded by Don Sass to adjourn the Board meeting at 6:55 PM. Motion was unanimously carried.

Submitted by:



Ken Flynn
Acting Secretary