

MINUTES OF BOARD OF TRUSTEES REGULAR BOARD MEETING  
SURFSIDE HOMEOWNERS ASSOCIATION  
September 20, 2008

Those Present: Gene Bowen, Gary Williams, Larry Nelsen, Chris Hanson, Cathy Gabrielson, Walt Platt, Warren Olson, James Flood, Grant Murrell, Barbara Robinson

Those Absent: None

President Warren Olson called the meeting to order at 9:00 A.M.

Capital Projects Hearing

Olson addressed the members present at the hearing, explaining the intent of the board to comply with the articles and bylaws which require a Capital Projects Hearing for expenditures over 20% of the total budget. The cost for water meters and water replacement pipe would constitute this type of expenditure. Additionally Olson explained that the Capital Assessment Hearing has occurred in an earlier time frame this year in an effort to allow members to vote straight forwardly towards a capital project and to separate the voting from the ratification process. This is for the purpose of allowing a more democratic decision process regarding member assessments.

Additionally, Olson explained that the Budget Committee had proposed a different assessment than what the board had originally proposed at the June 2008 board meeting and it is important that the members understand all aspects of the assessment options provided to them.

Cost of the actual meters and pipe as well as the installation of meters and pipe laying was discussed and three different proposals for assessments were presented to the members. The original proposal of a per lot assessment, a new per-hook up assessment and the Budget Committee's proposal that each member pay for the entire cost of the meter up front per hook up, were presented as follows:

Budget Committee Proposal: The assessment for the meters which would include the cost of the meter of \$550.00, with added on costs of labor, which when all added up could cost the member up to \$1,000 per meter, per-lot. Benefits of this proposal involved only charging those that obtained a meter, rather than those who would never meter their property and guaranteeing the cost of the meter without inflation over time. The biggest problem with this proposal was affordability of all members.

June 2008 Board Meeting Proposal: This assessment involved a per lot charge of \$91.00 for each meter and \$36 would then be spent on pipe for a total yearly assessment of \$127.00 per lot. Benefits of this proposal involved affordability for all members, but the biggest problem with this proposal involved all members paying a per

lot charge whether or not they ever intended on developing their lot or a water using structure.

The Alternate Proposal: This proposal was developed in response to the Budget Committee's new proposal, involving a per hook up fee of \$91.00 for each meter and \$36.00 per lot charge for pipe. Benefits of this proposal involved affordability for all members as well as not charging those that would never have a meter on their property to pay for other member's meters.

Olson then explained the bylaws which state that when a board levies charges and assessments against all the members the charges must be uniform and cannot have distinctions or preference (examples might be lot us (RV) or view or length of time in Surfside, or value of property, etc.) And therefore any proposal showing an assessment against all members' lots would have to be uniform. If it is not uniform and instead is variable, then this changes the assessment structure to a fee structure. And a fee structure is an indication of where Surfside will end up when all the meters are installed because at that time there will probably be a charge for a base rate of water service and a charge for excess usage due to conservation requirements. However, charges for water are not expected to occur for at least eight years, at the end of the plan.

Questions were then entertained from the floor.

Members discussed the metering assessment and it was brought to the board's attention that a recent conversation of a member with the Washington Department of Health revealed a court decision that water purveyors who are not defined as a municipality such as Surfside are not required to put meters in. Additionally it was learned that the case, however, is in appeal and will likely go to the Supreme Court and if it is reversed then Surfside will have to be metered.

Olson stated this would be researched by our attorney, first thing Monday morning.

Additionally some discussion from members showed dissatisfaction with the allocation of funds and gross underfunding of the budget on the part of the board. The expectation was that the Budget Committee and the Board should have been setting aside money for capital improvements. Additionally, the perception of some members is that they have already paid for the meters within the charges for dues and assessments of in the past and didn't understand why they would have to pay for meters again.

Olson explained that the decision of the board has been to obtain funds for the meters and pipe through capital projects. It was the board's thinking that it was a more honest approach to tell the members, in advance, this is what is needed for the project. In actuality money for this project probably could have and maybe should have been saved years ago, but information on cost to replace an aging water infrastructure was not available. The Schwindt study did not address the infrastructure to give the board an idea of costs to replace it and therefore it became necessary to obtain estimates, etc. Now, to capitalize this project, Surfside has to share all capitalizing costs for now and

for the future. Additionally, Olson stated, it wasn't that the board didn't want to fund the reserves or were negligent, but that there was a real demand by the members for the board to limit cost increases. If the board had accurately reflected the full cost of fully funding the reserves it would not be affordable for the membership. Therefore, the board has been trying to walk a responsible line between keeping things affordable and accomplishing necessary goals. Also, the fact that funding the reserves for this type of project hasn't been done before makes it even harder for this board to accomplish this. According to Olson, it should be noted that the current board has been balancing funding the reserves with making assessments \$200-\$300 - \$1,000 higher every year. Funding replacement of an aging infrastructure is very expensive, up to several million dollars. The present board is working hard to do what hasn't been done responsibly in the past, but at the same time trying to keep things affordable for the members. This is being done, better late than never, by making this a capital projects issue, which will put money it into the reserves and create a fund which is ongoing for the future.

Platt also explained that according to our auditor/accountant, Surfside's reserve fund is not grossly underfunded. With \$494,067 currently in the reserve and the current benchmark for reserve funding, being \$617,180, we are only \$123,000 underfunded. But, again according to the auditor, Surfside is in better shape than most other associations because many of them don't have any reserves. Platt further informed the members that to totally fund the reserves we could take \$123,000 and divide it by the number of lots, but he doubted that members wanted to provide money in the form of an assessment simply to fund the reserves.

The charge for water would be removed from the operational assessment if the meters are required and therefore there would not be an added cost but rather a substitution of cost.

Another question of the membership was with regard to whether or not federal assistance has been to help fund the Six Year Water Plan. Olson explained that of the known available federal financial assistance for our situation as a water purveyor, we would not be considered because we don't threshold to their need requirements. So far the board's decision to spend money to hire a grant researcher/writer isn't good use of members' money due to the fact that there is so little likelihood of succeeding in all of the grants available. Olson invited members to form their own volunteer committee to try to find grant money available to us

Another member question involved whether or not Surfside owned assets such as land that could be sold to help defer the cost of the Six Year Water Plan. Olson explained this has been looked into and current market value of land is low and to sell at this time would not be prudent.

Members also requested information on what has happened to money which had previously been set aside for maintenance on the bridges and once set aside, why didn't wasn't that money used as a replacement cost fund of the new bridges, rather than an assessment collected? Olson explained that the previous bridges were

estimated to have a 30 year life span and therefore, maintenance became an issue long before it should have. The reason for not having adequate funding in the reserves for bridges was because of a combination of the early demise of the bridges and not having saved long enough and these two factors helped the board to come up with the assessment for bridges. Additionally, the reserve fund exists for more than one type of replacement cost and the bridges are a capital expense which would have depleted this fund. Additionally Olson explained that the only way to fully fund the reserves is to raise dues of membership, which has clearly not been conveyed as the desire of the membership.

Members requested specifics regarding duration of the water meter assessment. Olson explained metering, according to the Six Year Water plan, is to be accomplished in eight years, beginning next year, assuming no changes in the plan. Pipe must be replaced as an ongoing situation. Additionally, this assessment could fluctuate year to year, based upon inflation prices of meters and pipe, etc.

Members also brought up the bylaws and articles of incorporation with relation to the ability of Surfside to charge more for water as a result of metering, when members are already presently paying for water within the membership dues. Olson cited the bylaws, Article 9.1 which states "charges and assessments against all members shall be levied by the board of trustees at a uniform rate per member or lot without distinction or preference of any kind." This refers to types of charges to all members, such as membership dues, which affects every member in the association, and must be uniform without distinction or preference. The assessment per hook up is different because it is a service provision so it does not apply to all members and therefore it becomes a fee. Olson further explained that excess water usage would be charged as a service fee, which would be governed by the RCW 64.38.020, Section 10, which says that an association may impose or collect any payments, fees, or charges for the use, rental, or operation of the common. So this is the legal authority to charge \$600 for hook up to the water system, or we charge fees for RV storage, etc. Additionally, Olson further clarified that the water system is a "common area" which is referred to in this RCW.

Federally funded low interest loans were discussed and it was learned from Haskin that the Safe Water Drinking Act Fund is available to every state through the Department of Health help provide improperly managed water systems with money to upgrade. However, pipe replacement and meters, according to Haskin, do not necessarily contribute to health concerns and therefore, rate low on the priority list with the EPA for availability of low interest loans. Surfside's Water Department has run tests on our water and the water provided here at Surfside is not contributing to health concerns. Additionally, Haskin clarified, that although we may not be considered a municipality, therefore eligible for certain funds of money set aside for governments, we are concerned a group A water system and are mandated to comply with municipal water rules, including water conservation rules.

Members questioned the budgeted labor costs of the metering/pipe replacement plan and it was explained that this cost was an averaged estimate, based upon experience of

the Water Department who knows the system and can probably do the job better and faster with less cost. If labor has been overestimated, then the extra money can be moved to the next year and reduce that year's fee assessment accordingly.

Member's requested how the labor cost of approximately \$60 per hour was derived. Olson explained that the amount represents total overhead that a business would typically incur and was derived by reducing the total hours by Staff meetings, holidays, L & I, etc. This number was calculated to be included in the budget to represent what all costs are involved in having current staffs do the work as well as extra work. Olson also stated that most private companies performing this type of work, charge a minimum of \$85 an hour because of all of the overhead costs. Bowen further clarified how this number was derived, stating that Haskin provided the board with a \$60 per hour number because that is what the actual cost of labor is, whether he is working on meters, putting pipe in the ground or mowing the lawn. This hourly rate is factored out; when all costs of having staff are considered. It includes insurances as well as time away from the job, because are not actually working 2,080 hours per year. Another member asked the question of what is the hourly wage for water department? Bowen responded that there are four regular staff in the department, three full-time, one temp and one manager, ranging in hourly wages from \$11.25 - \$19.90. It was also noted that the Water Department Staff are also the maintenance staff.

Murrell stated he did not think that members should pay for the Water Department's mistakes, such as installing the water in the wrong place and needing to move it in the future. Olson explained that these types of expenses are costs that are borne by the system and by all people who are hooked up or lot owners and in the end all members are responsible for the system.

Some questions were asked regarding previous assessments and Platt clarified what these assessments were for.

Olson stated there was one email response that should be read into the record: This email from Jimmie Applegate was read and appears below:

"Dr. Jimmie R. Applegate  
Mrs. Sabine R. Applegate  
1511 Kittitas Highway  
Ellensburg, WA. 98926

To: Board of Trustees, SHOA  
From: Jimmie and Sabine Applegate  
Date: September 18, 2008

Re: "Capital Projects Hearing"

Cc: General Manager, SHOA

President Olson and Members of the Board of Trustees:

We request that you read this into the record during the "Capital Budget Hearing" this Saturday, September 20, 2008.

You are to be congratulated for sending this email regarding a "Capital Budget Hearing" to those of us with email accounts on your mailing list. To the best of our knowledge however there are many more owners of lots in Surfside than there are recipients of the Weekender. How do you intend to inform, and to receive information from, these individual lot owners who are just as entitled to information as those who live full time in Surfside, or who receive your emails?

If the SHOA Communication Plan does not take absentee lot owners and part time residents into full account, whatever information you receive Saturday is biased and should have little or no influence on your decision making.

Having said that, we believe most SHOA members, if they had the information, would appreciate your dilemma; i.e., how to pay for state required water meters and for the replacement of water delivery related infrastructure.

The description of the Alternate Funding Proposal is not clear. Words and phrases such as "**presumably**" and "the per lot charge **could** equal \$395" are open to interpretation. Our impression is that either the Budget Committee has not presented a definitive proposal to the Board or that you do not understand fully what it is. Yet you expect the many of us who rely on the written communications from you to contribute meaningfully in a "Capital Projects Hearing".

Additionally your statement titled "Legal Considerations" is full of ambiguities as well. Words like "**appear**", phrases like "One **might** read the sentence..." and phrases such as "Fees are **probably** allowed..." are fraught with danger. And the conclusion that either "proposal is **probably** legal in that fees related to water hookup **could be variable**" pushes the envelope even more.

For you to suggest that meters attached to the system in boxes installed, owned and maintained by SHOA are owned by the lot owner as a requirement to receive water service stretches the imagination. According to Article IX all "charges and assessments ...shall be levied...at a uniform rate...". It is clear from this and from well established precedent that when water is drawn from a hook up in a SHOA owned box the lot owner assumes various requirements. One of them is that by 2017; that is, in nine years, water usage must be metered. This requirement is for the owners of the water system as a whole and not for individual lot owners.

Your side by side comparisons show the per lot assessment option reflects past practice, will meet the 2017 deadline date, does not require additional staff, that meters are seen as part of the SHOA water system and in so doing reinforces the long established precedent that the water system is owned by SHOA.

We know why you are holding this "hearing" but we do not know what you intend to do with what you hear if you do not hear from a sufficient number of lot owners to statistically determine the desires of "the membership".

Our intention is to be of assistance but that is difficult because of the many ambiguities in the descriptions of the two proposals. And those of us who are not party to your deliberations, except via the communications you send, have nothing else beyond the back yard fence and rumors at the Eagles, Moose or Jack's we hear from others on which to base our decisions.

To further complicate matters, we received via email (Weekender) such information as we have about the "Capital Projects Hearing" Thursday, September 18, 2008 at 2:17 p.m. That is less than two days before the scheduled "Hearing". We believe many absentee lot owners and part-time residents would be in attendance and speak on a matter of such importance to all of us if schedules and circumstances allowed.

Thank you for reading our testimony into the record."

Olson responded to this email stating that the notice of the Capital Hearing was in the September newsletter which went out to all members. This was done as a deliberate attempt to advise all members of the hearing in a timely manner, according to Surfside's bylaws. Additionally, according to Olson, it has been the board's experience that the majority of the involved members do subscribe to the Weekender and the Capital Projects Hearing has also been advertised in the Weekender for several weeks to update individuals. Olson also stated that the board had just become aware, the previous Wednesday, that the Budget Committee had planned to do something different than what was decided at the June board meeting. Therefore, the only option available to the board to address this issue prior to the actual hearing was in the last Weekender.

Another question was asked as to why do members have to pay dues and assessments on a second lot when they are required to pay taxes as single property. Olson explained that Surfside operates by bylaws which do not recognize a combination of lots in terms of membership fees.

Murrell presented a third assessment alternative, requiring an assessment by membership. He stated his reasoning as follows: All members own the Water Department and the meters are part of the Water Department, and therefore if an assessment is charged per membership, this would assess people who own lots but don't have water as well as people who own lots with water service. This would result in every member is paying the same amount and the assessment is spread out equally.

According to Murrell, the assessment will be less of charge than a per hook up fee but more than per-lot charge, which is a more equitable way for each member to pay with no one having to bear a bigger cost than any other member.

Olson concluded the hearing with an explanation of why there is a Capital Projects Hearing, which is for the purpose of informing the board how the members feel about large expenditures prior to making decisions. He further explained that the budget is slotted for adoption in October and the hearing provides the opportunity to members to comment on the budget prior to its adoption. Ratification of the budget takes place in November. Olson further explained that in order to defeat a budget proposed by the board, there must be a majority of all owners to vote against it and then the previous year's budget would be instead be in effect. At least 90% of the membership must vote for this to occur which is a rare occurrence.

In response to the question of whether or not an item will appear on the reserve fund of the budget, which clearly shows the replacement of water mains, Olson answered that replacement of water mains is not a reserve issue but instead is a capital projects or fee issue. Reserves are for replacement of capital funds. It will become a reserve item in the future because of the recognition of the need to have funding for those reserves. The budget committee in the past has created a contingency fund in the budget. If this was left over it would be rolled into the capital reserves and this was voted on in the annual meeting. Last year there was a \$28,000 allocation and we actually funded \$60,000 into the capital reserves. Once there it cannot be touched for anything but capital reserves.

Olson stated that it would appear by the direction of the comments and questions from the floor that the Capital Projects Hearing part of the meeting is concluded and it is time to move onto other board matters. Flood thanked everyone for coming out and showing their concern to ask questions and make comments. The budget committee was also thanked and recognized for their hard work in helping to put together a working budget for Surfside.

### **Floor Comments:**

Olson asked if anyone from the floor wished to bring up any other matters for the board's attention, other than the Capital Hearing Project matters.

Jim Williams asked how long we will have to use Britta filters to have decent water quality in division 16. Haskin stated that water quality may be different in division 16, because they are at the end of the line and keeping fresh water in a system that is not looped, as is typical in most water systems, but stops in one area requires extra work to be done. He stated that he can address water quality issues, but he needs to know about each specific case. Williams stated that the water should be tested by a chemist and Haskin responded that he tests the water, takes samples and sends them in to be tested by a chemist. He also stated that he investigates every complaint of water



quality and deals with each case individually, flushing the water as needed whenever he is made aware of a problem. But, he reiterated, he cannot correct the problem globally in division 16 because of the engineering problem and he further explained that he will personally address Williams water quality issue now that he is aware of it.

Brigid Byrne requested that Surfside add a tennis court with paddle ball lines. According to Burn, it is a great recreational activity and she would like to see it added to the budget and provided as a to the budget committee. This type of court would provide an activity that is free and fun for people of all ages. She further explained that tennis can be played by more physically fit people but that even the elderly can play the paddle ball court, which is smaller. Burn stated that there are no recreational facilities in our area outside of Surfside or in Surfside. She had done some research and learned that there are properties in Surfside that have been foreclosed on and sited one specifically which is available for purchase at a low cost of \$11,000. Olson referred Burn to the Community Relations Committee for further help regarding this matter.

John Reichenbach explained that Ray Gardner passed away Friday night, (09/19/08) of a massive stroke. Olson agreed that Gardner will be missed and that it has been a bad month as we have also lost Pat Goettel recently.

Jerry Dunn thanked Larry Clark for his contributions to our community. He also thanked the Fish and Waterways Committee as according to Dunn, the waterways look great. Also he gave kudos to all involved in the projects of restoring the cabanas.

### **Adopt Agenda.**

Olson asked for changes and additions to the agenda and none were made. Therefore, the agenda was adopted as it was stated.

### **Approval of Minutes:**

HANSON MOVED TO ADOPT THE AUGUST 16, 2008 MINUTES AS WRITTEN.  
NELSON SECONDED. MINUTES ADOPTED UNANIMOUSLY.

### **Old Business:**

#### **Acceptance of Water Meter Bid (Info) – Olson**

Olson requested a motion for bid to be tentatively accepted.

BOWEN MOVED TO TENTATIVELY ACCEPT THE BID AS SUBMITTED FROM MASTER METERS FOR WATER METER PURCHASE CONTINGENT UPON THE FOLLOWING: APPROVAL OF BUDGET FOR SAME PER APPLICABLE LAW, APPROVAL OF AN ASSESSMENT OR FEE FOR PURCHASE OF SAME,

## NEGOTIATION OF A SATISFACTORY CONTRACT BETWEEN MASTER METERS AND SURFSIDE HOME OWNERS ASSOCIATION. GABRIELSON SECONDED.

Discussion occurred regarding the above motion. Haskin stated HD Fowler is submitter of bid rather than Master. So the motion was amended. Bob gave a summary of the bid process, stating that our consultant was hired to put out a bid proposal and a number of providers responded. A matrix analysis was used and the bottom line showed that Fowler and Co, using Master Meters compared in cost to one other company, however, appeared to be the best choice for several reasons. Ilwaco uses this company and it this system is reported to work well where sand intrudes into the system. Also the length of time this company has been in operation was longer than the other company that came in at the same cost.

MOTION WAS RESTATED AND BOWEN MOVED TO TENTATIVELY ACCEPT THE BID AS SUBMITTED FROM HD FOWLER COMPANY FOR WATER METER PURCHASE CONTINGENT UPON THE ABOVE STATED CONTINGMENTS. GABRIELSON SECONDED. MOTION CARRIED UNANIMOUSLY.

### Six (6) Year Water Plan Submitted to County and State – Olson

Olson explained that the Revised Six Year Water Plan was submitted to the County and the State and at this point, Pacific county still needs to sign off. The plan is not yet officially adopted yet, and at this point we have only authorized the consultant to send the plan to the state/county and now are waiting for feedback. Once government authorities provide their answer/comments we will then have to adopt it and prepare ourselves for 2009 budget. Additionally, Olson explained we will not be required by the State to hold further hearing meetings as we have fulfilled the requirements for notifying and providing information and a venue to the members. Also, Theresa Walker the water engineer and state regulator for DOH complimented Surfside as being a “very well run water system”.

### Revision to fine Policy – Meyers

Meyers stated that the tree fine policy is still in the process of being created as when legal advice was sought out, it became clear that the entire fine policy needed to be re-worked. He had received the final draft of the fee policy from Sam Jacobs the day before the meeting, and Olson requested that the board have time to study it before adopting it as procedure. The new fine policy is planned as an agenda item for the October board meeting. The major changes include some wording changes in the policy itself, and the possibility of a written agreement between the member and authorized personnel to waive fines for violation of the covenants if the member complies with the agreement.

Bowen stated that the fines should represent some recovery of cost, including staff time taken to resolve the issue. Hanson requested that a filing fee should be implemented due to the cost of time taken to resolve the issue. Olson informed the board that a

specific proposal should be made with regard to recovery costs of complaints before it is further considered. Gabrielson stated that an article in the newsletter should be considered regarding these fines. Also it should be noted that since the policy of dog fines was reported, complaints were reduced considerably.

#### Concerned Citizens Committee Follow Up – Olson

Olson referred to the Board Notebook insert “Member Advisory Council Charter”. Nelsen submitted an email from the Concerned Citizens Group. Olson requested that this new document submitted needs to have time to be read and understood and therefore will be looked at in October. Gabrielson requested explanation of why the Concerned Citizens Committee (CCC) can’t be a subcommittee of the Community Relations Committee (CRC). Jane Bowen the chair of the CRC answered this is due to the CRC wanting to be associated only with positive changes. According to Bowen it is the committee’s perceptions that the focus of CCC is on concerns or complaints and giving the members a voice regarding their concerns or complaints. This is contrast to the focus of CRC which is to give voice and consideration to positive changes rather than addressing complaints. Nelsen stated that CCC wants to change this conception and they wish to be identified as a board sanctioned committee, working within the Surfside structure. Murrell stated he would prefer that this committee continue to function outside of the organization and therefore the board cannot affect them and they can continue to meet and work together with autonomy.

Olson responded that if CCC remains autonomous it will be necessary to research how a group like this would function and what if anything would prohibit them from meeting here in the Board Community Room. Murrell also stated they should be on the agenda as well and Olson stated that if they are independent they can only be on the agenda in the manner of Member question/comment.

Nelsen plans to discuss this with the CCC and he will bring issues up at the next meeting.

Olson asked for board input. Hanson says that they everyone has the opportunity to come to the board meeting to present issues. He doesn’t see a problem if CCC can use the room. Gabrielsen wants to see if CCC wants to be an official committee or remain autonomous. Platt agreed with Hanson and stated they should be able to use the room. Bowen stated they should be encouraged to use the room. He sees value in the group that they may be able to quell rumors that occur in the community by addressing concerns head on. Williams stated they should be encouraged to use the room and that CCC meetings should be based on what is really happening versus what are rumors and that their tie to Surfside would probably help to quell rumors. Flood stated that they should be able to use the room even if they remain autonomous, but if they are an official committee then they need board representation which would also help to prevent rumors from being disseminated. Olson stated that he agrees with Flood. Olson encouraged that all of these issues be addressed in time for the board meeting next month.

### Office Computer System Progress Update – Robinson

Fred Marshall, the owner of a computer networking office in Ilwaco was contacted by Robinson and networking was discussed. He showed up the same day, looked at the system and immediately hooked everyone up to the network system. He will come back Monday to work on the wireless network. Additionally a community computer is now set up in the community room complete with a printer. Networking via the staff has occurred in that staff can now share files with each other. There is also an internal backup system in place as well as off site back up. Fred will be working on networking the water department as well. Previously it was thought that to network the office/water department it would cost upwards to \$25,000 for a server and now this appears to not be necessary. It should also be noted that Fred has installed hardware which we already owned, as it had been previously purchased but not yet installed, into a computer which will convert audio tapes into mp3 files. Therefore we are now ready to get rid of the bulky minutes tapes and store them electronically. Ginger's computer is scheduled to be replaced with a new computer on Monday of the next week and this is the final installation of new computers, so that all staff are operating on new and updated computers with the latest in software.

### **NEW BUSINESS**

#### RV Usage Variance

Olson stated that the board initially made an effort to be considerate of volunteer part time RVers so that they can be involved as volunteers, when they come in the winter. The intent of the variance is so that volunteers can use their RV's as lodging when there is not another option. The winter occupancy is triggered for extended stays, but not user friendly for a volunteer to come down here one night to volunteer the next day and leave the following day. The intent of the variance was to help RVers be active all year long and therefore the request was made. A procedure was explained, which would include process to identify that the volunteer be identified as an involved board and/or committee member. Additionally rules would state that the RV use in winter would be at the owner's expense. The proposal is that volunteers register their RV as a volunteer and they get a permit which is visible from road and when they leave they let office know they are leaving and the permit would no longer be effective.

Discussion ensued and Nelsen stated that definition of active is important. Flood stated that a board member has a lot of involvement and Bowen concurred stating that a board member should not have to lose money to be on the board. Gabrielson stated that volunteer hours are supposed to be logged and it should be easy to determine whether or not a volunteer is active. Olson, however, explained that the current volunteer logging hours procedure involves committee chairs providing an average of hours available and currently individual volunteers don't log their hours. Murrell stated that people may want to be a volunteer just to get the perk and agree to serve in a position when they aren't truly capable or a good fit for the position.

Rosie Sartin stated that it has been very difficult to get people to follow the covenants and there has been progress in this area. Therefore to give someone special dispensation would encourage non compliance in that people will see this RV and think that they should be able to do the same thing. Sartin stated that any volunteer who wants to use their RV to stay in while they are here could get a spot in the RV storage area as an alternative. In the past there was a board member who left his rig on his lot all year round and many people followed suit. This resulted in a lot of money spent, culminating in court action and a judgment in 2007, several years later, of \$1,500. According to Sartin this was the result of the original non compliance of the board member and it has taken a long time to finally be cleared up. Sartin stated she feared that granting this variance would cause the same type of problems as occurred in the past.

Gabrielson stated that the RV lot is pretty full and therefore someone who doesn't have a spot will not be able to get a spot. Rosie stated that she checked and there are spots available. Bowen asked, are there lots owned by Surfside where RVs can be kept all year long?

Olson asked for board opinion regarding this variance. Platt was opposed because he remembers the problems caused by this in the past. Also he thinks people should not sign up to be a volunteer just to get this perk. Gabrielson stated that the policy should not change but that board members can park on her lot if they need to. Hanson stated he agrees there shouldn't be a policy change, mostly because of possible abuse. Nelsen agreed with Hanson, because of too much room for abuse. Murrell also defers to RV compliance committee who he believes knows more about the issues and problems caused. Flood stated that RV owners are an important part of community and we want them to be a part of the board and committees. At least 100 hours minimum and closer to 200 hours minimum are required of board members. Therefore he thinks that board member volunteers, at least, should be allowed this variance. Williams stated he can see both sides of it and he realizes that some people will take advantage of the system. He also stated that another option is that people be allowed to stay in the RV storage area. He is having a lot of problems remaining as a volunteer due to lodging problems. Bowen thinks there needs to be some kind of compromise to help with volunteer lodging. Olson stated he realizes there are problems with RV compliance/enforcement and that we should look at other options and everyone get creative to try to come up with a solution.

Haskin stated that the booster facility area may be able to be used for volunteers to park their RVs. Reichenbach is opposed to someone staying parking in the RV storage area because they are not metered and the electricity used is already sometimes being abused. Additionally he stated that a change in the covenants would also be an issue with this proposal. Olson explained that this would not require a change in the covenants and it is a variance of the covenants request.

### Performance Evaluation Form

The Performance Evaluation Form was reviewed by the board. Olson explained that we have been looking for a form that would accommodate Surfside's staffing needs but be quick and easy to use. Robinson stated that the form she is proposing was reviewed by Sam and he stated he liked it mostly due to the simplicity of the form.

GABRIELSON MOVED TO ADOPT THE EMPLOYEE PERFORMANCE EVALUATION FOR AS SUBMITTED. MURRELL SECONDED. MOTION CARRIED UNANIMOUSLY.

Olson stated this has form and evaluation procedure has been needed for a long time and has been waited on for more than a year. He stated he is pleased that now it has finally has been accomplished. Robinson was congratulated.

Direction: Re: Capital Projects to Budget Committee – Bowen

Bowen stated we still need to fund this project and it would appear by today's discussion that charging the user is mostly supported by the members. The Budget Committee will need some direction on what to build into the budget. Will it be per hook up or per-lot? Discussion occurred with regard to charging by membership versus charging by lot or hookup. Affordability and fairness were the issues discussed with regard to each assessment plan. Additionally, the issue of labor was discussed. Olson stated that Jim Lanzaatta the Surfside accountant stated that the accounting issue of labor is that if the labor was contracted out Surfside would still be running the water department for the year and we cannot take this out of the budget. A time card that shows what they were working on at any given point will be needed. Any money not used would be added to the capital reserves. Olson stated also that if we do the meter hook up proposal then this is a fee and if surplus labor money is left over it cannot be taken and put in capital reserves and must be carried forward to the next year to reduce fees for that year. Additionally, it was explained that depending on the assessment proposal adopted, the water hook up fee per-lot would include the meter at that time, since you have already paid for it by having owned the lot; per hook up fee, then you haven't bought the meter and when it comes time to get the water, you will pay more; by membership, again it is already paid for.

Platt asked, if we charge per meter then is the cost of the meter set for that owner and therefore a better option? Bowen explained that other cost issues were not considered at that time and therefore this is not necessarily true. Olson also stated that affordability is a problem for this type of assessment.

Flood answer/commented that budget committee put in a lot of time and effort and should be listened to and requested that Claudia Justice, budget committee member present at the meeting, would comment. Justice stated she had voted against the flat \$550 charge for the meter even in face of the general truth that when you can pay a lump sum up front; this is usually cheaper than spreading it out with interest. But that would require complications of offering the people the opportunity to pay up front and bookkeeping to show that people have already paid for their meter. Additionally she stated affordability also means to look at what is the least dollar amount of what is

charged to the customer. Olson added that affordability means can they pay for all their needs, including food and medicine, even if they pay for water. Bowen asked Justice is as a member of the budget committee would she support the alternative per-hook up option that is proposed. Justice stated she would support the per-hook up cost without question.

Olson asked the board their leaning with regard to recommendation for the budget. The following is each members leaning: Hanson - hook up. Gabrielson – hook up. Platt - hook up. Bowen – hook up. Williams – hook up (but wondered if we should increase the amount assessed for pipe). Flood – hook up. Murrell – membership (stated he believes this is a more affordable option which gives members the ability to put money into reserves where as they can't do this with the per-hook up assessment. Nelsen – membership. Olson summarized in stating that the majority of board members agree with per-hook up assessment.

FLOOD MOVED THE BUDGET COMMITTEE BE PRESENTED WITH THE ALTERNATE PROTO CONSIDER FOR RECOMMENDATION TO BUDGET FOR NEXT MONTHS BOARD MEETING. WILLIAMS SECONDED. 8-1. MOTION PASSED.

### Communications

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#### Incoming

Haskin responded to Water plan correspondence. Also translation was provided for incoming by Charles Holler (member).

Previously, in the meeting, Jimmy Applegate's incoming correspondence was read out loud in the meeting, during the Capital Hearing Project.

#### Outgoing

No questions.

#### Meetings and contacts: Pacific County Hazard Mitigation Planning Committee Meeting (Haskin)

Haskin went to meeting last Thursday. If there is an approved Hazard Mitigation plan in place it is easier to get funds to help us rebuild after a catastrophe. All info must be submitted to them.

### Staff & Committee Reports

#### Water Superintendent/Field Manager (Haskin)

Haskin responded to Flood's request regarding how much work has been done on the bridges this week. Olson explained the design issues which must be resolved prior to proceeding. According to Haskin the new decking has been agreed on and will be replaced and we will still be under budget on the bridges.

Williams asked about the fish planting. Haskin stated he has received a call from the fish producer informing him that they do not have a good bass production this year and he should obtain bass from another hatchery. However, Haskin will continue to work with same hatchery because they may have enough bass for us, since we don't want too many which will feed on the bluegill before they have a change to grow bigger. Also there is evidence that we already have large carp in the canal and Sea breeze Lake and may not need to purchase any more.

Nelsen asked about bank erosion for Skating Lake. Haskin explained that the sand will erode due to outfall but the outfall is needed to reduce flooding. The problem is that the original grading of the banks was not graded properly and they will erode until they maintain a natural angle that they will no longer erode. Olson explained that he and Ken took Kayaks up in the area in question and the natural erosion is eating up the bank which is people's land. Natural erosion is the problem which cannot be controlled and it is thought that planting or propagating natural vegetation could help.

Some discussion occurred regarding Surfside's ownership of Skating Lake and the possibility of its status as a tract ownership.

#### Architectural Committee (Hanson)

##### V-Shaped Oman Realty sign

Hanson reported about the V-shaped variance of the Oman's Realty Sign. The Architectural Committee stated that they recommended the variance to the board. He further explained that the variance is due to sign size covenant restrictions and they are asking that rather than having 14 small signs they are requesting the single larger sign.

HANSON MOVED THAT THE BOARD APPROVE THE VARIANCE FOR THE SIGN.  
NELSON SECONDED.

Discussion of the motion involved clarification of the fact that they may be requesting two signs according to the letter provided. One sign would be in division five and one in division six. This however was unclear. Additionally it was suggested that the variance be time limited and granted for one year only.

MOTION RESTATED FOR THE BOARD TO GRANT A VARIANCE TO DENNIS OMAN REALTY AND RE/MAX EXCELLENCE FOR ALLOWING THE PLACEMENT OF A V-SHAPED, TWO-FACED SIGN ON I STREET, DIVISION FIVE, NOT TO EXCEED 2880 SQ INCHES PER SUBMITTED DESIGN FOR A PERIOD OF ONE YEAR. MOTION CARRIED UNANIMOUSLY.



FLOOD MADE RESOLUTION THAT FROM THIS POINT FORWARD THE ARCHITECTURAL COMMITTEE MAKES THESE TYPES OF DECISIONS.

It was explained that because this is a variation on covenants it is a board issue. Therefore, Floods resolution was dismissed.

#### Community Relations Committee (Hanson)

Gabrielson reported that flag poles for the office property and the 306<sup>th</sup> St Bridge have been submitted to the budget.

#### Tree Brush & Noxious Weed Sub-Committee (Hanson)

The committee is working on obtaining a large chipper on a one-time basis, which will be made available to people to get rid of slash, etc. and help to clean up their properties.

#### RV Compliance Committee (Nelsen)

Nelsen reported 1 new complaint, 11 closed and 3 pending. Additionally he presented the request of the member, Brian Pierce, who originally wanted to park his motor home in his driveway over the winter and was requesting a variance to the covenants. The committee recommended that he be given permission to park his car up at the RV parking lot and he would exchange his car with the motor home as necessary. This request is made because Brian works in Portland and lives here and stays in his motor home when at work in Portland. At this point he is not asking for covenant variance any longer but now is asking for a policy variation.

NELSEN MOVED AND GABRIELSON SECONDED THAT BRIAN PIERCE BE ALLOWED TO PARK HIS MOTORHOME IN RV STORAGE WHEN HE IS HOME AND ALTERNATE WITH HIS CAR WHEN HE IS IN PORTLAND. MOTION CARRIED UNANIMOUSLY.

Murrell stated that prior to this decision; variance on this policy was limited to six months. No further board activity occurred on this matter.

#### Sherriff's Patrol

Stated he stands by his report and had no new news to report. He did respond to a question, that the two felony arrests coincided with an eviction which has taken place. This has resulted in an entire household/area, behaving criminally, being cleaned up in the neighborhood. Three evictions such as this have occurred within the last month, which is a boon for the Surfside community.

Clark further stated that unfortunately it is renters without any background checks who are often creating the problems in the community. The current evictions were with problem renters who were not properly checked out.

### Treasurer's Report (Bowen)

Bowen went over his report and summarized budget concerns for the board. The amount of money in various financial institutions and as is noted in the report at the end of August, with the exception of our money in Morgan Stanley and a little bit of money in the money market account of Raymond James, all our accounts are insured and in fact even the accounts in the brokerage houses are insured. We do not have any other insured dollars out there in our investment portfolio. The brokerage funds are covered by a special insurance fund which is administered by the various brokerage houses, up to \$500,000. Flood requested information about recent concern over money market funds and Bowen stated that yes, the proposed legislation will be to cover money market funds with FDIC or federal insurance money using brokerage houses.

### BOWEN MOVED FOR THE FOLLOWING FINANCIAL MOTIONS INCLUDING:

#1 – to approve check number 15854, in the amount of \$9,205.58, payable to Gray & Osborne for over budgeted payment on 6 year Comprehensive Plan to come from water department contingency. PLATT SECONDED. 9-0. MOTION CARRIED UNANIMOUSLY.

### #2 – TO APPROVE THE FOLLOWING CHECKS FOR FOOTBRIDGE REPLACEMENT AND TRANSFER FROM RESERVE FUND ACCOUNT:

CHECK #15840	\$620.99	SANDRIDGE TOPSOIL AND BARK
CHECK #15842	\$5,520.00	HILL & SON EXCAVATING, INC.
CHECK #15843	\$2,273.99	NASELLE ROCK & ASPHALT COMPANY
CHECK #15868	\$40,748.40	WESTERN WOOD STRUCTURES
CHECK #15882	\$1,250.48	HILL & SON EXCAVATING, INC.

PLATT SECONDED.

Discussion regarding retainage of Western Woods payment ensued and it was noted that these payments were for bills that were billed prior to the retainage issue. Currently, retainage amounts to approximately \$66,000. Additionally, Flood requested clarification of the two bills for Hill & Son. Haskin clarified, stating that one bill was part of the bridge preparation for bridge approaches and another bill was for the rip-rap that was added to the bridges. Olson further clarified, stating that Surfside originally agreed to pay for the rip-rap materials, which coincided with the \$5,520.00 bill and then in order to complete the bridge paths for the Grand Opening of the Bridges, more assistance from Hill & Son was needed, which coincided with the \$1,250.48 bill. Additionally Flood requested clarification on the Naselle Rocks bill and Haskin explained that a lot of rip-rap rock was needed for all the bridges and Surfside agreed to allow Parker to use our

account at Naselle Rock to obtain this rock. Therefore, the total cost for rip-rap rock was \$7,793.99.

MOTION CARRIED 9-0 UNANIMOUSLY.

Flood stated, due to his review of the treasurers report, it appeared that Surfside was running over budget generally at 70%, but specifically with regard to Administrative expenses at 80%, and specifically under Administrative expenses there is an unexplained and unbudgeted \$5,460 expense for wages. Ginger Byrd, Financial Administrator explained that this cost is representative of Jim Meyer's Compliance Officer, who gets paid wages and not salary, and no wages were budgeted, when the new budget came in because everyone, at that time, was salaried. Originally the Compliance Officer position was budgeted as a salaried position and therefore appears to be over budget but actually isn't. Bowen also stated that he knew that the budget is showing that the Water Department is over budget on wages and salaries. Bowen also clarified some over budget areas such as legal services which were \$17,000 dollars, however, he explained that part of this amount (\$15,000) was the result of a settlement and could therefore be transferred out of this account to contingency. But, Bowen pointed out that this transfer would not result in causing us to be at or under budget. Additionally Bowen pointed out that we are over budget in accounting expenses as well at \$8,000, mostly likely due to auditing expenses. Flood questioned again the Expense Account, denoting Wages at 92% over budget and Bowen explained that early in the year 2008 an employee was moved from part time to full time but in order not to discuss individual employees private wage/salary information in open session the answer the this question about the budget would be deferred to closed session.

Bowen then directed the board to look at the 2009 Board of Trustees Budget Summary. This showed the board members what the budget looks like as it stands as of the board meeting without the directive of the install of meters as a fee and the special assessment for the pipe. Without those two new numbers, the budget shows a 6% increase if Surfside did everything that has been proposed in the budget. This includes replacing the carpet in the Surfside office and community room, replacing the configuration of the board table, which is conducive to more than just the board meeting purposes but would also serve other Surfside business purposes. Plaques at Cabanas and flagpoles, basketball net at the playground and other such improvements are also included. These smaller items have been identified in the budget as combined they can be considered within the capital cost projects.

Additionally, Bowen stated that there will be other equipment costs which are not included in this budget due to the reality that these pieces of equipment depreciate over time. Therefore, according to Bowen, it doesn't make sense to charge the members over time, for equipment which has a life of limited years. Therefore it is recommended that we either pay for this equipment with cash if it is available or borrowing the equipment from a leasing company. The equipment costs total to approximately \$28,000 and that amount is in the budget because whether we lease the equipment or buy it, the cost incurred will be approximately \$28,000 per year.

Bowen also addressed salary and wages expense as showing a 15% increase and this is the result of what was budgeted in 2008 not being sufficient to cover the actual costs needed due in part to overtime wages. This will be corrected and overtime will be added in the new budget.

Various line items were discussed specifically questions about miscellaneous line items. Haskin explained that the miscellaneous expense line item on the budget was for emergency contingencies within the department and was incorrectly reflected on the budget under the RV Department. Olson stated that specific questions for line items should be referred to the Budget Committee. Additionally he reiterated the general direction of the Board and the Committee is to not to try to budget more closely in each category but to create a larger contingency so that we are not trying to keep money category by category for emergencies and instead only keep one fund for this type of expense.

Flood stated that as a board member it is the boards responsibility to have due diligence on the budget and to attempt to understand it so that any board member can answer questions put to him or her and have intelligent input in board meetings. Bowen then explained that the miscellaneous fund identified by Haskin on the budget should likely go under the Contingency fund, since that would be more representative of how this money is actually budgeted for unexpected expenses.

Additionally Olson submitted that a recreational vehicle department actually does not exist but rather might be better represented as an operation and not a department. According to Olson, to be shown by itself as a department, makes Surfside's budget reflect a much larger operation than is actually true. Flood stated that it was important though to accurately show what it costs to operate the RV lot because it should be self sustaining based on the people who are renting spaced in the lot, but it isn't. Therefore it has become incumbent on all lot owners to subsidize the people who own RV's. Olson shared the history of the RV lot, that at the time that the RV lot was established it was the membership's solution to the problem of people having RV's stored all over Surfside on their property. At the time they were happy to subsidize the cost of RV storage to obtain the RV covenants. Flood stated that it is likely time to revisit the issue and adjust the fees of the lot to make it more realistic in terms of the cost of running it. Especially since back then the costs of running it were much less than they are now, in terms of electricity, staff, etc. Robinson and Olson discussed increasing fees across the board in a gradual manner to eventually reflect a better match to the cost of providing services to members.

Bowen stated that he had two more points that needed to be brought up. First, in the budget in the 5% change, with the adjustment of the RV lot, there is a built in \$35,000 in contingency and second, a \$30,000 allocation to the reserve account. Last year that amount was \$28,000 and this reflects a 6% increase in the operations budget.

Olson requested that the budget monthly financial be emailed to the board members for answer/comments and questions at least one week prior to the October adoption date.

This report should be done in as much detail as the previous monthly financial reports have been done.

Bowen also stated that regarding wages for the meter installation project, according to the Capital Projects hearing conversation, that there will likely be some excess appearing in salaries and wages. The water department has been budgeted for wages as though they will be doing nothing more than what they are doing now, without an addition of wages for extra meter and pipe installation, etc. The extra staff time used for this extra work will be charged to the contingency and reserve accounts. Additionally, there will be a need for some temporary/backfill employees to make sure all of the work that needs to get done is done and money will be needed to pay them, but it will be much less than what we spend now on current staff. Therefore it is expected that there will be more money in budget and salary wages than will be spent. Therefore, the capital reserve function could be cut out of the budget altogether and instead rely on the anticipated left over funds from the wages and salaries to fund the reserves.

Flood stated reserve fund doesn't have as much money as we would like, as it is and as was heard in the Capital Projects Hearing, there are membership concerns of improper funding of the reserves. Additionally, whether or not we will have extra would depend on if the meters are going to be installed and information was shared in the hearing regarding litigation on metering issues, which could prevent Surfside from moving forward. The board agreed with leaving these two accounts in the budget, rather than taking them out.

Nelson discussed the budget with regard to the garbage compactor site. He did research and learned that our estimated useful life of the compactor is 17 years and 10 years for a rebuilt compactor. We are on course for replacement using the rebuilt cost and this hasn't been factored in to the budget as yet and probably should be soon. It was determined that the reserves can be used for this type of expenditure and therefore is already built into the budget.

The Schwindt study was brought up with regard to recommendations for capital improvements and Olson stated that we have elected to do something different than what the Schwindt study has suggested, in terms of how to handle Capital Projects. And therefore, these two ways of looking at things should be integrated in order to come up with a single approach. However, according to Olson, the Schwindt study recommendations are complex and time consuming and has not been able to be addressed completely for two years due to board and staff time limitations, and as such other more immediate priorities have taken precedence.

#### Business Office Report including the Cabana Reservation Office Procedure

Reports accepted as submitted.

#### Compactor/RV Storage

Reports accepted as submitted

### Fish & Waterway Management Committee

WILLIAMS MOVED THAT BOARD APPROVE JOHN REICHENBACH AS CHAIR PERSON OF THE FISH AND WATERWAY COMMITTEE. PLATT SECONDED. 9-1 MOTION CARRIED UNANIMOUSLY.

### Receipt of Committee Reports

GABRIELSON MOVED THE BOARD ACCEPT THE COMMITTEE REPORTS FOR THE MONTH OF SEPTEMBER. FLOOD SECONDED. MOTION CARRIED UNANIMOUS.

### Board Goal Setting

Olson directed the board and General Manager to look at the goal setting grid which was used previously and asked members to identify priorities. Several goals were identified within the categories of an Employee Handbook, salary administration, staff/board relationship, assets, capital reserve, asset policy, maintenance schedule, and implementation of 6-Year Water Plan (water delivery), determine operational efficiencies (GM), improve member communication and satisfaction and sustain fish/waterway maintenance.

Robinson will prepare an outline of 2009 goals as identified by the Board and provide this outline for Board review and discussion at the October Board meeting. Outline shall prioritize goals; determine responsibility in organization and timelines to implement goals.

### Closing Floor Comments

George Miller stated he has never seen a better bunch of employees than what Surfside has right now and he encouraged that the board and members work with the staff, as this has been a rewarding experience for him. He also stated that it is his perception that the community would also like for the RV storage to be self sustaining. Miller also thanked the association for putting out the flags, which mean a lot to veterans and non veterans who appreciate those that fought for everyone's freedom. Miller stated that regarding the six year water plan, he worried about affordability and feels better about the board's current leaning. He believes that every lot assessed would help to share the costs. He stated he did attend the budget meetings and heard a lot of discouraging remarks from members of the budget committees and therefore it is his wish that the board's new proposal will not go back to the budget committee. Miller stated he is satisfied with the board's new proposal.

### Recess to Closed Session on personnel, Legal & Contract Issues, i.e. Employee Matters

Session closed at 4:24 P.M.

Reconvene to Open Session for Action Items

Session reconvened at 5:05 P.M.

Topics for the Good of the Order

None reported.

Adjourn

Meeting adjourned at 5:10 P.M.

Respectfully Submitted,

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Warren Olson, President to the Board

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Gary Williams, Exec. Committee Secretary

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Dinah McCreddie, Recording Secretary