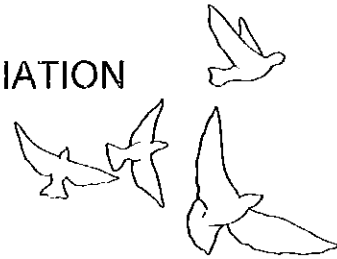


Surfside HOMEOWNERS ASSOCIATION

31402 H Street; Ocean Park, WA 98640
(360) 665-4171; (888) 815-9446



OPERATING BUDGET
WATER MAIN REPLACEMENT
ALLOCATED EXPENDITURE SUMMARY
METER INSTALLATION PROJECT
ALLOCATED EXPENDITURE SUMMARY
2013

BUDGET COMMITTEE

CHAIRMAN: CHRIS HANSON, BOARD TRUSTEE, TREASURER

MEMBERS: MARTIN JENKINS

WALT PLATT

STAFF: LAURA FRAZIER, BUSINESS MANAGER

GINGER BYRD, FINANCIAL ADMINISTRATOR

WILLIAM "BILL" NEAL, WATER SYSTEM MANAGER, BY CONTRACT WITH NORTH BEACH WATER DISTRICT

APPROVED BY BOARD OF TRUSTEES BY RESOLUTION NUMBER 2012-12 ON OCTOBER 20, 2012

RATIFIED BY THE MEMBERSHIP BY MAJORITY VOTE ON (PENDING)

**2013
BUDGET SUMMARY**

	2012	2013
1 OPERATIONAL EXPENSES:		
Business Office	45,000.00	209,366.00
Administrative Department	201,000.00	155,500.00
Water Department	153,000.00	368,462.00
Common Property Department	42,600.00	49,423.00
Sheriff Patrol Department	1,000.00	63,571.00
Refuse/Compactor Department	58,500.00	76,401.00
Recreational Vehicle Department	10,100.00	11,000.00
Association Activities:		
Annual Membership Meeting	5,000.00	5,000.00
Appreciation Dinner	1,200.00	1,500.00
Fishing Derby	1,000.00	1,000.00
Association Contingency	20,000.00	15,000.00
Payroll Expense	493,940.00	
	=====	=====
TOTAL OPERATIONAL EXPENSES:	1,032,340.00	956,223.00

2 PROJECTED OPERATIONAL RESOURCES:		
	40,000.00	40,000.00
	=====	=====
TOTAL PROJECTED OPERATIONAL RESOURCES:	40,000.00	40,000.00

3 CAPITAL IMPROVEMENTS & RESERVE FUND:		
Computer - Business Office		2,000.00
Chloroform Reduction Study - Water Department		30,000.00
Computer Program	15,000.00	
New Service Truck	22,500.00	
Meter Reading Equipment & software	17,000.00	
GIS	15,000.00	
Reserve Fund Contribution	35,000.00	45,000.00
	=====	=====
TOTAL CAPITAL IMPROVEMENTS & RESERVE FUND:	104,500.00	77,000.00

4 FEES & ASSESSMENTS CALCULATIONS:		
Operational Expenses		956,223.00
Projected Operational Resources	- 40,000.00	= 916,223.00
Membership Dues (2021 @ \$100.00)	- 202,100.00	= 714,123.00
Divided by 2853 Lots	=	250.31
Capital Improvement & Reserve Fund	77,000.00	
Divided by 2853 Lots	=	26.99

<u>FEES & ASSESSMENTS:</u>		
MEMBERSHIP DUES	100.00	100.00
PER LOT OPERATIONAL ASSESSMENT	277.02	250.31
PER LOT CAPITAL ASSESSMENT	36.63	26.99
	=====	=====
	413.65	377.30
PER LOT ANNUAL WATER LINE ASSESSMENT	50.00	52.00
	=====	=====
	463.65	429.30

**PROPOSED BUDGET SUMMARY
BUSINESS OFFICE BUDGET**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
PAYROLL EXPENSES		<u>161766.00</u>
SALARIES/WAGES		120773.00
PAYROLL TAXES		14708.00
MEDICAL/LIFE INSURANCE		22662.00
PENSION		3623.00
TAXES	<u>6650.00</u>	<u>6000.00</u>
REAL ESTATE, PERSONAL PROPERTY & EXCISE TAX	5500.00	
INCOME TAX	1000.00	
TAXES, LICENSES & FEES	150.00	
UTILITIES	<u>6700.00</u>	<u>6700.00</u>
TELEPHONE	5000.00	5000.00
ELECTRICITY	1700.00	1700.00
SUPPLIES	<u>10000.00</u>	<u>8000.00</u>
POSTAGE	<u>7800.00</u>	<u>8000.00</u>
MACHINE RENTAL	2800.00	
POSTAGE	5000.00	
PRINTING EXPENSES	<u>4000.00</u>	<u>5000.00</u>
REPAIR & MAINTENANCE	<u>4900.00</u>	<u>4900.00</u>
EQUIPMENT	300.00	300.00
EQUIPMENT LEASES	4600.00	4600.00
TRAVEL REIMBURSEMENT	<u>300.00</u>	<u>1300.00</u>
EMPLOYEE	300.00	1300.00
MISCELLANEOUS	<u>4650.00</u>	<u>7700.00</u>
COMPUTER SERVICE	1500.00	
CONTINUING EDUCATION	300.00	
DUES & SUBSCRIPTIONS	250.00	
BANK CHARGES	1000.00	
OPERATIONAL CONTINGENCY	1600.00	
TOTALS	<u>45000.00</u>	<u>209366.00</u>

**PROPOSED BUDGET SUMMARY
ADMINISTRATION**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
CONTRACT SERVICE	<u>60000.00</u>	
SUPPLIES	<u>850.00</u>	<u>850.00</u>
INSURANCE	<u>50000.00</u>	<u>55000.00</u>
LEGAL FEES	<u>35000.00</u>	<u>35000.00</u>
ACCOUNTING SERVICES	<u>45000.00</u>	<u>45000.00</u>
AUDIT EXPENSE		
CONSULTING FEES		
TRAVEL REIMBURSEMENT		
EMPLOYEE	<u>500.00</u>	
RESERVE STUDY	<u>0.00</u>	<u>10000.00</u>
COMMUNITY RELATIONS	<u>9650.00</u>	<u>9650.00</u>
COMMITTEE		
NEWSLETTER	6500.00	6500.00
WEB SITE	500.00	500.00
CHAMBER MEMBERSHIP	50.00	50.00
WELCOME BASKETS	100.00	100.00
FUNCTIONS & EVENTS	2000.00	2000.00
BEACH CLEAN UP CONTRIBUTION	500.00	500.00
TOTALS	<u>201000.00</u>	<u>155500.00</u>

PROPOSED BUDGET SUMMARY

WATER DEPARTMENT

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
PAYROLL EXPENSES		<u>163962.00</u>
SALARIES/WAGES		108247.00
PAYROLL TAXES		26943.00
MEDICAL/LIFE INSURANCE		25093.00
PENSION		3679.00
 CONTRACT SERVICES		 <u>60000.00</u>
 UTILITIES	 <u>24000.00</u>	 <u>18000.00</u>
TELEPHONE	2000.00	
ELECTRICITY	22000.00	
 SUPPLIES	 <u>43500.00</u>	 <u>54500.00</u>
OFFICE SUPPLIES	1500.00	1500.00
WATER SYSTEM PARTS	20000.00	20000.00
TOOLS	6000.00	19000.00
FUEL	12000.00	10000.00
CLOTHING ALLOWANCE	2000.00	2000.00
SAFETY EQUIPMENT/SIGNS	2000.00	2000.00
 REPAIR & MAINTENANCE	 <u>25000.00</u>	 <u>25000.00</u>
VEHICLES		
INLAND MARINE EQUIP.		
DEEP WELLS		
WTR OFFICE/BOOSTER ST.		
WATER WAREHOUSE		
J-4 & J-5 PUMPHOUSE		
J-1 PUMPHOUSE		
TELEMETRIC EQUIPMENT		
EMERGENCY EQUIPMENT		
RESERVOIRS		
HYDRANTS		
POWER EQUIPMENT		
 TRAVEL REIMBURSEMENT-EMP	 <u>4000.00</u>	 <u>5500.00</u>
 TESTING & TREATMENT	 <u>42500.00</u>	 <u>17500.00</u>
WATER TESTING	7500.00	7500.00
WATER TREATMENT	15000.00	10000.00
 PROFESSIONAL SERVICES		
ENGINEERING / GIS	20000.00	<u>10000.00</u>
 MISCELLANEOUS	 <u>14000.00</u>	 <u>14000.00</u>
COMPUTER SERVICE	1500.00	1500.00
CONTINUING EDUCATION	3000.00	3000.00
DUES & SUBSCRIPTIONS	1500.00	1500.00
TAXES, LICENSES & FEES	3000.00	3000.00
SURVEYING	0.00	0.00
SECURITY	0.00	2200.00
OPERATIONAL CONTINGENCY	5000.00	2800.00
 TOTALS	 <u>153000.00</u>	 <u>368462.00</u>

**PROPOSED BUDGET SUMMARY
COMMON PROPERTY**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
PAYROLL EXPENSES		<u>17823.00</u>
SALARIES/WAGES		14196.00
PAYROLL TAXES		3627.00
MEDICAL/LIFE INSURANCE		0.00
PENSION		0.00
CONTRACTED CLEANING	<u>0.00</u>	<u>0.00</u>
ELECTRICITY	<u>2000.00</u>	<u>2000.00</u>
SUPPLIES	<u>1600.00</u>	<u>1600.00</u>
REPAIR & MAINTENANCE	<u>12000.00</u>	<u>10000.00</u>
ADMINISTRATION BLDG		
COMMON GROUNDS & ACCESSES		
CABANA 15		
CABANA 16		
CABANA 17		
BRIDGES		
SANITATION FIXTURES/ SYSTEMS		
LAWN MOWING		
CHEMICAL SPRAYING		
EQUIPMENT RENTAL		
MISCELLANEOUS	<u>27000.00</u>	<u>18000.00</u>
SANICAN RENTAL	1000.00	1000.00
FISH MANAGEMENT	4000.00	4000.00
WATERWAY TREATMENT	9000.00	6500.00
WATERWAY MANAGEMENT	10000.00	5000.00
EDUCATION PROGRAM	0.00	0.00
PEST CONTROL	0.00	1000.00
SURVEYING	0.00	0.00
OPERATIONAL CONTINGENCY	3000.00	500.00
TOTALS	<u>42600.00</u>	<u>49423.00</u>

**PROPOSED BUDGET SUMMARY
PATROL**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
PAYROLL EXPENSES		<u>62071.00</u>
SALARIES/WAGES		44554.00
PAYROLL TAXES		9139.00
MEDICAL/LIFE INSURANCE		7041.00
PENSION		1337.00
SUPPLIES	<u>1000.00</u>	<u>1500.00</u>
TOTALS	<u>1000.00</u>	<u>63571.00</u>

**PROPOSED BUDGET SUMMARY
COMPACTOR**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
PAYROLL EXPENSES		<u>17901.00</u>
SALARIES/WAGES		13759.00
PAYROLL TAXES		4142.00
MEDICAL/LIFE INSURANCE		0.00
PENSION		0.00
ELECTRICITY	<u>500.00</u>	<u>500.00</u>
REFUSE COLLECTION	<u>55000.00</u>	<u>55000.00</u>
REPAIR & MAINTENANCE	<u>2500.00</u>	<u>2500.00</u>
COMPACTOR BUILDING		
DUMPSTER SHED		
ATTENDANT'S OFFICE		
COMPACTORS		
COMMON GROUNDS		
SUPPLIES	<u>500.00</u>	<u>500.00</u>
TOTALS	<u>58500.00</u>	<u>76401.00</u>

**PROPOSED BUDGET SUMMARY
RV STORAGE**

ACCOUNT	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
ELECTRICITY	<u>7000.00</u>	<u>8000.00</u>
SUPPLIES	<u>100.00</u>	<u>1000.00</u>
REPAIR & MAINTENANCE	<u>2000.00</u>	<u>1500.00</u>
IMPROVEMENTS	<u>1000.00</u>	<u>500.00</u>
OPERATIONAL CONTINGENCY	<u>0.00</u>	<u>0.00</u>
TOTALS	<u>10100.00</u>	<u>11000.00</u>

PROPOSED BUDGET SUMMARY ASSOCIATION ACTIVITIES	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
<u>ANNUAL MEETING:</u>		
FACILITY RENTAL	<u>300.00</u>	<u>300.00</u>
FOOD SERVICE	<u>500.00</u>	<u>500.00</u>
MEETING EXPENSES	<u>1700.00</u>	<u>1700.00</u>
PRINTING	700.00	700.00
POSTAGE	1000.00	1000.00
SUPPLIES/SERVICES	<u>2500.00</u>	<u>2500.00</u>
TOTALS	<u>5000.00</u>	<u>5000.00</u>

PROPOSED BUDGET SUMMARY APPRECIATION DINNER	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
FOOD	<u>1200.00</u>	<u>1500.00</u>
HALL	<u>0.00</u>	<u>0.00</u>
TOTALS	<u>1200.00</u>	<u>1500.00</u>

PROPOSED BUDGET SUMMARY <u>FISHING DERBY:</u>		
FOOD SERVICE	<u>500.00</u>	<u>500.00</u>
SUPPLIES	<u>500.00</u>	<u>500.00</u>
TOTALS	<u>1000.00</u>	<u>1000.00</u>

ASSOCIATION ACTIVITIES TOTALS:	<u>7200.00</u>	<u>7500.00</u>
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**PROPOSED BUDGET SUMMARY
CONTINGENCY**

	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
ALL DEPARTMENTS:	<u>20000.00</u>	<u>15000.00</u>
TOTAL	<u>20000.00</u>	<u>15000.00</u>

**PROPOSED BUDGET SUMMARY
REVENUES**

	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
ALL DEPARTMENTS:	<u>40000.00</u>	<u>40000.00</u>
TOTAL	<u>40000.00</u>	<u>40000.00</u>

**PROPOSED BUDGET SUMMARY
CAPITAL EXPENSES**

	CURRENT BUDGET 2012	BUDGET COMMITTEE 2013 PROPOSAL
RESERVE FUND CONTRIBUTION	<u>35000.00</u>	<u>45000.00</u>
BUSINESS OFFICE:		
Computer Program	<u>15000.00</u>	
Computer		<u>2000.00</u>
WATER DEPARTMENT:		
J well improvements & blow-off		
New Service Truck	<u>22500.00</u>	
Meter Reading Equipment & software	<u>17000.00</u>	
GIS	<u>15000.00</u>	
Chloroform Reduction Study		<u>30000.00</u>
TOTAL	<u>104500.00</u>	<u>77000.00</u>

**ALLOCATED EXPENDITURE SUMMARY
FOR
2013 WATER MAIN REPLACEMENT PROJECT (WMR)**

	Projected	Projected
	2012	2013
Revenue		
Water Main Replament Assessment *	142,650	148,356
Other Income	0	0
Total Income	142,650	148,356
Expenses		
Labor	51,486	54,061
Wages	34,000	35,700
Employer Taxes	8,449	8,871
Medical and Life Insurance	7,881	8,275
Pension	1,156	1,214
Materials	89,501	92,634
Pipe Hydrants and Fittings	89,501	92,634
Other Expenses	0	0
Total Expenses	140,987	146,694
Summary		
	2012	2013
Total Revenue	142,650	148,356
Total Expenses	140,987	146,694
Cash Increase Decrease	1,663	1,662
Cash At Beginning of Year	3,769	5,432
Cash At End of Year	5,432	7,094

* Per Lot Annual Water Line Assessment (\$52.00)

WMR is a long-term project to replace failing water mains. This project does not have a specific closing date.

**ALLOCATED EXPENDITURE SUMMARY
FOR
2013 METER INSTALLATION PROJECT (MIP)**

	Projected	Projected
	2012	2013
Revenue		
Service Meter Installation Fee	598,973	96,600
Other Income	0	0
Total Income	598,973	96,600
Expenses		
Labor	29,499	31,005
Wages	19,500	20,475
Employer Taxes	4,846	5,088
Medical and Life Insurance	4,520	4,746
Pension	633	696
Materials	182,301	167,896
Meters (HD Supply)	89,905	76,583
Appurtenances (HD Fowler)	92,396	91,313
Other Expenses	0	0
Total Expenses	211,800	198,901
Summary		
	2012	2013
Total Revenue	598,973	96,600
Total Expenses	211,800	198,901
Cash Increase Decrease	387,173	(102,301)
Cash At Beginning of Year	0	387,173
Cash At End of Year	387,173	284,872

Executive Summary:

The goal of the 2013 Surfside Budget Committee is to remain fiscally conservative in our approach while not compromising Surfside's future through fiscal shortsightedness. The Budget Committee is preparing the 2013 budget with fiscal transparency and candor.

At the 2012 Surfside Homeowners Association's annual meeting, a motion was passed to change the format of the budget to include labor costs for each department in that department. The Budget Committee has implemented the motion in the 2013 operations budget.

Surfside Homeowners Association is authorized under chapter 64.38 RCW¹ and is governed by chapter 64.38 RCW, chapter 24.03 RCW², its Articles of Incorporation and Bylaws, Surfside's restrictive covenants, and the Surfside Operations Manual. Chapter 64.38.025 RCW codifies the manner in which Surfside must develop, approve, and ratify its annual or special budgets.

There are some significant changes to Chapter 64.38 RCW that became effective January 1, 2012. Most homeowners associations, including Surfside, are now required to hire a reserve-study professional to prepare a statutorily defined reserve study. The purpose of the legislatively mandated reserve study is to disclose to members the financial viability of their association and the association's method of funding future asset and infrastructure repair and replacement. The reserve study will show how the association is planning to fund repair and replacement of significant assets. Chapter 64.38.025 requires the Board to disclose to the members in the budget summary the findings of the reserve study.

Surfside did not contract with a reserve-study professional in 2012. Funds to contract a reserve-study professional are included in the 2013 Operations Budget. The Budget Committee will not be able to provide the Board of Trustees a budget that meets all of the member disclosure requirements of Chapter 64.38.025 RCW with the recommended 2013 budget.

In 2011 and 2012 the Budget Committee budgeted labor for the WMR project in the operations and maintenance of the water system and in the WMR project. This was an oversight that resulted in excess money being transferred to the reserve fund in those years. The Budget Committee has corrected that oversight for the 2013 budget year.

The Budget Committee has created a special budget for the WMR project. The WMR Special Budget is an attachment to the Operations Budget that will detail the projected revenue, expenses, and fund balance for 2013. The WMR Special Budget is

¹<http://apps.leg.wa.gov/rcw/default.aspx?cite=64.38>

² <http://apps.leg.wa.gov/rcw/default.aspx?cite=24.03>

separate from the 2013 Operations Budget. The revenue, expenses, and WMR reserve fund are not reflected in the 2013 Operations Budget.

In accordance with Operating Procedure #103, Department heads, trustees, and committee chairpersons submitted preliminary budgets and requests to the business manager. Some of the budget requests did not meet the September regular Board meeting time limit. The Budget Committee chose to consider those requests despite the fact that they did not meet the time limit.

ASSUMPTIONS:

The Budget Committee prepared the 2013 budget based on the following assumptions.

1. Surfside will have 2,020 dues-paying members in 2013.
2. Surfside will have 2,853 lots paying operational, capital improvement/reserve, and water main replacement assessments.
3. The rate of inflation for goods and services purchased by Surfside will be 2.5% over their cost in 2012.
4. Merit³ increases are calculated at 2% of payroll. For budget purposes, cost of living increases for all employees are calculated at 3% and, pending Board approval, are scheduled to take effect January 1, 2013. The cost of living increase is based on the Bureau of Labor Statistics Consumer Price Index⁴.

Employee Wage Study

Surfside members recognize the value of retaining and rewarding knowledgeable, experienced, and motivated employees. Surfside employs water system operators, equipment operators, pipefitters, solid waste handlers, and grounds maintenance workers for field work. Surfside also employs management and office staff. Surfside is unique in that a Pacific County deputy is contracted through the Pacific County Sheriff's Office to patrol the community. Surfside's deputy sheriff is a duly sworn agent of the Pacific County Sheriff's Office who is on Surfside's payroll.

Surfside's payroll is the largest collective budget item each year. The Budget Committee understands that Surfside members have a right to know that the Board of Trustees is managing this portion of the budget in a fiscally responsible manner. The Budget Committee is also sensitive to Surfside employees' right to privacy. The Budget Committee has performed an employee wage study to evaluate the appropriateness of the wages and salaries paid to Surfside employees in comparison with other workers in the same job classifications in Washington State. The report is attached to this Executive Summary.

³Merit pay increases for eligible employees will be reviewed in January 2013. Merit increases will be based on obtaining or advancing professional certifications, attitude and performance, or increased value in other tangible areas.

⁴<http://www.bls.gov/cpi/>

REVENUES

Surfside revenues are collected from members in the form of membership dues and operational, capital improvement/reserve, and other assessments. Members are also charged fees for services such as water connection and meter installation. Surfside rents recreational vehicle storage units to members on an annual basis. Surfside provides professional assistance to the Oysterville Water System under contract. Surfside earns interest on funds on deposit in banks.

BUSINESS OFFICE

The business office budget expenses include labor costs for the business manager, financial administrator, and board/office secretary. It also includes anticipated expenses associated with the operation of the business office. The business office expenses, other than the addition of labor expenses (\$161,766), will increase from \$45,000 in 2012 to \$47,300 in 2013 (5% increase).

ADMINISTRATION

The administration budget expenses include professional services, and Community Relations Committee expenses. The administration expense will decrease from \$201,000 to \$155,500 (23% decrease). The reserve study professional (\$10,000) is a new expense. The contract services (\$60,000) for water system management has been moved to the water department.

WATER DEPARTMENT

The Water Department budget expenses include labor to operate and maintain the water system. This labor does not include labor for the Meter Installation Project (MIP) or the Water Main Replacement Project (WMR). Labor for those projects will be reflected in special budgets that will be an attachment to the operating budget. The Water Department expenses, other than the addition of labor expenses (\$163,962), will increase from \$153,000 to \$204,500 (34% increase). The increase is primarily due to moving contract services (\$60,000) for the water system management from the administration expenses. There will be a savings in the electricity expenses. In 2012 the utilities expense was budgeted at \$24,000. In 2013 that amount is decreased to \$18,000. The electricity bill at the J wellfield will be much less due to the completion of the J-Well Field improvements Project. We converted all of the well pumps from 240-volt single-phase power to 408-volt three-phase power and we eliminated two single-phase services. The Budget Committee also cut the engineering budget from \$20,000 to \$10,000. The disinfection by-product issue has been resolved with the Department of Health, so our need for engineering will be decreased significantly. The supplies budget item was increased by the Budget Committee from \$43,500 in 2011 to \$54,500 in 2012. The reason for the increase is to provide funds for the Water Department to purchase a towable lighting tower. Due to the condition of the water mains within the Surfside community, the Water Department regularly repairs water mains after dark.

Currently, the Water Department uses halogen lights on stands that need to be plugged into a power source. The cords are a constant tripping hazard and the stands need to be placed close to the excavation on unstable soil. Placing the lights close to the excavation creates a hazard. The light could fall into the excavation. The excavation has standing water. The situation creates a high hazard for electrocution. To counter that hazard an employee is assigned to each light to secure it from falling while in use. The purchase of a towable lighting tower will make the work much safer for our employees during such events.

The other item that the increased budget will provide is a treatment plant dehumidifier. The Surfside treatment plant houses the ATEC[®] iron and manganese removal vessels. There are eight 48-inch-by-72-inch steel tanks holding about 400 cu. ft. each. There is more than 80 feet of 6-inch ductile iron pipe. The pipe and vessels have water that averages 54° F. During the summer months the dew point is consistently above 54°. When the dew point is above the temperature of the water in the pipes and vessels, condensation forms on the pipes and vessels. The condensation on the pipes and vessels promotes oxidation of the metal. Uncontrolled oxidation leads to high maintenance costs and premature failure of infrastructure.

The water crew spent over 240 man-hours treating for rust and repainting all of the filtration vessels in the water treatment plant in March of 2012. The work concentrated on the areas with the most rust damage. Rust on other less critical metal objects will be repaired during the winter of 2013. The installation of a commercial dehumidifier will keep the dew point below 50°, and will stop damaging condensation reducing maintenance costs and prolonging the useful life expectancy of the infrastructure.

COMMON PROPERTY

The common property budget expenses include labor and materials to maintain Surfside's properties such as the cabanas, bridges, parks, and the business office. The expenses include the maintenance of the waterways and fish management. The common property expenses, other than the addition of labor expenses (\$17,823), will decrease from \$42,600 to \$31,600 (26% decrease). The largest decrease will be in the waterway management budget item (\$10,000 in 2012 to \$5,000 in 2013) and the waterway treatment budget item (\$9,000 in the 2012 budget to \$6,500 in 2013). Repairs and maintenance were reduced by \$2,000, and operation contingency was reduced from \$3,000 to \$500.

PATROL

The patrol expenses include labor and supplies that provide security to Surfside members and their property. The patrol expenses, other than the addition of labor expenses (\$62,071), will increase from \$1,000 in 2012 to \$1,500 in 2013 (50%

increase) this increase is due to GIS technology being added to the patrol vehicle. There is an annual maintenance fee for the GIS operation.

COMPACTOR

The compactor budget expenses include labor and materials to maintain Surfside's trash compactor. There are no major expenses expected for the compactor in 2013. The compactor expenses, other than the addition of labor expenses (\$17,901), will remain the same at \$58,500.

RV STORAGE

The RV storage budget expenses include utilities, repair and maintenance, supplies, and improvements. Labor to maintain the RV storage is negligible and will be credited against the Common Property Department labor. The RV storage expenses will increase from \$10,100 in 2012 to \$11,000 in 2013 (9% increase). The RV storage area received a major upgrade in 2012. Approximately 45 spaces were upgraded to provide electrical service. More spaces with electricity available will increase power consumption. In anticipation of the increase the Budget Committee increased the electricity budget item from \$7,000 in 2012 to \$8,000 in 2013. Annual rent for RV spaces with power available is \$160 a year, versus \$80 per year for spaces without power. The potential increase in annual revenue by adding power to 45 spaces is \$3,600.

ASSOCIATION ACTIVITIES

The budget for association activities includes money to fund the annual meeting and picnic that follows, appreciation dinner, and fishing derby. The association activities expenses will increase from \$7,200 in 2012 to \$7,500 in 2013 (4% increase).

CONTINGENCY

The budget for contingency includes funds budgeted for unforeseeable expenses. The Surfside Operations Manual includes a "Board Policy" for the "Purpose and Procedures for Use of Contingency Funds."⁵ The contingency budget was decreased from 20,000 in 2012 to \$15,000 in 2013 (25% decrease). Surfside has historically not used a very large percentage of the contingency fund. Considering that, the Budget Committee recommends a significant decrease in the amount of money budgeted for contingency.

REVENUES

The revenues portion of the budget is money generated by Surfside other than dues and assessments or special projects. These revenues include RV rental payments, water system connection fees, bank interest, contract services to Oysterville, and

⁵ Found on Page 25 and 26 of the Operations Manual.

other revenue sources. The Budget Committee recommends Surfside budget \$40,000 in revenues for 2013.

CAPITAL EXPENSES

The budget for capital expenses includes funds for special projects or one-time purchases that will be capitalized by the association. The capital expense budget includes the 2013 reserve account contribution. In 2012 the capital improvement budget was \$104,500. In 2013 the capital improvement budget will be \$67,000 (36% decrease). The 2012 budget included a \$35,000 contribution to the reserve account. The Budget Committee recommends a \$35,000 contribution to the reserve fund in 2013.

The business office is requesting \$2,000 for a new computer.

The Water Department is requesting \$30,000 to perform a Chloroform Reduction Study. The Water Department submitted a report titled "2013 Capital Improvement Budget Request- Chloroform Reduction Study" To the Budget Committee detailing the reason for the request. The report is attached to this summary.

FUNDS

Surfside maintains operational, reserve, and special purpose funds. The operational fund is the checking account that is used to pay Surfside's day-to-day expenses. The reserve fund is where Surfside keeps its saving for emergencies and replacement of failed or aging infrastructure. Special purpose funds are kept for money collected for a specific purpose such as the water main replacement project or the meter installation project.

SPECIAL PURPOSE FUND-WATER INSTALLATION PROJECT (MIP)

Chapter 246.290 WAC requires all public water systems to meter each connection by January 22, 2017. Surfside's Board of Trustees via Resolution 01-2011 established a five-year plan to meter all residential, recreational, and commercial water services. The project is estimated to cost \$1,017,500 to meter 1,850 water services. The projected project cost for year 2013 is \$217,012. \$45,395 in labor and \$171,617 for materials.

Members with water services were billed a meter installation charge of \$550.00 in 2012. Members had an option to pay for the meter in one payment or in installments over five years. The MIP fund balance will diminish each year until 2016, when the project will be completed.

There is an MIP Special Budget included as an attachment to the Operations Budget that will detail the projected 2013 revenue, expenses, and fund balance. The 2013 MIP Special Budget is separate from the 2013 Operations Budget. The revenue, expenses, and MIP fund are not reflected in the 2013 Operations Budget. It is expected that this Special Budget will be presented each year until the project is complete (2017).

Resolution 01-2011 provides that when the project is complete, any excess money from the MIP fund be transferred to the reserve fund. In the event the MIP fund does not cover all of the costs to complete the project, money to complete the project will be funded from the reserve fund.

SPECIAL PURPOSE FUND—WATER MAIN REPLACEMENT (WMR)

In 2010 Surfside water mains began to suffer catastrophic failures. In response to those failures, the Board of Trustees established a regular annual water main replacement assessment of \$50.00 per lot. This money is earmarked to replace failing water mains. The goals of the project include replacing one mile of water main a year and installing fire hydrants.

Money in the WMR fund is dedicated to water main replacement and so it rolls over each year. If we do not spend all of the money collected in the WMR assessment in that year, it remains in the WMR fund as a balance brought forward for the next year. The WMR is a long-term project with a projected 20-year life. The WMR projected cost for year 2013 is \$146,694, \$54,061 in labor and \$92,634 in materials. In 2012 the projected revenue for WMR was \$142,650. As of October 2012 \$137,628 had been received. The Water Department is asking the Budget Committee to increase the WMR assessment from \$50 per lot to \$52 per lot starting in 2013. The increased assessment will increase the projected WMR revenue from \$142,650 to \$148,356.

The 2013 Operations Budget, Capital Improvement Budget, Reserve Fund Budget, WMR Special Budget, and MIP Special Budget were prepared in accordance with Washington State laws⁶, Surfside Homeowners Associations Articles of Incorporation, Bylaws, Operations Manual, and Surfside's Operating Procedure #103.

The Budget Committee respectfully submits these budgets to the Board of Trustees at their October 20, 2012, regular meeting for consideration and approval.

2013 - DUES & ASSESSMENT SUMMARY

Membership Dues - MD	\$100.00 (one per member)
Operation Assessment - OA	\$250.31 (per lot)
Capital Assessment - CA	\$ 26.99 (per lot)
WMR Assessment - WMRA	\$ 52.00 (per lot)
2013 Dues/Assessment for Member who owns one lot	\$429.30

To determine the annual cost to members who own multiple lots, use this formula:

2013 Total Dues and Assessments = MD + (OA X number of lots) + (CA X number of lots) + (WMRA X number of lots).

⁶Chapter 64.38.025

SURFSIDE HOMEOWNERS ASSOCIATION WATER DEPARTMENT

2013 CAPITAL IMPROVEMENT BUDGET REQUEST

Chloroform Reduction Study

The Environmental Protection Agency (EPA) sets the maximum contaminant level (mcl) for specific contaminants found in drinking water. The EPA regulates a group of contaminants in drinking water called disinfection by-products (DBP). DBP are formed when a disinfectant such as chlorine reacts with natural occurring organic matter in water. Disinfection by-products are categorized into two subgroups. The first group is comprised of trihalomethanes and the second group is comprised of haloacetic acids.

Currently, the EPA requires public water systems to test for four trihalomethanes (TTHM) constituents and five haloacetic acids (HAA5). The 5 on the end of the HAA identifies that five constituents are tested for.

Surfside Homeowners Association is required by the EPA and the Washington State Department of Health (DOH) to test for disinfection by-products. Water from Surfside water wells have a high concentration of organic matter, which reacts with chlorine used during the filtration process.

The four constituents of TTHM are: chloroform, bromodichloromethane, chlorodibromomethane, and bromoform.

The EPA has set an MCL level for the sum of the four constituents that constitute TTHM at 80 ug/L (ug/L is part per billion).

The EPA has set a trigger level for the sum of the four constituents that constitute TTHM at 60 ug/L. The trigger level is the point at which additional monitoring is required. If the water is above the trigger level but below the MCL, the DOH requires additional monitoring.

The additional monitoring includes quarterly sampling. As long as the average of the quarterly samples is below the MCL the water system is in compliance with the rule.

The five constituents of HAA5 are monochloroacetic acid (MCCA), dichloroacetic acid (DCAA), trichloroacetic acid (TCAA), monobromoacetic acid (MBAA), and dibromoacetic acid (DBAA).

The EPA has set an MCL for the sum of the five constituents that constitute HAA5 at 60 ug/L. The EPA has not set a trigger level for HAA5.

In 2010, Surfside water exceeded the MCL for both TTHM and HAA5. The Water System Superintendent instituted protocols for operation and maintenance of the water treatment plant and distribution system which resulted in a

reduction of contaminants sufficient to comply with the disinfection by-product rule.

By following the new protocols, the treatment plant operator and distribution system manager have been able to keep TTHM contaminates below the MCL on a quarterly average.

By following the new protocols, the treatment plant operator and distribution system manager have been able to keep the HAA5 contaminates well below the MCL consistently.

As previously mentioned, the MCL for TTHM and HAA5 is the total of the ug/L for all constituents in the group. The TTHM totals follow a pattern, as shown in these samples:

Date	Chloroform	Bromodichloromethane	Chlorodibromomethane	Bromoform	Totals
6/18/2012	39	16	4.3	ND	59.3
8/16/2012	36	13	2.9	ND	51.9
12/19/2011	34	14	3.4	ND	51.4
3/30/2012	44	17	3.8	ND	64.8
8/22/2012	60	22	4.8	ND	86.8
Quarterly Average	44	17	3.7	ND	63.7

As shown in the chart, the TTHM ug/L has been near or above the trigger level most quarters and above the MCL in the third quarter of 2012. The constituent with the highest ug/L is chloroform. Surfside is in compliance with the disinfection byproduct rule.

Chloroform:

Chronic (long-term) human exposure to chloroform through inhalation adversely affects the liver, including hepatitis and jaundice, and the central nervous system, such as depression and irritability. Chloroform has been shown to be carcinogenic in animals after oral exposure and causes an increase in the occurrence of kidney and liver tumors. The EPA has classified chloroform as a Group B2, indicating that it is a probable human carcinogen.

A few studies have investigated the potential association between chloroform in drinking water and developmental effects. As discussed by the U.S. EPA (1994), Kramer et al. (1992) conducted a population-based case-control analysis in Iowa to determine whether exposure to trihalomethanes was associated with low birth weight, prematurity, or intrauterine growth retardation. After adjusting for maternal age, number of previous children,

marital status, education, adequacy of prenatal care, and maternal smoking, the authors found a statistically significant association between exposure to chloroform levels in water of at least 10 ug/L and intrauterine growth retardation. The association remained when the only water source was deep wells, a source unlikely to be contaminated with pesticides and other chemicals, aside from disinfection by-products. The study noted that chloroform might have been a marker for other organic halides. A recent epidemiological study found an association between spontaneous abortions and total trihalomethanes (TTHM) or TTHM bromodichloromethane (BDCM) in drinking water (Waller et al., 1997). No association with chloroform levels was found.

Chloroform's greatest potential for harm to humans is from the inhalation of chloroform gas during aeration of water (at the tap or in a shower). Chloroform in water is volatile and therefore readily dissipates when water is aerated.

Considering this attribute of chloroform, many drinking water purveyors use water aeration¹ to reduce chloroform ug/l and, therefore, total TTHM ug/l.

Conclusions:

Surfside water has instituted treatment plant and distribution system protocols that have significantly reduced DBP levels. The TTHM levels continue to be at or above the trigger level and occasionally slightly above the MCL. The TTHM constituent with the highest ug/l is chloroform. Chloroform in water is volatile and readily dissipates when subjected to aeration. Many water purveyors use aeration to reduce total TTHM ug/l concentrations.

Request:

The water department respectfully asks the Board of Trustees to add \$30,000 to the 2013 budget to enter into a contract with a consultant to conduct a "Chloroform Reduction Study" (Study). The Study will be completed in two phases. Phase one will comprise a pilot test on the effectiveness of aeration on the removal of chloroform and other TTHM in the reservoir. The pilot test will be submitted to the Southwest Washington Office of Drinking Water for its approval as a project before initiation. Using the data collected during phase one, the consultant will complete phase two, which will entail design work to install aeration equipment. The design work deliverables will be plans and specifications approved by the Southwest Washington Office of Drinking Water and an engineer's estimate for the installation of aeration equipment. The installation of the aeration equipment will be considered during the preparation of the 2014 budget as a capital improvement.

¹ Interim Treatment guide for the Control of Chloroform and other Trihalomethanes 5th edition

SURFSIDE HOMEOWNERS ASSOCIATION

2012 BUDGET COMMITTEE REPORT

EMPLOYEE WAGE STUDY

PAY ROLL. Week ending <u>Aug 6</u> 19 <u>2012</u>											
No.	Names of Employees	Mon	Tue	Wed	Thu	Fri	Sat	Total	Rate	Amount	Remarks
	<i>Allen, Wm L.</i>	8	10	10	11	8		57	2.95	17.07	
	<i>Brown, Martin</i>	10	10	7	8	5	10	50	2.95	17.06	
	<i>Eaton, J. D.</i>	10	4	10	8	12	8	52	2.95	17.06	
	<i>Parker, Chas.</i>	10	10	9	11	12	12	64	2.95	18.16	
	<i>Reade, Chas.</i>	8	8	10	10	12	10	58	1.25	13.02	
	<i>Rogers, John</i>	10	10	4	9	10	10	53	2.95	15.85	
	<i>Watson, Jas.</i>	10	12	10	12	10	15	69	2.95	23.26	
										121.80	

Overview

Surfside has eight regular full time employees, three regular part time employees, and one temporary employee hired each summer for landscape maintenance work. The work these employees do is vital to the maintenance and operation of Surfside assets. Along with asset management, they provide vital services to the members that enhance property values. Surfside members want their employees to be paid a fair wage for the work they perform.

The purpose of this study is to compare the wages paid to Surfside employees to those employed in the same occupations throughout Washington State. The Budget Committee will balance that comparison with local factors to determine if the wages of Surfside employees are fair and equitable.

Payroll makes up a large percentage of the operations and special budgets expense each year. This study is undertaken by the Budget Committee to provide reliable information to the members of Surfside Homeowners Association that the Board of Trustees is being fiscally responsible in the management of the largest collective budget item.

Methodology

This is the first Employee Wage Study performed by the Budget Committee. It is anticipated that the Budget Committee will perform an Employee Wage Study on a regular if not annual basis. The methodology for this first Employee

Wage Study will be straightforward in its approach. The Budget Committee will rely on data provided by the United State Bureau of Labor Statistic (BLS) published in its Occupational Employment Statistics report - May 2011 State Occupational Employment and Wage Estimates Washington¹ (OES).

In 1999, the OES survey began using the Office of Management and Budget (OMB) Standard Occupational Classification (SOC) system. The May 2010 OES estimates mark the first set of estimates based, in part, on data collected for the SOC system.

Using the SOC system the Budget Committee selected an occupational classification that most closely represented the job each employee performs for Surfside. Those clarifications and their descriptions are included in the study.

The SOC wage information is compiled in a graduating configuration. It identifies the mean wage and then provides the 10%, 25%, 50% (median) 75%, and 90% levels. Mean average is calculated differently than median average. Take a sequence of five numbers such as 1-3-5-8-10 the mean average is 5 because it is the number in the middle of the sequence. The median average is calculated by adding the five numbers and then dividing the sum by 5. The median average is 5.4.

Pacific County is an economically depressed area. According to the Washington State Office of Financial Management the median household income for Pacific County in October 2010 was \$36,914. The median household income for Washington State was \$54,888. The Budget Committee used these figures to create a correction factor to use in the BLS OES findings. On average, households make 33% less in Pacific County than the average of all counties in Washington State. The BLS OES findings are an average of workers from all counties in Washington State. The Committee selected a correction factor of between 0% and 33% to use in adjusting the wage levels in the BLS OES down to reflect the true economic condition in Pacific County. For the lower paid jobs we used the lower percentage correction factor. For the higher paid jobs we used a higher percentage correction factor.

The Employee Wage Study did not take into account employee benefits. It is assumed that Surfside provides their employees benefits similar to other employers within the area.

In determining the occupational classification of each employee the Budget Committee, to the best of its ability, attempted to find the classification that most closely met the work currently being performed by each employee. The Budget Committee did not attempt to evaluate if greater efficiencies or

¹ http://www.bls.gov/oes/current/oes_wa.htm

economies could be achieved by rearranging the workforce or consolidating their tasks.

Conclusions

After evaluating each wage and comparing them to the BLS OES as corrected by our above described "correction factor", the Budget Committee has determined that a few Surfside employees are receiving a fair and equitable wage for their services while others appear to be receiving a wage below what would be considered fair and equitable. The Budget Committee determined that Surfside does not have any employees who would be considered overly compensated.

Most of the employees are working between the 10% and 25% level of the compensated (lowered) wage range. This means that 75% to 90% of workers in Pacific County are working for a higher wage than most Surfside employees receive for the same job. State wide the percentage would be significantly higher.

Some of our employees are working in the 10% or lower level of the compensated (lowered) wage range. This means that more than 90% of workers in Pacific County are working for a higher wage than some Surfside employees receive for the same job. State wide the percentage would be about the same because they are working at or close to the minimum wage.

Surfside has two employees who are being paid in the 50% (median) to 75% level of the compensated (lowered) wage range. This means that 25% to 50% of workers in Pacific County are working for a higher wage than these two Surfside employees receive for the same job. State wide these employees would be in the 10% to 25% range. These employees have been with Surfside for many years acquiring vast institutional knowledge of Surfside's infrastructure, assets, policies, and procedures. These employees have demonstrated superior dedication and loyalty to Surfside.

The following pages provide details on the BLS OES/Surfside compensated wage ranges.

The Budget Committee respectfully submit this report to the Board of Trustees for their consideration as an attachment to the proposed 2013 budget.

37-3019 Grounds Maintenance Workers, All Other

All grounds maintenance workers not listed separately.

	Correction Factor 10%	Mean wage	10th percentile	25th percentile	Median	75th percentile	90th percentile
BLS OES	Annual (2)	\$33,860	\$23,210	\$26,220	\$29,130	\$39,120	\$55,790
	Hourly	\$16.28	\$11.16	\$12.61	\$14.00	\$18.81	\$26.82
Surfside Corrected	Annual (2)	\$30,474	\$20,889	\$23,598	\$26,217	\$35,208	\$50,211
	Hourly	\$14.65	\$10.04	\$11.35	\$12.60	\$16.93	\$24.14

43-9061 Office Clerks, General

Perform duties too varied and diverse to be classified in any specific office clerical occupation, requiring knowledge of office systems and procedures. Clerical duties may be assigned in accordance with the office procedures of individual establishments and may include a combination of answering telephones, bookkeeping, typing or word processing, stenography, office machine operation, and filing.

	Correction Factor 0%	Mean wage	10th percentile	25th percentile	Median	75th percentile	90th percentile
BLS OES	Annual (2)	\$31,920	\$20,430	\$24,770	\$30,260	\$36,990	\$45,790
	Hourly	\$15.35	\$9.82	\$11.91	\$14.55	\$17.78	\$22.01
Surfside Corrected	Annual (2)	\$31,920	\$20,430	\$24,770	\$30,260	\$36,990	\$45,790
	Hourly	\$15.35	\$9.82	\$11.91	\$14.55	\$17.78	\$22.01

47-2073 Operating Engineers and Other Construction Equipment Operators

Operate one or several types of power construction equipment, such as motor graders, bulldozers, scrapers, compressors, pumps, derricks, shovels, tractors, or front-end loaders to excavate, move, and grade earth, erect structures, or pour concrete or other hard surface pavement. May repair and maintain equipment in addition to other duties. Excludes "Crane and Tower Operators" (53-7021) and "Extraction Workers" (47-5000).

	Correction Factor 20%	Mean wage	10th percentile	25th percentile	Median	75th percentile	90th percentile
BLS OES	Annual (2)	\$57,270	\$34,890	\$43,500	\$56,480	\$69,710	\$81,530
	Hourly	\$27.53	\$16.77	\$20.91	\$27.15	\$33.51	\$39.20
Surfside Corrected	Annual (2)	\$45,816	\$27,912	\$34,800	\$45,184	\$55,768	\$65,224
	Hourly	\$22.03	\$13.42	\$16.73	\$21.72	\$26.81	\$31.36

47-2151 Pipelayers

Lay pipe for storm or sanitation sewers, drains, and water mains. Perform any combination of the following tasks: grade trenches or culverts, position pipe, or seal joints. Excludes "Welders, Cutters, Solderers, and Brazers" (51-4121).

	Correction Factor 20%	Mean wage	10th percentile	25th percentile	Median	75th percentile	90th percentile
BLS OES	Annual	\$56,290	\$35,920	\$45,540	\$57,200	\$68,100	\$74,810
	Hourly	\$27.06	\$17.27	\$21.89	\$27.50	\$32.74	\$35.97
Surfside Corrected	Annual	\$45,032	\$28,736	\$36,432	\$45,760	\$54,480	\$59,848
	Hourly	\$21.65	\$13.82	\$17.52	\$22.00	\$26.19	\$28.77

51-8031 Water and Wastewater Treatment Plant and System Operators

Operate or control an entire process or system of machines, often through the use of control boards, to transfer or treat water or wastewater.

	Correction Factor 20%	Mean wage	10th percentile	25th percentile	Median	75th percentile	90th percentile
BLS OES	Annual	\$54,940	\$38,460	\$45,290	\$54,820	\$64,760	\$73,210
	Hourly	\$26.41	\$18.49	\$21.77	\$26.36	\$31.13	\$35.20
Surfside Corrected	Annual	\$43,952	\$30,768	\$36,232	\$43,856	\$51,808	\$58,568
	Hourly	\$21.13	\$14.79	\$17.42	\$21.08	\$24.91	\$28.16

The above data can be verified by visiting - http://www.bls.gov/oes/current/oes_wa.htm.



Occupational Employment Statistics

What are Percentile Wages?

The percentile wage estimate is the value of a wage below which a certain percent of workers fall.

The following table provides an example of an occupation's percentile wages:

Percentile	10%	25%	50% Median	75%	90%
Hourly Wage	\$11.00	\$15.00	\$20.00	\$24.00	\$29.00
Annual Wage	\$22,880	\$31,200	\$41,600	\$49,920	\$60,320

The hourly wage estimates in this example indicate that:

- 10% of employees earn less than \$11.00 per hour; therefore the remaining 90% earn more than \$11.00 per hour.
- 25% earn less than \$15.00; 75% earn more than \$15.00.
- 50% earn less than \$20.00; 50% earn more than \$20.00 (The 50th percentile is called the Median).
- 75% earn less than \$24.00; 25% earn more than \$24.00.
- 90% earn less than \$29.00; 10% earn more than \$29.00.

The annual wage estimates in this example indicate that:

- 10% of employees earn less than \$22,880 per year; therefore the remaining 90% earn more than \$22,880 per year.
- 25% earn less than \$31,200; 75% earn more than \$31,200.
- 50% earn less than \$41,600; 50% earn more than \$41,600 (The 50th percentile is called the Median).
- 75% earn less than \$49,920; 25% earn more than \$49,920.
- 90% earn less than \$60,320; 10% earn more than \$60,320.

Last Modified Date: July 8, 2011

U.S. Bureau of Labor Statistics | Division of Occupational Employment Statistics, PSB Suite 2135, 2 Massachusetts Avenue, NE Washington, DC 20212-0001

www.bls.gov/OES | Telephone: 1-202-691-6569 | [Contact OES](#)