

State of the Estate

Lummi Island Scenic Estates

Annual Group Meeting

April 11, 2009

By Bill Boulton, President

2008 AGM

- LISE members voted to apply for DWSRF low interest loan.
- LISE members expressed concern that lot owners were paying for all water costs, and we needed to more fairly allocate water costs to water users.
- LISE members voted to increase lot fees by \$50 for 2008.

TASK #1: DWSRF APPLICATION

- **Applied for a 1.5% interest DWSRF (Drinking Water Sinking Revolving Fund) loan by April 30, 2008.**
 - ✓ LISE employees & board met the April 30 application deadline.

TASK #2: LABOR POLICIES

- DWSRF eligibility required that LISE policies **address today's laws** regarding labor practices, discrimination, drug policies, etc.
 - LISE approved a new Personnel Policy in August 2008.
 - All employees read the policy and signed their acknowledgement of its content.

TASK #3: ACCOUNTING STANDARDS

- DWSRF eligibility required that LISE follow **“generally accepted government accounting standards”**.
 - ✓ LISE will develop a general ledger of assets
 - ✓ LISE will depreciate assets and fund replacement reserves.
 - ✓ LISE will keep interest on reserves.
 - ✓ LISE will account for water costs.
- LISE is adopting “generally accepted government accounting practices” and updating financial reports

TASK #4: ADEQUATE RESERVES

- **DWSRF eligibility required LISE to have a dedicated source of revenue to meet reserve requirements.**
- **LISE established \$25 “water connection charges” to start on January 2008**
 - ✓ **“Article 4.5.2.1: In addition to annual dues and/or assessments levied against all lots, the Board of Directors shall have the power to levy charges against any lot or lots for services actually supplied or rendered, including water.”**

TASK #5: LISECC WATER PLAN

- DWSRF eligibility required a DOH approved Small Water System Management Plan by September 30.
 - ✓ **A 94 page strategic plan was submitted to DOH and approved by the September 30 deadline**

TASK #6: FINANCIAL CAPACITY

- DWSRF required LISE to prove its financial **ability to repay the loan** by November 21.
 - ✓ LISE employees & board members submitted required documentation by the deadline
 - ✓ LISE employees & board members met with PWD and DOH officials on February 19 to review LISE repayment capabilities.

LOAN APPLICATION APPROVAL

- The Public Works Board voted on March 3, 2009 to offer LISE the DWSRF loan with the following conditions:
“Lummi Island Scenic Estates Community Club, Inc. - Applicant has agreed to maintain at least **\$25 a month per customer water rate for all customers** in 2008 onwards and implement a capital assessment of **\$24 a month per customer beginning 2010 through 2029.**”
✓ LISE received this letter on March 14.

DWSRF LOAN COVERAGE

Engineering	\$ 50,940
Fees, Permits & Surveys	\$ 20,000
Inspections	\$ 23,000
Communication & Audits	\$ 20,400
Water meters	\$130,200
Construction	\$602,400
<u>Contingency & Taxes</u>	<u>\$126,611</u>
Total Loan	\$983,395

LISECC RESPONSIBILITIES

LISECC MUST COMPLY WITH ALL TERMS OF THE LOAN

✓ Misuse of the proceeds may cause the loan to be terminated. Upon such termination, the entire remaining balance of the loan together with any interest accrued, shall be paid immediately.

2009 LOAN AGENDA

- **APRIL 15: 1.5-year process cannot be delayed.**
 - ✓ Complete EPA report
 - ✓ Complete Resolutions for \$24 and \$25 fees.
 - ✓ Complete final loan estimate
- **June 2: Complete Contract Specifications with PWB/DOH (Wilson Engineering)**
- **October 1: Begin Draws for Water Project**

8,236 feet of Main Replacement

1. 410' 1158 Island Drive from shutoff on PRV side of the road, across Island Drive
 2. 252' 1108 Island Drive down the easement to 1108 Berry Way
 3. 120' 1108 Berry Way down easement ending at 1143 Clark Circle
 4. 65' 1108 Berry Way to end at 1112 Berry Way.
 5. 240' 1108 Berry Way to end at 1103 Berry Way.
 6. 430' 1152 to 1164 Island Drive connected to 2" crossing Island Drive.
 7. 325' 2859 Cedar Ave (at junction with Beach) to end at 1130 Cedar
 8. 544' 1197 Island drive to end at 1253 Jamison
 9. 130' 1210 Jamison to end at 1218 Circle Street
 10. 830' 2980 Dogwood Terrace to end at 2944 Dogwood Terrace
 11. 695' 1202 Scenic Place to end at 1162 Hummingbird
 12. 975' 1194 Island Drive (Lake PRV) to end at 2901 Rosewood
 13. 540' 2932 Rosewood to end at 2959 Carol Lane
 14. 725' 1194 Island Drive (Lake PRV) to end at 2901 Island Drive
 15. 180' 1065 Island drive to end at 1066 Dana Circle
 16. 160' 1194 Island Drive down hill to end at 1105 Island Drive
 17. 375' 1286 Island drive to end at 1282 Baker Avenue
 18. 400' 1206 Island drive to end at 2982 Cove Avenue
 19. 710' 3047 Hales Passage to end at 3090 Hales Passage
 20. 130' 1124 Island drive to end of cul de sac at 1136 Island Drive
- TOTAL 8,236 Feet

DWSFR DISBURSEMENTS

Disbursement:	DWSRF	Date
DRAW	\$99,321.89	10/1/2009
DRAW	\$148,982.83	11/1/2009
DRAW	\$248,304.71	12/1/2009
DRAW	\$248,304.71	1/1/2010
DRAW	\$148,982.83	3/1/2010
DRAW	\$99,321.89	<u>5/1/2010</u>
TOTAL (Includes loan fee)	\$993,218.85	

Annual Repayment Schedule

2008	DWSRF	Payments are due on the 1st of :	OCTOBER
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20 YEARS	INTEREST	PRINCIPAL	PAYMENT	BALANCE
	1.5%			
2009	\$0.00	\$0.00	\$0.00	\$0.00
2010	\$11,359.94	\$0.00	\$11,359.94	\$0.00
2011	\$14,898.28	\$52,274.68	\$67,172.96	\$993,218.85
2012	\$14,114.16	\$52,274.68	\$66,388.84	\$940,944.17
2013	\$13,330.04	\$52,274.68	\$65,604.72	\$888,669.50
2014	\$12,545.92	\$52,274.68	\$64,820.60	\$836,394.82
2015	\$11,761.80	\$52,274.68	\$64,036.48	\$784,120.14
2016	\$10,977.68	\$52,274.68	\$63,252.36	\$731,845.47
2017	\$10,193.56	\$52,274.68	\$62,468.24	\$679,570.79
2018	\$9,409.44	\$52,274.68	\$61,684.12	\$627,296.12
2019	\$8,625.32	\$52,274.68	\$60,900.00	\$575,021.44
2020	\$7,841.20	\$52,274.68	\$60,115.88	\$522,746.76
2021	\$7,057.08	\$52,274.68	\$59,331.76	\$470,472.09
2022	\$6,272.96	\$52,274.68	\$58,547.64	\$418,197.41
2023	\$5,488.84	\$52,274.68	\$57,763.52	\$365,922.73
2024	\$4,704.72	\$52,274.68	\$56,979.40	\$313,648.06
2025	\$3,920.60	\$52,274.68	\$56,195.28	\$261,373.38
2026	\$3,136.48	\$52,274.68	\$55,411.16	\$209,098.71
2027	\$2,352.36	\$52,274.68	\$54,627.04	\$156,824.03
2028	\$1,568.24	\$52,274.68	\$53,842.92	\$104,549.35
2029	\$784.12	\$52,274.68	\$53,058.80	\$52,274.68
	\$160,343	\$993,219	\$1,153,561.62	

Future Water Rates

- Water meters by end of 2010
 - Meters installed
 - Water use tracked and fed back to users
- Water rate committee
 - Barry Allison
 - Tim Slater
 - Mark Buford
 - Mark Sexton

Conclusion

- We have come a long way in meeting generally accepted business practice
- This loan is critical to LISE's water distribution system
- We must continue to improve communications (improved website & blog - Barry Allison)
- Address board operations: 3 year continuity, carry out business, & activate board members
- I thank you all for your support in these efforts

Questions of Board authority

Article 4.4.2.3: Directors shall have the power

“To conduct, manage and control the affairs and business of the Community Club, and to make such rules and regulation therefore not inconsistent with law, with the Articles of Incorporation or the Bylaws, as they may deem best; provided, that the Directors, unless authorized by majority vote of the members as a special meeting called for that purpose, shall not be empowered to place any lien, mortgage or other encumbrance upon the property of the Community Club.”