

LSHPOA Board of Directors Update of the October 2018 Approved LSH 5 yr. Plan

The following paragraphs are the Executive Summary of the LSH Inc. proposed 5 year plan. This was the summary sent out with the five year plan that was sent to all members for vote in October 2018. The plan was accepted by the LSH members in good standing (56 yes votes 1 no vote out of 82 or 68% of the vote eligible members). The executive summary provides the steps that the LSH board took following the annual 2018 meeting, the summary of information gathered regarding road maintenance costs and forest management over the five years 2019-2023 and an explanation of the five year plan Proforma.

Executive Summary: Lake Shore Homes Inc. Proposed 5 Year Plan (Sept. 2018)

This is a summary of the Lake Shore Homes Inc. Board of Directors five year plan as requested in your vote at the Annual LSH 2018 LSHPOA meeting July 7th in the park. The LSH Inc. board was requested to provide a five year plan to include the LSH woods maintenance and stewardship for the health and reduction of fuel (reduced fire hazard) of the 60 acre LSH woods and a 5 year roads maintenance projection to understand actions recommended and the cost associated with the actions. The following steps have been taken to arrive at the five year plan:

1. Northwest Management Inc. (NMI), a well-recognized forest management company with operations in Washington, Idaho and Montana, with good references and an office in Deer Park WA, was contacted and a woods walk through was scheduled.
2. The regional manager Luke Machtolf and crew joined the board and six members in a two hour woods walk through August 1 2018 to review the condition of the LSH woods.
3. An LSH "Woods Walk through report" was written by a member of the board and can be found in the download section of the LSH website and the minutes of the July 7th meeting at www.lakeshorehomeswa.org.
4. The LSH board received a proposal from NMI September 11th.
5. The LSH Inc. board met 9/13/23 to review the NMI proposal, the roads proposal as well as projected expenses and revenues for years 2019 thru 2023. The board agreed that a five year plan based on these reports and proposals be completed and sent to the LSH members by the end of September for approval.

The LSH Inc. 5 year plan was written and reviewed by the LSH board. This LSH Inc.'s five year plan covers:

- a. A summary of the 2018 LSH annual meeting and member vote asking for a five year plan to cover LSH Forest Management and road maintenance.
- b. The LSH Inc.'s Bi-Laws Object and charge to the board of directors.
- c. A summary of road expenses and projections for past years and for the five years 2019 -2023.
- d. The NMI proposal for the management of the LSH woods. NMI proposes, under LSH Board of director's guidance and oversight, to manage and contract the thinning of trees with a focus on diseased trees and overcrowded trees to promote improved health, growth and wildlife habitat.
 - i. This is the first phase of the LSH woods management program and will result in the sale of an estimated 130 M board feet of timber which will offset the cost of the thinning process and produce

revenue for an LSH Forest management account. The revenue to go into a woods management account to cover phase 2 further fuel reduction and reforestation.

- ii. The second phase will be limbing and reforestation if needed to further reduce fire hazard and promote growth of more disease resistant and commercially beneficial trees for long range woods health, growth and better wildlife habitat.
- e. A financial review of LSH Inc.'s revenues and expenses from 2011 to 2018 are provided to show the 8 year LSH financial picture and to establish trends as well as base line numbers for each expense category to make the five year forecast.
- f. The LSH board will move a \$5,000 Certificate of Deposit into the general fund to pay for road grading in 2019. This will leave \$16,000 in CDs for cash reserves.
- g. A five year projected revenue and expense projection for LSH Inc. is provided with projected road maintenance costs, the LSH forest management/stewardship self-paying and addressing all other expense categories, insurance professional and liability, web page and other current line item expenses adjusted for inflation with revenues forecasted at current \$125 per member dues level and one with a dues increase to \$150 per member suggested in year 2020. If dues stay at the current \$125 per member based on 80 members a year paying and same level of donations there will be a \$5,000 net loss over the next five year period which includes the moving of a \$5,000 Certificate of Deposit into the general fund this year. ***If dues are raised to \$150 per member per year starting in 2020, (note: dues increases require a super majority approval of 67% of the dues paid members at the 2019 annual meeting), there will be a net income of about \$2,700 over the 5 year period based on a cash infusion of \$5,000 in 2019.***

The LSH Inc. Board of Directors recommends approval of this five year plan so we can start the LSH forest Stewardship management plan this December to start Phase 1. The LSH Inc. Board has worked very diligently to prepare the member requested LSH Five Year Plan given the vote date of July 7th, the walk through date of August 1, the walk through report August 20th, the NMI proposal September 11th and the reviewed and revised LSH Inc. five year report September 24, 2018. The report also recommends the LSHPOAs vote to increase membership dues to at least \$150 per member in 2020.

A vote to accept this five year plan is not a vote for a dues increase in 2020 but it is a vote to accept the five year plan for proposed road maintenance and the LSH forest stewardship management plan to be contracted to NMI. *There will be a need for a dues increase of at least \$25 per member based on this plan after 2019 but revenues and expenses will be covered for 2019. As in all five year plans there is the opportunity for review and to make adjustments going into 2020 and each year thereafter.*

The Proforma that was part of the emailed/mailed five year plan is as follows. It showed the LSH financial performance for 2017 and projected performance for 2018. It then build a five year projection based on information gathered by the board on roads and forest management and added that to the

projections for FY's 2019 through 2023. The projections showed that for proper roads and forest management that reduced reliance on volunteer work on the roads by mainly board members and by cashing and transferring a \$5,000 CD that without a dues increase of at least \$25 to \$150 per year assuming 82 paid members that there would be an estimated deficit of **\$5,314** between revenue and expenses over the five year period. If dues were raised \$25 dollars there would be a contribution of an estimated **\$ 2,686**.

Lake Shore Homes HOA								
Yearly Financial Summaries & forecast 2019-2023 with/without dues increase								
	2017	2018	2019	2020	2021	2022	2023	
Revenue with current dues	\$10,744	\$11,184	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 52,500
Revenue with dues increase	\$10,744	\$11,184	\$ 10,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 60,500
Expenses								
Road Maintenance - dust control	\$4,741	\$4,813	\$ 4,950	\$ 5,050	\$ 5,150	\$ 5,250	\$ 5,350	
Road Maintenance - gravel		\$ 278		\$ 300		\$ 325		
Road Maintenance - grading gravel			\$ 7,500		\$ 4,000		\$ 5,000	
LSH Forest Management								
LSH Tree Removal - Non NMI				\$ 1,500				
Administrative Support	\$385		\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	
Real Estate Taxes	\$ 61	\$ 65	\$ 70	\$ 75	\$ 80	\$ 85	\$ 90	
Website Hosting	\$ 118	\$ 500					\$ 500	
LSH Postal Box Deer Park	\$ 52	\$54	\$ 54	\$ 56	\$ 56	\$ 58	\$ 58	
Insurance Professional Liability	\$ 1,047	\$1,075	\$ 1,100	\$ 1,125	\$ 1,150	\$ 1,175	\$ 1,200	
Insurance Commercial Liability	\$ 1,939	\$2,000	\$ 2,050	\$ 2,100	\$ 2,150	\$ 2,200	\$ 2,250	
Corporation License renewal	\$ 10.00	\$10	\$ 15	\$ 15	\$ 20	\$ 20	\$ 25	
Total Expenses	\$8,353	\$8,795	\$ 15,839	\$ 10,321	\$ 12,706	\$ 9,213	\$ 14,573	\$ 62,824
Net Incom/loss current dues	\$2,391	\$2,389	\$ (5,359)	\$ 145	\$ (2,240)	\$ 1,250	\$ (4,110)	\$ (10,314)
Net inome/loss increase dues			(\$5,359)	\$2,145	(\$240)	\$3,250	(\$2,110)	(\$2,314)

Net income increases in 2017 & 2018 are due to improved collection of current and past member dues.

(Net Income/Loss current dues five year sum = (\$10,314) + \$5,000 (CD Transfer) = (\$5,314)

(Net Income/Loss Increase dues five year sum= (\$2,314) + \$5,000 (CD Transfer) = \$2,686

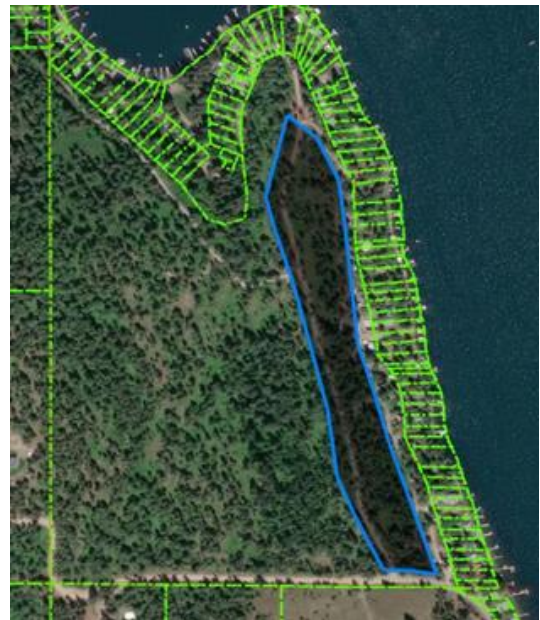
First Year progress on the five year plan – FY 2019:

The LSH Board, as outlined in the 2018 Five Year Plan Executive Summary did a lot of work to develop the LSH five year plan and after approval in October 2018 to put the plan in action. Forest Management was a big unknown as far as cost and implementation. The steps to be taken were outlined in the LSH five year plan and implemented in January 2019. The following is a report of that activity by Ron McCaffery, Woods Supervisor and board member:

Lake Shore Homes Forest Management Report by Ron McCaffery – LSH Forest Supervisor January through June 2019

The LSH Five Year Plan was voted on and approved by the LSH membership in October 2018. The LSH Five Year Plan included forest management. The following is a summary of activity to date.

- 1/27/19 forest management contract signed with Northwest Management Inc. in Deer Park.
- 1/29/19 timber sanitation harvest began on about 40 acres of LSH Woods.
- 2/8/19 forest sanitation harvest completed.
- Parties involved in the above;
 - LSH Board of Directors
 - Northwest Management Inc.
 - Lake City Logging, Hayden, ID
- LSHPOA received \$12,761 early March with NMI reducing their management fee to 20%.
- 3/19/19 Phase II (fire prevention) began.
- 3/19/19 Eastern Washington Forest Landowner Cost-Share Application submitted to Dept. of Natural Resources (DNR).
- 4/15/19 walk through completed with DNR fuels specialist. Fire prevention plan developed.
- 4/22/19 work currently taking place to obtain a contractor to perform fire abatement work. Target completion date 6/30/19 to take advantage of DNR funding (50% of expense). Fire abatement work depends on finding a contractor before June 30th. If contractor is not secured then work will occur in the fall.
- 5/22/19 a contractor was hired from Kettle Falls by NMI. The bobcat-masticator operator and a helper started May 21st and worked on about 10.2 acres along both sides of road 5.
- They worked on a DNR Forestry Cost-Share grant where 50% of the work will be paid by DNR and 50% will be paid by LSH. The Forestry Cost Share project is dedicated to fuel reduction and improvement of the health of the LSH Forest within the 10.2 acres.
- Some 39 new growth Larch have been identified and protected. A green strip along both sides of road 5 and along the east side of the road adjacent to the Lake homes was provided
- LSH website under downloads provides further information.
- The picture shows the proposed 10.2 acres LSH woods area for fuel reduction and improvement of forest health.
- The contracted crew finished the first week of June. There was some negotiations between the crew and DNR regarding final completion of the work.
- Ron McCaffery and members of the LSH were satisfied and pleased with the work.
- The final invoice for the almost two weeks of work is in final process from NMI but is estimated to be about \$8,000.
- This leaves about \$4,761 which the LSH Board recommends to be placed in an LSH Woods management account as seed money for future forest maintenance.



LSH Five Year plan: action Taken on the Roads in 2019:

- LSH board received a bid for road work on roads 5 and 6 from Bode's Sand and Gravel after they walked both roads 5 & 6 with Ron McCaffery and other board members. The bid was for grading and laying down of gravel.
- The bid was for \$2,000 for grading roads 5 and 6. Gravel 1 X ¼ in. black gravel at \$260 per load estimation 12-15 loads of gravel. The plan was to have the work done by Memorial Day weekend. This was accomplished.
- 19 loads of gravel were required to include one load to reduce the grade at the juncture of road 1 and 5. The bid was well within the LSH Five year plan 2019 budget.
- The cost for grading and gravel application was just under the \$7500 budgeted for both roads 5 and 6 at \$ 7,467.
- Dust control was contracted with Morts dust control at \$0.075 per sq. ft. The length of road 5 to the end of road 5 before the S curve going down to the boat ramp is 0.78 miles plus an additional 0.04 miles approximately to within 100 ft. of the lake. The length of road 6 is 0.25 miles. The width of road 5 varies from 11 ft. to over 14 ft. The width of road 6 is 11 ft. The estimation of dust control cost depends on the length and width of the roads so knowledge of length and width is important as well as cost per sq. ft.
- The bid by Morts was for their emulsified asphalt product which is better for application to crushed rock. The invoice from Morts was \$5,969 for both roads 5 & 6.
- A bid was also received from Lyman's dust control for \$0.078 for their Ligno dust binder a wood product based material.
- Application of dust control occurred on June 7th. The driver for Morts was both skilled and conscientious. Application on first road 5 from near the boat launch on road 5 to near the juncture of road 5 & 6, then road 6 and finally from near the juncture of road 5&6 to the entrance of road 5. Drying time for the emulsified asphalt is estimated as not to drive on before 30 minutes then cautiously with drying time of 2 hours. It was difficult to get an exact date for application so notification to LSH members was impossible. Jan Gregerson did an excellent job of holding traffic as best as she could to prevent damage to the application and to cars.

Updated LSH Five Year Plan with estimation of 2019 revenue and expenses:

Five year plans need to be reviewed on an annual basis and adjusted. Also the issue of a dues increase needs to be addressed. The following LSH Five year Proforma with recorded 2019 expenses and estimates for LSH woods DNR fuel reduction project is for review, discussion and action by the LSH board with input and approval by eligible members.

Lake Shore Homes HOA									
Yearly Financial Summaries & forecast 2019-2023 with/without dues increase								w/o increase	w/increase
	2017	2018	2019	2020	2021	2022	2023		
Revenue with current dues	\$10,744	\$11,947	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 52,500	
Revenue with dues increase	\$10,744	\$11,947	\$ 10,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500		\$ 60,500
Revenue from NMI Thinning			\$ 12,761						
Total Revenue 2019			\$ 23,261						
Cash transfer for 2019 budget			\$ 5,000					\$ 70,261	\$ 78,261
Revenue for 2019 budget			\$ 28,261						
Expenses									
Road Maintenance - dust control	\$4,741	\$4,813	\$ 5,969	\$ 6,000	\$ 6,000	\$ 6,100	\$ 6,100		
Road Maintenance - gravel		\$ 278	\$ 300		\$ 300		\$ 300		
Road Maintenance - grading gravel			\$ 7,467			\$ 7,500			
woods Mgt DNR Fuel Reduction est.			\$ 8,000						
LSH Tree Removal - Non NMI				\$ 2,500					
Administrative Support	\$385								
Real Estate Taxes	\$ 61	\$ 65	\$ 65	\$ 75	\$ 80	\$ 85	\$ 90		
Website Hosting	\$ 118	\$ 544					\$ 600		
Postage Printing supplies		\$ 179	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100		
LSH Postal Box Deer Park	\$ 52	\$54	\$ 54	\$ 56	\$ 56	\$ 58	\$ 58		
Insurance Professional Liability	\$ 1,047	\$1,047	\$ 1,047	\$ 1,125	\$ 1,150	\$ 1,175	\$ 1,200		
Insurance Commercial Liability	\$ 1,939	\$1,837	\$ 1,913	\$ 2,100	\$ 2,150	\$ 2,200	\$ 2,250		
Corporation License renewal	\$ 10.00	\$10	\$ 15	\$ 15	\$ 20	\$ 20	\$ 25		
Total Expenses	\$8,353	\$8,827	\$ 24,930	\$ 11,971	\$ 9,856	\$ 17,238	\$ 10,723	\$ 74,718	
Establish Forest mgt acct.			\$ 4,761						
Net income w/o dues increase			\$ 3,331	\$ (1,471)	\$ 644	\$ (6,738)	\$ (223)	\$ (4,457)	
Net income w/ dues increase			\$ 3,331	\$ 529	\$ 2,644	\$ (4,738)	\$ 1,777	\$ 3,543	
Net Income w/ forest mgt act	\$2,391	\$3,120	\$ (1,430)	\$ (1,471)	\$ 644	\$ (6,738)	\$ (123)	\$ (9,118)	
net income w/fma w/increase dues			(\$1,430)	\$529	\$2,644	(\$4,738)	\$1,877	(\$1,118)	
Net income increases in 2017 & 2018 are due to improved collection of current and past member dues.									

- LSH Forest Management brought in \$12,761 for thinning and forest improvement of 40 acres excluding the nearly 10 acres east of road 5.
- Forest fuel reduction and health improvement in a joint contract with NMI and DNR on about 10 acres on both sides of road 5 is estimated to cost \$8,000 leaving \$4,761
- The \$4,761 should go into a forest management account for future forest management projects
- Road maintenance was budget at \$7,500 for FY 2019 and came in at a cost of \$7,467 for both roads 5 and 6.
- Dust control came in at \$5,969 for both roads 5 & 6 and was budgeted at \$4,950 based on the cost of dust control for road 5 in 2018.
- Future projects are for \$2,500 for tree removal which is needed in the area north of the juncture of road 5 & 6 east of road 5 where there is root rot and other tree disease with dying trees.
- There is expense allocated for future road maintenance in 2023 with every two year loads of gravel for road maintenance.
- Annual dust control is expensed at \$6,000 for both roads 5 & 6 with members asking that some consideration be given to dust control of road 4. The EBT Emulsified liquid asphalt products are good for freshly laid gravel. The Ligno product should work for future applications of dust control.