

PSA board of Directors Meeting

February 25, 2012

Meeting called to order by President Tim Vack. Rose read the minutes of the December 17th meeting. The following changes needed to be made: Currently, any **claim against Directors and Officers liability policy** has a \$25,000.00 deductible. Also, Water **use increase** needs to be resolved. Motion by Robert Cook, seconded by Angie Miller to accept minutes, passed unanimously.

Communications committee reported the Newsletter will go out with the next water billing, thus saving the postage.

There will be a Community/Town meeting on May 12th at 10:00AM followed by a BOD meeting at 11:00 AM. The annual BOD meeting to be held on July 14th.

The Park caretakers will be back on April 1st. There is much to be done before summer. We need to paint the Hydrants, clean up well site # 1 and fix the cross connections. Also, need to purchase and install generator.

Discussion of ladders for the Swim dock. Rob is currently fabricating a model.

Lori has the back up for Quick books and will send letters to owners with past due water upgrade and use bills. Also, need to get information and file liens against property owners in arrear for prolonged period of time.

Facilities chair absent due to work, Susan, Angela and Robert Cook will help Darren with getting brochures for Play ground equipment, washer and dryer for caretakers. Will have to contact Insurance Co. to clarify if the NO TRESPASSING sign on Huckleberry Lane is sufficient.

New Business: Appointment of new BOD member to replace Brenda Bamford.

Rick made a motion to appoint Phil Gravicki to the BOD, Rose seconded, passed unanimously

Voted to appoint Lori Gross and Rick Galvin as Co-Treasurers, motion by Robert seconded by Tim, passed unanimously.

Water: Motion by Rob to have NWS complete and update our Capacity Analysis. Currently PSA is only allowed 215 water hookups, we have 228 lots and 1 for the Park. per our Governing Documents we need to have the ability to provide water connections to all PSA lots. The cost is not to exceed @2000.00 per NWS. Robert Cook seconded, passed unanimously.

There was a letter from member Quast, PSA responded. (see below) :

Next BOD meeting on March 10th at 10:00 AM @ Angie Miller's house.

Robert made a motion, seconded by Rose to adjourn the meeting at 12:55

Respectfully,

Rose Sheary, Secretary

February 20, 2012

To: Paradise Service Associates, Inc, (PSA), Board of Directors (BOD):

Officers: President-Tim Vack, V.P.-Angela Miller, Treasurer-Brenda Bamford, Secretary-Rose Sheary, Directors: Finance Chairman-Rick Galvin, Water & Facilities Chairman-Rob Koenig, Facilities Co-Chairman-Darren Porter, Lori Gross, Robert Cook, Bob Miller (lot 1-082)

Subject: The following PSA property owners request to be on the Agenda for the February 25, 2012, PSA BOD Meeting: Jeff & Lisa Quast (lot 1-063), George Young (lot 2-001, 2-002), Larry Pazaski (lot 1-023, 2-234), Bob Miller (lot 1-118), George & Nancy Fullerton (lot 1-106).

We would like clarification on the following issues as mentioned in previous Board Meeting Minutes:

1. October 22, 2012 10 AM, and 2 PM, PSA BOD Meeting Minutes report; Rob Koenig stated, "The Park is locked for the season." (Rob Koenig-PSA Facilities Chairman)

Repeated observations make it obvious the park is not locked. The 261 E. Shore Drive pedestrian gate is unlocked, 24/7, and is open to anyone able to walk into the PSA Private park. This unlocked gate is a serious risk to PSA Liability Insurance.

From Rob Koenig: , I did clarify that the "man-gate" was not locked, it has not been locked for the winter except for when we had that accident, and it was only locked for about a month until we were able to meet with our insurance person and he said to put up the "use at your own risk" signs as sufficient. The gate has not been locked in the past 10 years except during this injury/claim period.

In 12/25/09, this Park had an insurance judgment against it. An individual was injured on the floating moorage ramp/dock. Medical payments of \$10,443.93 were paid from PSA Liability Insurance coverage. **The amount paid was \$10,000** The root cause of these injuries have not been addressed or repaired.

From Liberty NW Insurance:

Good Afternoon Stacy,

In response to your request for information on the above referenced loss I have reviewed the file in detail and will now summarize the claim.

Note: Per statute regarding our "work product" I cannot share any claim documents from the file pending suit being filed.

That said, below is a detailed account of our investigation into, and resolution of this claim.

The incident in question took place on 12/25/09 at the insured location in Shelton WA. Claimant Lynette Fisher and her daughter were walking on a portion of the insured owned dock structure when she slipped and fell. The claimant's parents had lived in the area for years before the incident though the claimant admitted in her statement that she was not familiar with the area. The claimant further indicated that "she did not know how she slipped or what she slipped on." Ms. Fisher suffered a broken distal fibula which required surgery. By all accounts she is completely recovered from the loss with no lasting issues.

Our investigation revealed that there was 0% liability on the insured for this incident. The weather logs indicate temp. was near freezing but there had been no rain or snow in the area proceeding the fall. There was also a question as to why the claimant was even in the area as there were no boats docked in that section during the time of the fall. There were no foreign objects or other hazards that caused that claimant's fall and subsequent injury. Further, upon inspection the dock was in good repair.

Thus we explained our position to the claimant and issued a denial letter directly to her. In said letter as required by law we extended the policy's "no fault" premises medical coverage to policy limit of \$10,000.00.

It should be noted that the offering of this coverage has absolutely no bearing or effect on policy rating , premium, or renewal.

Our file has been closed as of 11/2/2010.

Thank you for your request.

Alexander Van Doren
Commercial Specialist, Portland Field Office
Liberty Northwest Insurance

What plans does the Board have to deal with these issues so they don't occur again?

Duncan Assoc. stated. "Use at your own risk" signs are sufficient.

2. December 17, 2012, BOD Minutes state, "Rick Galvin did report on Finance committee. He has been checking with Insurance and so far the results are very poor. Our coverage is really high and has more holes than Swiss cheese. There will be a RCW change after the first of the new year". "Rick stated that the BOD should NOT enter into any Contract with anyone". (Rick Galvin-PSA Finance Chairman)

The current budgeted insurance has risen, in a few short years, from \$6,823 (from Profit & Loss by Class Oct 2009-Sep 2010) to \$10,750 (2012 Approved budget), with a deductible of \$25,000. The PSA website now includes a 2011 Loss Coverage Document suggesting Homeowners increase their Loss Assessment coverage, indicating the Park isn't carrying enough insurance to cover losses.

To PSA BOD 2/20/12 continued

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Which policy is Rick referring to in the Minutes? – The Directors and Officers Liability policy, or the PSA Property policy? And what is the RCW change he talked about? Based on the condition of the facilities, are the Property Owners adequately covered by the current level of Insurance PSA carries?

Rick is referring to the BOD policy. Due to the Weisman/PSA lawsuit and the insurance settlement, liability insurance for the BOD and officers is now considered high risk. Seven new insurance companies were shopped for this coverage. Five declined and only two responded resulting in high premiums. The current policy will be posted on the website listing the 13 exclusions, (swiss cheese). The ramifications of these exclusions have put PSA in the position to not enter any major contracts until a new policy is attained.

RCW 64.38.065 was effective Jan 1, 2012. This deals with HOA's reserve requirements. This RCW will be posted as well on the website.

The board has determined that the PSA common area coverage is adequate.

3. December 17, 2012, PSA BOD Meeting Minutes state, "Old Business: Water issue needs to be resolved. Tim made a motion to change the current bi-monthly base water usage from 1500 cu. ft. to 3,000 cu. ft." (Tim Vack-PSA President)

The doubling of water usage seem contrary to good water stewardship, as stated in the Small Water System Management Program (SWSMP)(Oct 2011-revised), and State Water Use Efficiency(WUE) program (Third Edition, Jan 2011). Previous Boards have shown the majority of lot owners water use was under the base allotment of the old tiered system, which promoted water conservation.

From : Jon Wiley

President/CEO

Northwest Water Systems, Inc. As long as a rate structure includes a tiered rate it meets the requirements of a measure to achieve the Water Use Efficiency. Further if PSA didn't want to have a tiered rate there are other ways to meet the requirements of WUE and Municipal Water Law Responding to your phone message; the changes in planning documents are the minor updates (\$100 to \$300 in cost and I believe you budgeted for this expense) to the Small Water System Management Program that will be required before PSA's next sanitary survey with the state. We discussed this as a group when the board was here last. These changes are in the area of budget and water use efficiency. That is an over-simplification of a very involved conversation.

NWS works for PSA's board. Our role is to ensure compliance with local, state and federal regulations and achieve the board's interests (with the view that a board is elected to represent the community).

In the context of rate setting, I told Rob the board has the right to change their rates without our consent. The changes need to enable financial viability. As long as a rate structure includes a tiered rate it meets the requirements of a measure to achieve the Water Use Efficiency. Further if PSA didn't want to have a tiered rate there are other ways to meet the requirements of WUE and Municipal Water Law.

There is some associated update with regard to planning documents for any changes, but this doesn't stop the board from changing the direction being taken by the water system.

Jon Wiley

President/CEO

Northwest Water Systems, Inc.

Rate Comparison of Selected Mason County Systems

Prepared by Regina Grimm, P.E. (Office of Drinking Water Regional Engineer)

Water System Name	ADD (gallons per day)	MDD (gallons per day)	Billing Structure		
			Type	Range (in Cubic Feet)	Range (approximated in gallons per Day)
Highland Park (Mason PUD1)	220	440	Tiered	0 to 400 CF 401 to 1000 CF 1000 CF and above	0 to 100 gpd 101 to 250 gpd 251 gpd and above
Agate Beach (Mason PUD1)	321	642	Tiered	0 to 400 CF 401 to 1000 CF 1000 CF and above	0 to 100 gpd 101 to 250 gpd 251 gpd and above
Lake Christine	299	769	Flat Rate		
City of Shelton	184	417	Tiered	0 to 900 CF 900 CF and above	0 to 224 gpd 225 gpd and above
Lake Limmerick	270	540	Tiered	0 to 1600 CF 1600 CF and above	0 to 399 gpd 400 gpd and above
Oak Park	272	544	Tiered	0 to 1500 CF 1501 to 2500 CF 2501 CF and above	0 to 374 gpd 375 to 623 gpd 623 gpd and above

Note:

CF = Cubic Feet

gpd = gallons per day

ADD = Average Day Demand. The ADD is the average water use per single family home over a year period.

MDD = Maximum Day Demand. This is the typical water use per single family home on a summer day (peak water use period).

Why are we updating our water rights permit, at a cost of \$2000, in attempt to change the SWSMPs document that took years to develop, and \$11,000 to have it created and certified by the State?

I believe the park is included in the 228 connections. The goal of the new board, as it was explained to me, was to have an approved connection for every original lot, plus the park. Within reason, we can gain approval for as many connections as you like.

The requirement for the SWSMP is that the community "develop and implement"

their SWSMP. As such, there is no specific schedule on which it must be updated. The most common update periods are: 1) Once every six years (like the Water System Plan). 2) Once before each Sanitary Survey. 3) Annually. In my mind, if you are having someone else complete the SWSMP, it makes the most sense to do it prior to each Sanitary Survey. This gives an opportunity to have an updated document to show DOH demonstrate that you are a pro-active system that is well organized.

December 17, 2012, BOD Minutes state, "Brenda said that the Budget for the Water system is low and we need to transfer funds from General to cover payments for

Per the SWSMP document (3.3 Six-Year Budget): State law requires all Class A water systems to demonstrate that they are and will continue to be financially viable (RCW 70.119A.100).

Why are funds being transferred from the General Budget (paid for by dues), to cover Water System maintenance and operation expenses, when the Water System is supposed to be self-sufficient?

You are confusing the water system upgrade loan with the water system maintenance and operations. We are now in accordance with our governing documents by operating at cost passing along to our membership and at the same time putting money toward reserves at rate of \$41,000/yr.

This item is not related to the water system. It is related to the water upgrade loan payments. Due to the loan payoff of homeowners who elected to go on loan programs, these extra payments reduce the overall balance of the note. However, the monthly loan payment does not change, but the overall monthly inflows are lower than the monthly outflow of loan payments. Due to this the loan will be paid off before the collection of payments. There will be a recap period after the loan is paid off but collections continues.

We request this letter and your response be included in the 2/25/12 BOD meeting minutes, whether your response is written or discussed in the meeting.

Additional Source Information: PSA Board of Directors (BOD) Meeting Minutes dated: Oct. 22, 10AM & 2PM, and December 17, 2011. PSA BOD Minutes were delivered to Larry Pazaski, on January 23, 2012, from PSA Officer-Secretary, Rose Sheary.

From Bob Miller:

Prior to the construction of the new water system, a line ran under Olympic Drive, down the hill to Lakeview. There were barriers with "No Trespassing" signs.

The barrier at Olympic Drive has not been replaced and the old water line area is now being used by ATV's as a road.

The lane, shown on plot maps, known as Huckleberry Lane, is steep and unsuited for use for bikes, motorcycles and ATV's.

The PSA is looking at a law suit and possible loss of ability to get insurance if there is an accident. To protect PSA, a barrier with "No Trespassing" signs should be reinstalled as soon as possible.

1. the sign said, we believe "No motorized vehicles"
 - a. all paradise properties sans the water well sites due to WA law, are entitled to such.
 - i. However, we recognize safety issues. We propose "use at your own risk" sign. OR determined by our insurance company.