

11 November 2011

Dear Member,

I hope this newsletter finds you and yours healthy and happy. We have had for the most part a beautiful fall at the lake, though as many of you have noticed, the lake level has been generally quite low. On that subject, I have had inquiries from a few members requesting information on the forecasted lake level. NID provides a lake level forecast & actual lake level on their web site at the following link: (http://www.nid.dst.ca.us/documents/recreation/combie_forecast.pdf) It is also accessible from our LCA web site (<http://lakecombielca.com/>) under the NID links. Please note that the forecast is pretty consistent year to year while the actual lake levels vary more widely.

If you were not able to attend the annual picnic, you missed a fun and informative event. Suburban Propane was there to cook and serve burgers and hot dogs, and of course, pitch the propane discount program. Our own members brought lots of other food fair for all to enjoy, and all in all it was quite a feast. We had two gentlemen representing Correct Craft products come out and offer demos of two of the 2011 Nautique models, a ski boat and a crossover (wakeboard/ski) boat. I don't know how many of you took advantage of this opportunity, but we would love to have some feedback on whether we should organize similar demo days in the future. One of the two Nautique representatives, Bob Bense, owns and operates Superior Boat Repair. He got up and spoke a bit about both Nautiques and Superior Boat Repair. Attached to this email is a flyer on the services Superior provides and some special fall offers. Bob is a detailed person who will take care of your scheduled maintenance and any necessary repairs to your water ride. We also had the Association's attorney, Michael Jencks, attend and participate in a member question and answer session. Following, I gave an update on some NID related issues and activities, and then we held the annual election of the board. If you attended, we hope you enjoyed the event, and I would be pleased to entertain any suggestions to make the 2012 picnic even better. While on that subject, I want you all to reserve the date of June 23, 2012 which we have already fixed as the date of the summer 2012 annual picnic.

As I noted at the picnic, the Association had two open board seats that we had not yet been able to properly recruit directors to fill. At my request, the membership voted at the picnic both to approve the existing slate of directors that were willing to serve another term (those being myself, Rick Bergquist, Bill Johnson, Brad Parkinson and Jeff Reed) and to give the existing board a proxy to fill the two open seats after we had completed a recruiting and vetting process. I am pleased to inform you that our efforts were very successful, and we filled the two open board seats with two highly qualified individuals, Benet Jones and Kathi Lomba. Benet is now our Treasurer and is handling the bookkeeping duties of the Association. Kathi is taking a new officer position as VP Membership (some of you have probably already had some interaction with her, or have seen her note earlier in the fall). I want to publically extend a warm welcome both Benet and Kathi, two highly qualified individuals who bring new energy and skills to the board. Moreover, I am pleased to note that with the full slate we have reasonably good representation from all of the various major real estate developments around the lake.

I also want to recognize and thank our two outgoing board members, Will Dixon and Dave Parker. Will has served on the board since 2004 serving under several presidents (Scott Pringle, Craig Nagler and myself) and also served as president of the association for two years. We thank him for his nearly eight years of dedicated service. Dave has served on the board since 2006, and has been our treasurer since 2008. We also thank him for his years of service in both capacities.

I want to provide another brief update on the dredging project. NID has secured virtually all of the environmental approvals it needs to undertake this project, but to date it has not been able to secure any funding. They believe the gross project cost will be \$9 million, and are projecting to be able to recover minerals (gold, mercury, and sand) worth approximately \$1 million, thus are attempting to raise about \$8 million to fund the project. Although they have applied for numerous grants, none have been awarded and they have no presently pending grant applications. Thus, it appears extremely unlikely that they will be able to commence dredging in the spring of 2012 (which is the ideal time to initiate the project). Given the overall public funds situation, I don't see them solving this funding challenge in the foreseeable future, so I wouldn't hold your breath for the sight and sound of dredging equipment in the main body of the lake.

The LCA has just completed the filing of our yearly tax returns and I have included a multi-year trend report on our operating income and expenses. Fiscal 2009, 2010 and 2011 are actual historical expenses, while Fiscal 2012 is a forecast of expected results. I want to provide a bit of color around this information. Virtually all the income to the Association comes in the form of dues. The gross income from dues varies based on the number of potential members paying their annual dues, and was a bit less in Fiscal 2011 because we decided to temporarily reduce the fees in an effort to improve participation. Following the re-introduction of the Suburban Propane discount program, we raised the dues back to \$75, and for Fiscal 2012, our membership is slightly up from Fiscal 2011.

Our expenses have primarily been for Association insurance, legal fees for our attorney, bookkeeping services, the annual picnic and other miscellaneous amounts. Following are a few comments on the expenses:

1. You will see that up until our most recent year, we were spending a considerable amount (about \$3700) on insurance. This represented both Director and Officer Liability insurance and general liability insurance for the association. Dave Parker helped us restructure this insurance in two ways: 1) we decided to eliminate the general liability insurance and obtain insurance for specific events if needed; and 2) for D&O coverage purposes, we were able to obtain a different classification for our Association (effectively as a club) which resulted in a significant reduction on our D&O insurance premium. We continue to believe that some insurance coverage for our directors and officers is critical, particularly given their volunteer status, but expect the annual expense in this regard to be consistent with the Fiscal 2011 expenditure.
2. We have been spending an increasing amount on bookkeeping services, and as a result of this growing overhead expense, I made a decision to reorganize activities within the officer ranks. Prior to Fiscal 2012, the role of treasurer included 1) overseeing a third party bookkeeper, 2) handling an annual membership solicitation and 3) membership tracking and processing. We have revised this structure and split the role into two parts. The Treasurer will handle all the bookkeeping in house using QuickBooks online (for which we will pay a subscription fee of approximately \$300 a year to Intuit), and a new position, the VP Membership, will handle all membership tracking and solicitation. In order to be able to fully eliminate the outside bookkeeper and related costs, we also are now handling our annual Association tax return in house (my thanks to Kathi Lomba for handling the tax return for Fiscal 2011). This restructuring is helpful in several operational respects, but it also eliminates a significant and growing overhead expenditure which does not particularly advance the objectives of the organization.
3. A new significant expense for the LCA is legal fees for the attorney that we have been using to advise us on a variety of legal matters related to the lake. This is an area in which we expect to continue to incur significant expenses since we are now focusing our efforts and attention on the Lincoln Water Project and the associated possibility that Combie could be transformed into a terminal reservoir.

The difference between our income and expenses annually results in a deficit or surplus, which respectively either decrease or increase our Association reserves. The reserves provide us some year to year flexibility in our operations (allowing us the luxury of not having to exactly match our income and expenses), and more importantly, provide a fund which we can draw on to fund legal or political expenses should the need arise. Note that in spite of the increase in dues back to \$75 per year, we expect to incur an operating deficit again in Fiscal 2012. Consequently, even with our restructuring of the overhead expenses of the Association, we are generating no meaningful surplus or build up of our reserves. If we do become involved in any intensive legal or political efforts, it is very likely that we will need to raise additional funds in the form of additional member contributions, and/or we will need to continue to increase the annual dues.

On the subject of political efforts, to the best of my knowledge, the Association historically has not been politically active. I believe it is time to re-evaluate how we engage with NID and in general, protect our interests in and access to the lake. I will be sending out another communication on this subject, but I want you to think about something in the interim. Please take the time (if you aren't already familiar with it) to look at the following NID website link which shows the division map of NID: <http://www.nid.dst.ca.us/division-area-map.cfm>. Note that each division is represented by an elected NID board member. While the Placer side of the lake (Meadow Vista) does not have a direct representative because they are not technically within the NID territory, the Nevada County side of the lake does, and it is presently represented by Scott Miller, M.D.. There are two board members up for re-election in 2012 (Divisions 3 & 5, and two more up for re-election in 2014. We need to consider supporting candidates who will protect (or at least not support the diminution) of our recreational use of the lake, (either incumbents or challengers, as applicable). The Board will be meeting with Dr. Miller in the near term to gain an understanding of his perspective on the lake and our recreational use of it vis a vis other activities and responsibilities of NID (e.g. providing water for agricultural uses and drinking water, and generating power). Some of you may have friends or relatives in the various divisions, and some of you may know people who might be qualified to run as a Board member. The only qualification for such a position is that you live in the division you represent. Give some thought to who you might know that might be interested in helping us build a base of support among the Directors. Their vote can make our boats sink or swim.

Here's wishing you and yours a terrific holiday season.

All the best,

Ron Codd
President, LCA