

June 21, 2014 Annual Orcas Highlands Homeowners' meeting at OPALCO

Ron Claybourn, president, called the meeting to order and thanked everyone for coming. He had the board members introduce themselves and then asked those association members present to introduce themselves.

Ron asked for three volunteers to review the minutes of this meeting and the volunteers were Peter Bohr, Roxie Marck, and Brian Ehrmantraut.

It was noted that Dennie and David's terms on the board are expiring and Ron nominated them to serve for another 3 year term each. All present approved this.

Bea and Judy nominated 2 additional potential board members. One was Marcia West, and Ron asked her to give a little of her background. Judy said the second nomination is Roxie Marck. The vote was held for Marcia with all approving, and the vote for Roxie with one opposed from Gayle Benton.

Ron then thanked Phil Turner for his service on the board and noted that Phil helped with a couple of problems that we've had in the Highlands.

Lee Goodwin suggested that we ask if anyone else would like to be on the board. Ron said that Bob Burk has volunteered to provide a survey of our roads and budget along with some of the preliminary work done by Phil. Ron thanked Bob for volunteering for this. Ron then asked if there were any other members that would like to volunteer to serve on the board and mentioned that we are always open to volunteers. Ron then acknowledged Judy Cook and Bea Von Tobel for their past service on the board. It was mentioned that Judy was instrumental in getting us to a much better financial status. It was added that Bea was very helpful with networking and other maintenance items that were key to keeping the Highlands safe and well maintained. Then Ron thanked Connie Lurkens for her role in our Firewise program and that she also made many other contributions to the board. Bob Cook suggested that all previous members of the board stand and get an appreciation. All present applauded.

Reports

President's report

1. Speed Study. Ron passed out the Speed Study Report to all present. He noted that the first ¼ mile of Lindsay is a county road and it requires that the county post speed limit signs. One was posted at 25 MPH conflicting with the association sign stating 15 MPH. At the request of the board the county did a traffic study and collected data at 2 locations. The county then sent the info gathered to the county engineer. It was determined that both, north and south bound traffic speed, were sufficiently above the limit to require a change to the sign posted. If we asked for a further evaluation it is most likely that it would not be recommended to reduce the speed limit. Ron said that we are largely going to have to accept this determination by the county. David Turnoy mentioned that the county provided posts and signs and that Phil and Ron picked up a dozen posts for the use in the association. He also mentioned that the county will make 15 MPH signs for us at our expense. Harvey Altdort said that he feels that the speed limit should be raised to 20 MPH. Ron Ambler said that if we did that then we would have people driving at 25 MPH. Ron Clayborn said that he will contact Bob Berdan to mitigate some of the overhanging trees on the road as they could be a hazard. Ron said that Tim will soon be

mowing along the sides of the roads. Ron mentioned that the board is not defending the data that was collected by the county but that this is the county's position as told to the board. He said that any member is free to contact the county to see if they can bring a change to the county's position but that he was sure that the county would take the advice of the engineering department. Phil said that he, Ron, and David met with the county and were aggressive with them, but that he got the feeling that the county didn't care what the three thought. It was brought up that the Medical Center directional signs were installed to help protect pedestrians walking, and that they didn't ask the county to be involved. Rollie Saur made a motion to set the speed limit for the Highlands at 15 MPH and to post signs. Ron Amble seconded. All present were in favor. Harvey said that 15 MPH is "ridiculous"

2. Professional Management. Ron said that he has been investigating the possibility of have a profession manager for the association. Last fall he contacted an off-island management company to see if this could minimize the need for volunteers on the board. The company said that doing this off-island is too troublesome. Ron said that he is also investigating the ability for members to make "auto payments". Lee suggested that Ron see if anyone present would be interested in the "auto payment" ability. Donna Burk asked if we could prepay for 6 months to a year. Ron said that was not possible with our present system. It was determined that many members would be interested in the "auto payment" system. Ron said that this would require that the association have a Business ID and that there is a cost involved. Ron said that since there was a general interest in this that he would look further into it.
3. Outstanding Accounts. Ron said that there are two properties that have been liened and that one of those has now set up a payment plan. He said that generally we're in good shape. Lee said that much of this was accomplished by Judy. David said that Ron has also been aggressive in the collection of outstanding accounts.
4. Road Debris. Ron said that there was a cleanup of debris along the roads that was caused by the recent storms. Ed, Bob, and David were all involved and there was a big burn at the burn pile for Firewise Cleanup day. Ron said that Bob Berdan, who is now working for Bathan Shaner, did the chipping. At Judy's suggestion Bob extended the firebreak area. Ron said that there are a couple of piles of chippings that anyone was welcome to take. There is also a lot of wood for any member to have but to be cautious. Ron said that the burn permit expires at the end of June. Bob Berdan will remove the wood after the association members have taken what they want. Judy Cook Presented a 10 Year Award from the National Fire Protection Association. We are one of about a thousand associations that received this award. This program exists to help homeowners and associations to mitigate liability in a fire situation. Judy mentioned that the value of our 10 years of Firewise work is \$51,260. Bob Cook said that Kevin O'Brien would be happy to make a place for the trophy at the main firehouse. Ed Wilson said that he and Jim Hennessey believe that this program was started as a safety item and has ended up as a beautification action. Ron will post a plan done by Judy supporting out firewise actions along with photos from the Firewise Day on the Asscoiation Webpage. Harvey suggested that the board purchase a chipper. Judy said that a non-internal chipper is better for liability reasons and also they are known to break often, and that Bob Berdan's chipper can accommodate up to a 10 inch log.

5. Jim Hennessey mentioned the upcoming Boot Sale in the mail box area. There will be room for about 11 or 12 cars. Lee mentioned that sales are open only to Highlands residents. Jim said that it is a fun event.

Water System Report

Ron talked about some of the system leaks and also about the monies that we've collected. He said that there has been significant repairs on Highlands Drive where roots grew under the pipes and caused leaks. 320 feet of water main was replaced and a new meter was installed. He suggested that there will be another capital investment installing more in-line meters to enable us to read water passing through all arteries of the system. He said that the board is also considering going to an automatic meter reading system. This will minimize errors in collecting data. Harvey asked if this automatic system will be read by a person and Ron said yes. Harvey also asked about the tier system by which we are billed for water. Lee said that he'd attempt to explain. He did talk about the system of 3 tiers that he and Bea devised so that all water costs for the Highlands are paid. He said that most members are on the lowest tier of this system. Ron then explained the cut-off for each tier. Ron also said that this will be clearer when Dennie talks about the budget. Ron said that Lee looks at the numbers for trends so he can warn a homeowner of possible leaks on their property. He noted that one homeowner had a 20,000 gal per month leak. It was noted that the meters are read monthly and billed quarterly. Ron said that an automatic reading system will help with our evaluation of usage and that we will be able to get data when needed. Ron said that Carl Capdeville has installed some by-pass meters to help in finding leaks. Bea asked what the cost was for an in-line meter. Ron said about \$900 for the meter, not installed<

Ron suspended the meeting for a few minutes at 2:25

Ron called the meeting back to order at 2:40

Treasurer's Report

Dennie Carter passed his treasurer's report out to the members. He noted that the back of the balance sheet is for May 31st and the front is through May 31st and includes an estimate through June 30. At the bottom, lines 29 through 35 are an estimate of the total balance for the fiscal year. Dennie said that the water costs are the most volatile and hardest to budget for. He said that the Road Fund is for maintenance of the roads and that when this total builds up we do some needed road work. Jackie asked if Dennie felt that we were budgeting enough for future repairs. Dennie said that we don't have a comprehensive plan for future repairs but that we are trying to mitigate situations as they arise. Judy asked if Carl didn't suggest water system repairs and replacement, and Lee said that he did and that there was a meeting with Carl about a month ago, and that we know that the most vulnerable area of the water system is along Highlands as the pressure in that area is especially high. He said that another frail area is along Switchback. Judy asked if we were looking to do the repairs in those areas. Ron said yes, and also mentioned that the state has low interest loans for private water system repairs and that in all we have over 2 miles of infrastructure. Ron also said that we are going to look further into the water system and may want to bring in a professional to give us some input on how to approach this. Rollie asked if we had done anything about Washington Water. Harvey said that if we are replacing lines and digging we should also install fiber-optic. Ron concurred and said that it was a good idea. Brian asked if we are tracking

unaccounted water in the system. Ron said that was a moving target, and that 2 years ago we had a breach and lost about 50,000 gallons of water as Carl was sick and couldn't be of help. Harvey asked about \$65,000 for water and Dennie said that is what we billed the users and that amount is above what Washington Water charged us for the water. Bea suggested that we increase line 24 to cover future costs of water system repairs. Ron said that he agrees with Bea. Bea moved that we add \$3,000 to budget item 24 and take it from line 28. Judy seconded and the motion was approved with no one opposing. Sallie moved that we approve the budget, Jim seconded, and Bea said that she wanted further discussion. Ron Ambler asked why we have so much money in the checking account, and suggested that we have an alternative so we can make some money on our funds. Bea asked which item accounted for legal fees. Dennie said line 10 as we had \$1,543.50 in legal fees. Dennie said we are considering other vehicles for our money and that "rate equals risk". Budget was approved with no one opposed.

Insurance policy change. Ron said that he looked into the cost for replacement of our water tanks and that it is more than the amount our policy covers so we decided to make an adjustment. Dennie said we have the maximum coverage for earthquake. Ron said that the board chose to increase our liability from 1 million to 2 million.

Unfinished business

Transient Rentals. Ron said that we did contact an attorney to give us an opinion on our governing documents and if they limit a homeowner from having a transient rental. The attorney said no. Lee said that we have the ability to establish a policy without changing our CC&Rs. Jackie asked if anyone in the room had a problem with transient rentals. Ron said that regular rental properties have deferred maintenance. He said that without fulltime occupancy you have more possibility of problems. Lee said that we now have 10 transient rentals in the Highlands and that every week more applications are published. Ron reminded Lee that the county has a process for obtaining a transient rental permit. Lee said that was a "smoke screen". Ron asked if it is generally accepted in the Highlands to have transient rentals. Ron Ambler said that he doesn't want them. Harvey said that the law says that if you want to have a transient rental you can have one, and that he has one. Stuart Mehlman said that he wouldn't have bought in the Highlands if there was a limitation on transient rentals in the association and that he felt that it could have a negative effect. Arthur Winer said that once you pass a threshold of rentals there is a negative effect on values. Ron said that he just wants to bring closure to this issue. Rollie asked if there is a new policy will there then be new enforcement. Ron said that we could possibly use a fine system. Roxie Marcks moved that we leave the controlling documents in place and not go further with making changes. Harvey seconded. Ron then asked for volunteers to check into this issue and many hands went up and he said for those people to get together. Peter asked if the information gleaned by the committee could change the motion on the floor. Ron said no. Arthur asked that by voting yes could that preclude any new documents. Harvey asked how many votes were needed to change the CC&Rs. Lee said that in the past they could not get enough votes to change anything. Roxie withdrew her motion.

New Business.

David said that he is new to the board and now he understands what the board works on and most of that time is consumed managing the water system. He said that Lee spends 2 to 3 hours a month

on evaluating water usage, and that Ron get in touch with the delinquent accounts, liens, and dealing with Carl about the water system. Cindy Carter reads the water data, and Ann Lister is the bookkeeper. For this reason we are looking at the possibility of a new way of managing our systems. Perhaps we could be more efficient. Harvey asked if we are paying the same for our water as Rosario pays, and Lee said no, that we are paying more. Ron said that there was some interest in investigating new options so last March he contacted Washington Water to explore the subject for them to manage our water system. In late April he met with Mike Ireland to discuss what we are specifically looking for. Mike then provided us with a management agreement to review, and our dialog is still going on. In late May Mike gave us, at our request, the names and contact for 3 water systems that Washington Water manages that have similarity to us, so we could contact them and get their opinion of how Washington Water is doing for them. It is noted that Washington Water has about 6,000 systems that they manage and these are owner systems similar to ours. Our investigation is as follows:

Gig Harbor said that their system was so bothersome that they created a water district. Cherokee Bay water system was under state control so they hired Washington Water to handle their water and the system improved in the course of 2 years. They said that they are quite pleased and their water management fees didn't increase under Washington Water. We have had no reply from the third system. The board is still investigating and negotiating with Washington Water. At present we are considered a single customer with a 2 inch meter. We wouldn't proceed without member approval and an attorney review. Harvey asked what they would charge to manage our system. Ron said that the rate structure would be similar to what we now have, the UTC rate for a 2 inch meter plus \$9.80 per month per customer for management. Gayle asked how long the agreement would be in place and David said that we could cancel with cause in 30 days and in 90 days without cause. Lee said that Washington Water is deceptive. Bob Cook asked what the incentive was to go with them as they are in the business of selling water. Ron said that they will be responsible to the state to maintain our system, and added that if Washington Water owned our system we would pay a UTC rate period. He said that he was not advocating this but that it would get "the monkey off our backs". Rollie said that we would still pay for capital improvements and labor. Brian asked if we have got a bid from Eastsound Water Users for this. Ron said that he has been told that they are not interested. At their last meeting Paul Kamin said that he would be interested in possibly managing our system according to Brian. Ron said that there is no conflict with Eastsound Water even though we aligned ourselves with them in the past. Ron reminded everyone that we are just talking about it, and that it seems to have a lot of pluses. Bea said what she's been hearing is that the board either can't handle the system or wants more money to work on it. Both David and Ron said that isn't so. Bea said that she does know that the system has a lot of faults in it and it appears to her that we want to off-load the responsibility of it. Ron asked how many present wouldn't want us to have another management system. Roxie asked that if we weren't using Carl, could the money we pay him go toward paying Washington Water. Judy reminded us that we still have to pay Ann as she does the billing. Ron mentioned that Washington Water also would not do any debt collection.

Roxie asked how many representatives Washington Water has on Orcas. Ron said that they have a staff at the treatment plant and other employees, and that they offer 24/7 response time. He also said that Washington Water would be willing to absorb the cost of repairs under \$500 but we would be responsible for costs above that amount. Bea asked how the board plans to keep the

membership informed of the progress with the discussions with Washington Water, and Ron said that we were investigating a member only access to post this information and also minutes of board meetings and possibly other items. He also said that he could see a lot of benefits to aligning ourselves with Washington Water. Lee said that he doesn't like the fact that they won't examine our water system and give us a budget. He thinks that we may have large capital outlays for repairs that the state will require be done. Sarah Hennessey said a perfect example for us to use for comparison is Rosario. Peter asked if Washington Water owns the Rosario system and Ron said yes, so it isn't really a good comparison for us. Harvey suggested that we just give Washington Water our water system so that we'll have a lower monthly rate. Gayle asked if we had disruptions would we then have to pay for repairs, and Lee said that we would pay for all repairs "with Washington Water they take no risks".

Homeowner forum

Richard Jordan said that he has something to say and that he'll try to mercifully brief. He said that he loves his home of 11 years and spent a lot of time and money on the home. His main concern is property values and if we allow RVs to be parked in the association what negative effect they will have. He noted that there are 3 other trailers and 5th wheels in the Highlands, and the Strauss' trailer is being used as an office. He feels that this impacts values. He noted that his house is the oldest. He anticipates that we'll see a proliferation of RVs and bootlegged electricity, more traffic noise. He said that one day many of us will sell our properties because you want to or have to, and you'll want to make as much money as you can. He said his sole purpose is not to be hard on a neighbor, but to stop this trend. He said that he did a study and the average price is about \$400,000 which shows a 10% loss from the presence of motorhomes. He wants to protect the value of his property. He noted that motorhomes are not beautiful, "like putting lipstick on a pig". He said that he is asking that the board have all motorhomes removed. Ron then read the opinion that we received from the attorney regarding the prohibition of RVs. Ron stated that we have a legal opinion on this and to prevent RVs we would need to change our CC&Rs. David asked Richard exactly what he was suggesting. Richard said that he will read the letter that the board received from the attorney. Ron then read aloud some of the attorney's suggestions. He also said he was against pursuing Richard's suggestion regarding the board taking action on this. David suggested that we ask those present for their opinion. Ron then suggested that Richard put his questions in writing and we'll submit them directly to the attorney. Lee said that the attorney's opinion was "shallow" and that she relied on a Friday Harbor case too much and arrived at "misguided conclusions". Ron then asked the members for their opinion. Mattie Murray said that we should take up a policy on this. Roxie said that she thought that the county should settle this. Lee then said that the county will do nothing. Arthur asked for a show of hands about the board setting a policy as stated by Mattie. Ed said that he felt that the language in the attorney's letter was a "to do" list. Rollie added that the attorney states the steps needed to set a policy. Ed asked for a show of hands as to whether we should set a policy. Richard said that we can ask the attorney for clarification for free. He also said that he'd pay for any further clarification or determination by the attorney. Richard then thanked everyone for their time. Mattie asked if Richard would be part of a group to look further into this. Ed said that those interested in being on this committee should put their names and emails on a paper to volunteer for the committee to arrive at a policy.

Harvey said that he wanted to acknowledge Ron for an open meeting. He said that Ron's input is key.

Brian said that he had a new topic. He said that OPALCO has a neighborhood connect team. It might be moderately priced and the board should get on the list if they like. He also said that fiber is possible in our neighborhood. He said that "Rib will talk to Foster about it".

Bea said that she retained her notary public as a service to the Highlands.

Jackie moved that we adjourn the meeting, it was seconded by Sallie and all present approved.
Meeting closed at 4:50

Submitted by Duffy King, Secretary