

## **Board Meeting Minutes, Orcas Highlands**

Meeting 10/27/2010

Present: Bea, Lee, Rollie, Judy, Jim, Duffy & Rick Anda  
(accountant)

Dennie notified he would be 15 minutes late.

Judy called meeting to order at 7:00pm

The minutes from last meeting were approved.

MEMBERS IN ARREARS - Rollie, passed out Highlands A/R summary, now have \$14,652.92 in back dues. We expect to get paid for **Shane Perry's** back dues by Washington Federal Bank as the property has been foreclosed. Rollie said that the names on the summary in red have amounts due 90 days or more and have been sent "friendly letters" regarding their back dues. Those whose names are in purple means that liens have been filed against their properties. **Tammy Brewer** has been paying road and membership dues and should only be paying for water so she has been overpaying. Jim said that an adjustment was made in the past and will get a copy of that document to Rollie so his records can be updated. **Okuniewicz** home sale is closed and was paid thru escrow so their name should be off the list. Rollie said that some names on the list are not yet current. Judy said we plan to send another newsletter by e-mail to homeowners to tell them about lien situation and snow removal and the homeowner's responsibility. Lee said it is a problem that 50% of our homeowners don't have email. Bea will post something by mailboxes asking everyone to send email addresses to Jim. After receiving a copy of the Balance Sheet contrasting this October from October 2009, Jim pointed out that the Accounts Receivables show marked improvement in what is owed (\$29,588.53 compared to \$41,192.21 a year ago).

HUNTING - Bea talked about the Deer Hunting issue. **Maryann**

**Shelton** said a hunter knocked on her door and asked if he could hunt on community area. Perhaps we need to post "no hunting" signs along Olga Rd to the well or Rosario. Every 100 feet is the law for the posting of these signs. Lee said that several years ago hunters were hunting at top of Discovery Way. It was agreed that Lee would purchase some signs and Jim agreed to help Lee post them.

SNOW REMOVAL - Jim talked about snow removal. We have contracted for snow removal with **Norm Flint** and he has decent equipment. Our agreement with Norm is that he would do areas in Eastsound first starting at 3 AM on snow days then come to Highlands probably no later than noon. He has a 9.5 foot wide V-shaped plow on his truck but does not have sanding unit. He hopes to have one by next year. In the meantime he said he would use salts to dissolve any dangerous ice on Discovery. Bea doesn't like the idea of salt use. Jim will send around Norm's phone number so we can get in touch with him if needed.

AUDIT - **Rick Anda** did not do a financial audit as the cost would be around \$10K. He did a REVIEW OF ACCOUNTING RECORDS. He went through all records given by Rollie and found that the invoices matched "over all" and everything looked appropriate. In change of treasurers, the account was changed from Smith Barney to Key Bank. There was a deposit of \$1K that does not show up in both accounts. And the Combined Excise Tax Return wasn't prepared properly. Not all revenues were recorded properly. Denny said that historically the bookkeeper filed the excise tax for the association. It's an annual return (calendar year) the last one was 12/09. Rick said that the OHA, as a distribution company for the water, must pay a state tax. Judy said that Washington Water should be paying that tax as we are only distributing the water. Rollie said that we are not a utility company, we are a private water company. Lee said this issue must be made clear somewhere. "We need to check this out." Rick

said in his opinion, it looks to him like we need to pay the tax. It will be important to clarify this with the State and Rick promised to make some calls. Tax is not on profit it is on the gross. It is a tax on tax. It is a 5% tax rate. Denny said we are buying at one rate and selling at another rate. Denny asked about Dues as we do pay a tax on dues. Rollie will look at P&L to check this. The CC&R's say we need an audit, but for our purposes the Review of Accounting is appropriate according to Rick Anda. Lee asked if other associations typically have receivables on the books in bad economic times. Rick replied that it is typical as people may pay important bills but let others slide. Rick will get back on the "public utility" tax.

Rick left meeting at about 8:00pm.

Denny added at the end of the meeting that he will follow through on closing the Smith Barney account.

#### TREASURER'S REPORT - Denny

Judy asked about **Troutman**? Is he around? Lee discovered that Troutman has a PUD rider on his mortgage that says that the mortgagee can collect past due HOA dues "if borrower does not pay dues when due, then the lender may pay them and add that amount to the loan balance". It was suggested that perhaps we could write to Rolley Reed at Washington Federal Bank and ask if they will collect from Troutman. It's two years since he's paid anything to the association. Rollie said that, to save lawyers fees, he has filed the last liens against homeowners in arrears himself and only paid the \$30 or so filing fee. Judy said that Board members are reluctant to have direct contact with Troutman so could we use the attorney we've used in the past to call or "serve him". Instead, it was discussed that Rollie should send the "B" letter to notify Troutman that a lien has been placed and if no payment arrangement is made within a short time, we will turn the water off. Rollie also mentioned that Berg and Troutman are the biggest problems we have regarding past-due payments. Rollie said that it's time to send the letter to Troutman with time-frame to

respond. Bea made the motion that we send "letter B" to Troutman to say he has 2 weeks to contact us to arrange to make payment arrangements. Jim seconds. Passes unanimously.

WATER UPDATE - Rollie distributed the lab report on the 72-hour water test. He said that everything is in good order except the turbidity level is high. Lee had asked about water hardness. Rollie said that it is softer than what we currently get and is just into the "medium-soft" range. Lee asked that for the test do they pump over several days? Rollie said they test for 72 hours and to see if there is sympathy at other wells in area and to see if the level for recharge is refilling (23 gals per min). "On this island this rate is phenomenal" according to Rollie. The well is 607 feet deep. Water stabilized at 17 ft. We still need water rights and source approval as the Dept. of Health must agree that water is of quality and quantity to serve our needs. Quantity can be offset by storage. Eastsound Sewer and Water Commissioners are very worried about how much money they are spending on our well (we are up to about \$100K now). Judy said that people wanted independence from Washington Water but thought that the whole district would become independent. As it is now, we are separating off from ROPA and Vusario. Lee said that the well was intended to give ESWD leverage against Washington Water. There was concern that using the well as opposed to lake water will raise problems from homeowners and that depending on one well is no a sure thing. Lee agreed and mentioned that some bought here in the Highlands based on the use of Cascade lake water. We need 65% of the homeowners in favor to proceed. Rollie said that he met with Mr. Ireland and he had no interest in selling to ESWD so the idea of putting in a well came up and now we have more leverage (The \$100K per year charge for Treatment Plant maintenance will become a burden to Rosario homeowners when we are no longer using Washington Water). Rollie said that in talking with John Hart, a water engineer, the state says that you must have more than an adequate amount of water and we need a backup for the well

system. Tom Berg and John Grieves are in discussion with ESWD and could be backup since they both have producing wells. In addition, the state could bring pressure on Washington Water to be a backup water source. Rollie said we need 3 things - 1. adequate water, 2. good quality and 3. affordable price. Rollie said that in a report they found E-coli present in the well water. E-coli is found in surface water and this could be from when the well was being pumped down, water was trickling in at about the 75 foot level which coincided with heavy rainfall. E-coli can be taken care of with minor treatment i.e. chlorine. ESWD has promised that, even with the \$100K payback for the well and other expenses, they should still be able to offer homeowners water at a lower price. Rollie said that to buy out the Rosario system would be expensive and a long drawn out process. We are a year to a year and half away from the state approval of water rights. With Washington Water, we have the right to buy water from them without a time-frame. Bea and Judy agreed that at some time we need to start to educate our homeowners so there isn't any miscommunication about changing to ESWD from Washington Water. Judy said we should put info in our quarterly newsletter and also on the website. Lee said that the more info we can feed the members the better off we'll be when it is time for the vote. Jim said that if Rollie can write something it can go in the newsletter and on website [www.saveorcasswater.com](http://www.saveorcasswater.com). Rollie said that once the hydrogeologist report comes out, then we can put it on the website.

**SMALLER WATER TANKS** - Jim said that there was a problem with water quality on Highlands, Lindsay and Switchback. The system was shut off for a repair on Highlands Drive then, when turned back on, there was turbidity, bad taste, and smell/odor. Carl purged the pipes and then discovered that the two small tanks are overgrown with organic material. He needs to drain and clean both tanks. This will cost about a thousand each for pump rental and labor. Jim told him to go ahead and start as periodic cleaning is required by the State. Vicky Heater from the Dept. of Health will

be here next week to inspect the system with Carl. Jim will notify people who are serviced by the small tanks about the disruption due to the cleaning. Rollie talked with Carl about the need for a chlorinator. The large, upper tank may need additional chlorine as the chlorine tends to evaporate quickly. John Hart (a water engineer) told Rollie that there are many things that can be done to fix this situation. He needs to know more particulars to make a recommendation of which fix to use. Jim mentioned the shed to house the chlorinator. The images of a \$1,500 shed sent by **Howard Cowell** of San Juan Island indicate that the quality and materials of his shed were not suitable for us so it was rejected. Carl priced out a building that was about \$1200 in materials. We need to get send out a bid request for a chlorinator building, possibly from Gil Agnew, George Marks and others. Carl should write up the specs.

ROADS - Bea has been caught up in Port business so she deferred to Rollie. He reported that the crew has already started on Highlands Drive and hope to be finished in a day or so at which time they will move up to Discovery to do the work there.

WILDFIRES - According to Judy, DNR is indeed coming Monday and Tuesday, November 1st and 2nd. They will have a three-person crew. Residents have been advised to have their cuttings butt end toward the road in order to be chipped.

RENTALS - Judy said that the **Koral** house is ready to go into escrow and rumor has it the buyer intends to divide it and rent it as several units. We are trying to discourage this sort of thing in the Highlands. The neighbor, **Richard Jordan**, called Stu Stevens to see if this is true but has not yet gotten any confirmation. However, it was discussed that we should be pro-active about this and should send a letter to real estate agencies telling them that it is not permissible to do this in the Highlands as it is against our CC&Rs. Specifically we should send a letter to the listing agent for

the Koral property (Windermere). Jim asked if the board would support a resolution emphasizing that we will not allow this in the future and intend to enforce the existing CC&Rs. All agreed. Jim will word the resolution and send it by email to the board.

CONTACTED BY PROPERTY OWNER - Rollie said he has been in contact with **Jack Carter** who owns a lot in Otters Lair and wants to build but can't get a water membership. Rollie intends to offer his extra water membership to Carter but doesn't know the fee required by the OHA. Rollie showed a document that in 2001 Shimers paid a \$3100 to Rosario and \$5000 for a water membership. Rollie wants to break even on his investment of \$8,500 so Bea said he should ask \$13,500 - \$5000 to OHA and \$8,500 to Rollie.

WATER MEMBERSHIPS - Jim was approached by **Harvey Aldort** who proposed that we all have water rights to Washington Water that we can sell if we go onto the well. Rollie said not the case as we are buying in bulk. There was no further discussion.

Jim motioned the meeting be adjourned, seconded by Bea. Meeting adjourned at 9:22pm

Duffy King