

Orcas Highlands Homeowner's Association Board Meeting  
12/21/2010

Board Members present:

Judy Cook  
Bea vonTobel  
Jim Hennessey  
Denny Carter  
Duffy King

Guests:

Paul Kamin (General Manager, Eastsound Water Users Association)  
Ron Claybourn (Highlands resident and potential Board member).

Judy opened the meeting at 7:00PM.

Bea introduced Paul Kamin, as he has some ideas about how we, as an association, might proceed with "our water situation with regard to Eastsound Sewer and Water District (ESWD) and Washington Water Service (WWS). Bea and Paul met at the airport about another matter and then thought that he could be useful to us in deciding how to proceed with regard to our water and our annexation to ESWD. Paul said he knows most of the parties involved and has personal experience in resolving alternative water sources. He has had a lot of experience with the hydrologist. He, too, has concerns about the quantity of water produced by the well drilled by ESWD. He said that Steve Deem "wants to change from **Peak Day** to a **Peak Month**" model. He said that there is every reason to be concerned about a bedrock well's reliability as they tend to degrade over time. As a water source, Cascade Lake is extremely reliable, while the water from the well is influenced by surface water and would, therefore, need a huge change in management of the system. "This tips the equation" as to the capital expense and the on-going operating expenses. One discussion is to isolate the surface water coming in at the 69 foot level. "No one knows how much of the well water is coming from surface water." The temperature change (mentioned by Steve Deem at the ESWD meeting) would indicate that lots of the water is coming from the surface water intrusion. A whole lot more money needs to be spent to look further into this. It is clear that there is no likelihood that ESWD could provide water from this well for anything like what WWS provides. The first question is, what is our sense of the reliability of WWS as a purveyor? It seems like they have been trying to invest in infrastructure. Kamin asked, "Why would anyone want to be in the water business? I don't believe that the Highlands needs to have a water system plan since they (we) are a static system." Should the Highlands start adding new connections, this will change and a water system plan will be required by the State. It costs no less than \$50,000 to write a water system plan. Friday Harbor had a plan done three years ago. It may cost as much as \$150,000 to re-write an existing plan. Kamin suggested this leaves the OHA with two options. **Option 1.** Allow the ESWD to proceed with its less reliable source. Kamin said that the ESWD could proceed with Eminent Domain against the OHA water system. The OHA's vote to annex and gave them the right to file for eminent domain. Therefore, there is a risk of a struggle against ESWD. **Option 2.** Status quo. Stay with WWS. Mike Ireland could incorporate the Highlands. If the OHA no longer has a private water system, then the ESWD would no longer have the option of eminent domain.

Should the OHA get out of the water system business, it reduces our exposure regarding an eminent domain action. Benefits include having no billing responsibilities and no need for an operator. Rates would go down to match those in Rosario. The OHA would be linked to a system governed by the UTC. The UTC has asked WWS to standardize its rates across their system. There would no longer be an Island Rate."

Judy asked that now that we voted to annex to the ESWD, what is our liability. Paul declined to answer this. He "doesn't believe that they have a burden to serve and we don't have the responsibility to take from them."

Jim asked that if the UTC asked them to normalize their rates, and we are a bulk user, then would our rate go down and everyone else's go up?

Having stated his support for WWS, Paul Kamin left around 8:00PM

Judy opened the regular meeting based on her planned agenda. The past meeting minutes were moved and accepted.

**Treasurer's Report.** Denny distributed four pages. Profit and loss shows what we've done for the first five months compared to the budgeted amounts. He noted that he separated the water costs out. We are not far off from breaking even. Lines 3-18 show the collected amounts. Denny tried to contact Ann Lister but did not hear back. It was noted that Bea went to Key Bank and registered as a signator on the Highlands' checking account. There are now three signers on the account---Denny, Judy and Bea. Denny asked if we should be paying B&O on the money we collect. Denny will check to see that the new bookkeeper is a signee on account.

**Road Report.** Bea said that there is a crack in the road that needs to be repaired. Rollie Sauer told her that John Thompson of Earthworks proposed a \$500 fix to drain the water away. Thompson came out and took a look on Monday. The next project is with regard to Highlands Drive for drainage and widening and also the corner at Colorado Boulevard. It is slated for this summer. Bea will check to see if there is enough money available for these repairs. Denny mentioned that the Road Fund still exists, and is funded from a \$60.00 fee per quarter.

**Water.** Judy moved us along to the water issue. Our responsibility is to the homeowners and we should provide them with a short history of the water situation, reminding the homeowners that we do not have a responsibility for those monies already spent by ESWD. Bea asked if we filed the agreement with the auditor. Jim has the only copy of the agreement and its extension. The extension contains both party's signatures. Jim said that the MOU as well as the addendum to extend the drilling period makes it clear that we have no financial responsibility. Judy doesn't want what Paul Kamin said to be frightening us with regard to the possibility of eminent domain. She asked Jim to read the paragraph that states that we have no responsibility for the expenses of the well. Jim said that he had a discussion with Rollie before this meeting. Rollie still thinks the well is doable. Rollie also said a few of the ESWD board members would prefer to cease and desist. Jim said that originally we were approached by Ed Sutton to consider a well as a way to leverage WWS to sell to ESWD. Ed suggested digging a well as a way to deflate the value of WWS. At that point, ESWD would take over the water district that voted to be annexed. Bea

said that we need to ask ESWD what they now plan to do. And ask them what their plans are with regard to the Highlands. Duffy suggested the ESWD should provide that information to OHA in writing. Judy asked what we should communicate to the homeowners. Ron said that we should tell the homeowners that ESWD chose to drill the well. Judy and Jim have each asked for a copy of the ESWD minutes from its December 14 meeting. Judy will draft a letter to send to ESWD and send it to the OHA Board of Directors for comment. Jim said that the easement, which is notarized, has no expiration date. Denny mentioned that Paul Kamin seemed like an advocate for WWS. Judy said that we've been approached by WWS for a chat. Jim said that Rollie asked us to consider requesting a cost comparison between ESWD and WWS.

**Accounts Receivable.** Judy said the total amount due in outstanding accounts is about the same as it was last spring. She distributed a document showing who is behind in their dues. She will be sending Letter A to those whose accounts are more than 90 days overdue and whose total amounts due are more than \$300. Non-responders will be liened. Board members discussed how to handle those properties that are already liened. Two properties will receive Letter B (a water shut-off letter) and the Berg property will receive a modified letter B, as does not have water service. Bea moved to send the letters. **See attached document regarding overdue accounts.**

**New Board Member.** Ron said that he would think about joining the Board. He asked which specific duties were available. Judy said the Water System was available and also a floating position.

**Other Business.** Bea asked about the Harlan Horner extra lot in Otter's Lair. She has been researching all property units and has found a series of large notebooks that provides history for every lot in Highlands. Mr Horner paid for two memberships but has been invoiced for only one property. Bea said we should ask the bookkeeper to assess him for two Ready-to-Serve fees beginning with the January 2011 billing period.

Jim moved to adjourn. Bea seconded. The meeting ended at about 9:30PM

Duffy King