

BOARD OF DIRECTORS MEETING

ORCAS HIGHLANDS ASSOCIATION

June 4, 2015

- I. Roll Call : Lee Goodwin, Marcia West, David Turnoy, Ed Wilson (RV Committee Chair), Kristen Wilson, Gail Benton (Guest), Ron Claybourn (By telephone), Duffy King
- II. Ron Claybourn called the meeting to order at 4:58 PM
- III. The minutes of 4/29/2015 were approved unanimously after the motion was made by Kristen and seconded by David.
- IV. Officer's Report:
 - A. President's Report,
 1. Water Meter Upgrades: Ron has been in communication with an engineering firm that he is familiar with regarding upgrading the water system but they usually work on larger projects, so he referred Ron to some people in the San Juans who may be able to perform the work. Ron is also in communication with Mike Ireland at Washington Water and also a vender that Carl Capdeville is working with. Mike Ireland says that the cost for each replacement water meter is about \$175. This does not include labor which is about \$25 -30 per meter. Ron said that we could also consider replacing the water meter ourselves. He said that these estimates do not include the software. Washington Water has all of the supporting software necessary as they use it in Vusario and Rosario. Ron called attention to the rate information document that he prepared so it will help in discussion on how we want to move forward.
 2. Mt. Baker Cable plans: Ron said that he met with Jerry Lawler to see if Mt Baker Cable could use some of the space in the existing conduit to accommodate fiber throughout the Highlands. The estimate to do the "middle mile" was \$188,000. Ron said that Mt Cable has the capability to handle alternates to Century Telephone. Lee asked if this is using what is already in the ground, and Ron said yes. Ed said that his internet cost is about \$50.00 per month. Ron said that it is probably 10 MB service.
 - B. Treasurer's Report,
 1. Financial report: Ron said that he was in communication with Daun from Bellingham regarding insurance. He also mentioned that he saw nothing in Dennie's financial reports that were submitted that seemed out of line.

Dennie arrived at 5:20 and proceeded in discussing his financial reports. He asked if anyone had any questions and passed out the reports to those who did not have a copy. Dennie mentioned that we have one more month of expenses and not more income for the fiscal year. He

said that Water will probably come in with \$6,000 to 7,000 in excess for the year (before adjusting for the new Rates paid). He said that column 4 and 5 show if we are in or out of budget, but that the expenses for this last month of the year will catch up.

2. A/R aging summary 6/1/2015: Ron reports that McGinnis has been unresponsive although he has an Eastsound address. He owns the lot between Dennie and Bea. Ron said that he got a call from Marilyn Naumann early in the month and that we did receive \$200 a little earlier from him. Dennie said that he thinks that Carol Parks needs a more formal payback agreement. Ron said that Susan Roach was informed and is now making payments. Lee asked if the Parks are making any progress and Ron said that he doesn't know for sure but he'll check with Ann. Parks most recent consumption was 2300 Gals which is not excessive. Ron will reach out "kindly" to him.
3. Lee mentioned that our insurance may increase from current \$3500 next year, and that the insurance is paid up in full through the end of this June at \$3,422. Lee asked if the insurance had been set up with Gladfelters for the next year?. Kristen said that the last time it was paid was August 2014. Lee said that SSK will be in contact with Glatfelter on our behalf, and that this should not have an impact on Philadelphia Insurance. Ron agreed with this, and said that Todd, as our broker, would be receiving any information on this. Kristen made a motion that since we presently have no D&O Insurance, that we terminate our relationship with SSK, and have Duffy fax a signed agreement with Galligher Insurance so that we can have D&O Insurance tomorrow and we could then have a few more months to look at other options. She continued, "we now have a solution". Lee seconded the motion and said that this "now gets us out of a pickle". Ron said that Todd Kaloper said that he was hoping to do a portfolio of insurance including E&O, including some liability for the roads, as we could have some liability if we were exposed to a lawsuit by someone driving on the roads. Kristen amends her motion to say that she will contact Galligher for purchasing E&O only. Ron said that someone needs to contact Todd to tell him of the possible change and that we may already have some fees with him. Lee said that he looked over the Galligher proposal and that it looks good and covers what we need. The vote on the amended motion was taken and passed unanimously. Ron said that SSK said that it will take him another couple of weeks to arrange the insurance. Lee asked Ron if he told Todd that we don't have any D&O insurance?. Ron answered no. Kristen asked if we can now have a vote. David asked if there is anything else that we need to know about the insurance. Ron said that he will call Daun and leave a message that we are at risk. Ron asked if there was any further discussion. Lee said that Ron needs to call SSK in the morning. Kristen said that we should vote on her motion. David suggested a "friendly amendment to the motion" and to wait until noon tomorrow to see if we get anything from SSK. Ron said he agrees and that he will convey the

urgency to them. Kristen said that this is acceptable to her, but that we need a quote from them by tomorrow and immediate coverage. David said that it is time to vote. This passed with one no vote from Ron. It was asked if Kristen has any power to sign the agreement with Galligher and Ron said that in his absence Lee can sign.

C. Water System Maintenance and Operations:

D. Ron gave out to BOD members information of Washington Water's past charges and rate structure. This shows how they penalize us for being independent. 80 – 90% of our water is in the high tier of the rate structure. He mentioned that the UTC granted them an overall rate increase of 17.5%, but that what we are charged under the UTC formula is actually a 24% increase. Lee said that we are all a little confused. Kristen said that we are to do what is fair for the water customers and not lead them to have Washington Water manage our water system as we are now charged an unfair rate. Dennie mentioned that we are YTD positive on our water with the \$6,000 – 7,000 mentioned in his budget. Lee said that we will now have to increase our water rate to accommodate the increase that Washington Water will now be charging. Kristen said that we need a committee to study what the increase should be. Lee said that he and Bea have done this in the past and can do it again. Bea may be willing to be on the committee and work with Lee on this. David asked that if we were managed or owned by Washington Water would our water costs increase or decrease? Ron said that this information is on the bottom of his water sheet submitted. Kristen moved that Lee pull a committee together and review our increase. David seconded, Lee said that the best way to test is with Excel spreadsheet. Marcia said that she can help with that. Ron said that Ann provides a spreadsheet showing how the rates are computed. This motion passed unanimously.

E. Road Maintenance:

1. David said that he would contact Austin as soon as our insurance is in place.

V. Unfinished Business:

B. David asked if we can now deal with the RV policy out of order as Gail Benton was present. Kristen asked if Ed wanted to pass out his paperwork and referred to his email asking the board to move ahead with the Cover Letter that has been changed. Ed said that the only questions a month and half ago were 2 sentences. He'll explain that the changes were reasonable. Ed said that if we move forward and have the Cover Letters printed and ready that they can be in place to send out after the D&O is in place. David suggested that they could be sent out with the June mailing. Ed said that this version 3 of the Cover Letter does not show a "selective representation" that is a misrepresentation. He suggested that if we can resolve these 2 changes we can have these ready for

distribution. Ron commended Ed for his judicious effort in this. Ron said that he used “selective” and “as represented” and believes that in the past enforcement has not been uniform. He mentioned the trailer that used to be on Tall Trees. He also mentioned Roitsch’s trailer and said that in the past the board has taken no action in either case. Lee said that the past board did take action several years ago and the board contacted Roitsch and asked him to remove a boat and several pickup trucks. Lee can’t recall what came of that, but that Roitsch did remove or at least rearrange several of his vehicles. Ron said that the enforcement was not consistent. Kristen said that the case was not brought before the board, and that the board was not acting in a selective way. Ron said that he accepts that but that it shouldn’t take a complaint for the board to take action. Ron quoted our attorney “there is no specific regulation” regarding this. Lee said the attorney considered the Linde letter of 2003 that shows that we had a consistent enforcement. Ron said that 3 of the 4 examples submitted to the attorney were lots and not improved property. Kristen said she doesn’t know why that matters. Ron said that there is no specific wording forbidding it in the CC&Rs. Lee asked why Ron is making the distinction between vacant lots and developed property. Ron said that this is not specifically forbidden in our CC&Rs. He said that the CC&Rs only explicitly prohibit in the case of vacant lots and what was provided to the attorney was on reasonable. Ed said that the attorney said that the governing documents say when you can have RVs implies. He said that she said that this is how a judge would rule. Lee said that Lindey is clear and that Ron can’t imply or infer what the case is and this shouldn’t be up for conversation. Kristen said that most people would agree that the CC&Rs say no RVs permitted other than when a house is being constructed and that we are clarifying the CC&Rs for the members. Lee asked if Allison could have misunderstood? Ron said probably not, but he suggested last fall that we take a survey of what the members think and that was shot down. Ed said that we looked at a 30 year history and that they looked for examples that were implicit and not explicit. Kristen said that our job is to enforce our CC&Rs and that this is not up for an opinion and an attorney made a suggestion of how to clarify what we have. People have been waiting for over a year. Ron applauded the effort, but 8 people are representing what everyone thinks, and what the attorney said is only an opinion. He said that another attorney could say something contrary. Ed said that this is not about representing the opinion of the homeowners and we only assume that the members want us to seek clarification with the attorney and that she has addressed this concern. Kristen motioned that as soon as we hear that we have D&O in place that the most recent version of this Cover Letter be ready to go out before our annual meeting. Lee seconded. Marcia said that we have gone overboard with our restrictions. We’ve lopped out a large group of items like tent trailers. It is concerning that we haven’t had a final review. Ed said that we are proposing that we send the policy to the membership for discussion. Kristen said that this is what we have found as a proposal and are asking for comments. David said that it is similar to the survey that Ron had proposed in the past. Dennie said that he didn’t see any relevance between this and the insurance as anything retroactive is not covered. Kristen said that we are more

likely to be sued if we don't follow through with enforcing the CC&Rs. Dennie asked if we are asking the members for feed-back. Ed said yes, and that they have 21 days to respond. He said that boats were not mentioned and of no concern. Vote was taken and passed with one no vote from Ron.

Kristen, Ed and Dennie left the meeting to go to a concert.

C. Road Sign Committee: Marcia said that a picture and map will be made where all signs are to be located. She said that we are responsible to call the utilities and mark the spot as the contractor won't mark the spot. Ron Griffin gave a bid of \$700 to put all signs in. He will use an auger and back fill and if it is rock will use concrete. He'll dig down 3 feet. Marcia will have the signs at the annual meeting.

VI. New Business:

- A. Ron said that he was contacted by Harlan Horner, an owner in Otter's Lair, who owns 2 lots and one is landlocked. He wants Ron and Carl to take a look as the second lot is far away from the water system and yet he is being billed for 2 services. Lee said that there is some history with this and that he'll go back and check in his records. Ron said that perhaps Washington Water considers these two buildable lots. Ron said he'll check to see if there are 2 water certificates.
- B. Ron asked if there was any other new business and David said that we may not have many people at the annual cleanup day. Lee said that Brain may not be able to help. Ron said that our burn permit runs out at the end of the month. David is using David Stephens flatbed truck and Ron expressed about liability. David said he'll check and see if the owners insurance is in place. It was approved that the board will pay \$100 for gas.

Ron adjourned the meeting and said that the next meeting was Aug. 6, at 7:00

Submitted by Duffy King, secretary.