

ORCAS HIGHLANDS ASSOCIATION NOTICE OF BUDGET RATIFICATION MEETING

MARCH 13, 2019

Dear Highlanders:

A Special 2019 **Budget Ratification Meeting** is scheduled to be held on **MARCH 30, 2019, from 10:00 AM to 12 Noon**, at the Emanuel Episcopal Church, Parish Hall, Eastsound.

The purpose of the meeting is to ratify the enclosed 2018-2019 amended budget which includes a 5-year assessment relating to a bank loan for the installation of a fiber network system in the Orcas Highlands. The budget and assessment have been approved and adopted by the Board of Directors. Unless at the above meeting lot owners to which a majority of the votes in the Orcas Highlands Association are allocated (or a larger percentage specified in the declaration) reject the 2018-2019 amended budget and assessments, the budget and assessments included in the amended budget are ratified whether or not a quorum is present. The proposed 2018-2019 amended budget has added funding for the purchase and installation of a state-of-the-art fiber system from Rock Island Communications via the installation of a "middle mile" of fiber providing a connection point on Association property to each developed lot within the Association. While the majority of the funding for this project will come from sources connected to the sale of the Association's water assets in 2018, just over one-quarter of our need will require indirect member participation in the form of a bank loan as between the Association and a local bank. The loan will be in the amount of \$70,000.00. It can be prepaid in full without penalty. It will be wholly uncollateralized for a fixed term of 5 years at an annual percentage rate of 6.25. The parties to the loan will be the Association and the Bank, only. The loan will not be secured or in any way collateralized by either Association property or the property of lot owners. We estimate the per lot assessment needed to repay the loan to be \$11.34 per month collected quarterly from each lot owner at the rate of \$34 for 5-years. The annual dues payment will also be reduced by \$10 per quarter for a net increase for each lot of \$24 per quarter or \$8 per month.

Enclosed you will find the following information for your review:

1. 2018- 2019 Board-Adopted AMENDED Budget with Special Assessment
2. Agenda for the Budget Ratification Meeting
3. Map of Meeting Location

Please come to the meeting with your questions and comments. Your input is very important to the Board. Any input received will help to guide the Board's actions now

and throughout the year and impact our thinking about the operation of our community in general.

You can e-mail your questions to the Board prior to the meeting. As we are able, your questions will be integrated into the Budget presentation. This will speed up the meeting process. E-mail your questions or comments to:

orcashighlandshoa@gmail.com

The new 2019 monthly assessments will take effect on **April 1, 2019**. Please adjust your payment amount to reflect the new rate on **July 1, 2019**.

We look forward to seeing you at the meeting!

Sincerely,

For the OHA Board of Directors

**ORCAS HIGHLANDS ASSOCIATION
BUDGET RATIFICATION MEETING
Emanuel Episcopal Church-Parish Hall
March 30, 2019 - 10AM-12NOON**

AGENDA

1. Call to Order
2. New Business- Consider the Adopted Amended 2018-19 Budget and Special Assessment connected to the INSTALLATION OF OHA'S FIBER OPTIC SYSTEM a/k/a *THE MIDDLE MILE*.
3. Open Forum- During open forum, each attendee may address the board for up to three minutes. A director may briefly respond to statements made or questions posed. Speakers must observe rules of decorum and not engage in disruptive behavior. If a speaker is in the middle of a sentence when time is called, he/she may finish their thought before sitting down. The time guidelines ensure that others will have an opportunity to speak. Speakers may not allot their time to others.
4. Vote - (**ONLY IF** to reject the Board Adopted Amended Budget and Special Assessment).
5. Adjourn Meeting

ORCAS HIGHLANDS ASSOCIATION
7/1/2018 to 2/2/8/19 Actual vs Budget
with Revised Budget for FY 2018-2019

Revision Date
 3/13/19 11:51

	1 Actual YTD 2/28/19	2 Annual Budget 7/1/18 - 6/30/19	3 Remaining Balance	4 Revised Budget 18-19	Comments
1 OPERATIONS					
2 INCOME					
3 Annual Dues	\$ 20,107.08	\$ 24,200.00	\$ 4,092.92	27,307.08	Quarterly Invoice @ \$60 / lot - includes credit card payments, online fees, and increased fire protection maintenance, & snow removal
4 Finance Charges	-	1,000.00	\$ 1,000.00	100.00	No fees projected in final quarter
5 Other Income	-	-	\$ -	-	
6 Total Operations Income	20,107.08	25,200.00	\$ 5,092.92	27,407.08	
7 Road Capital Fund - quarterly	17,536.17	29,040.00	\$ 11,503.83	28,800.00	Quarterly Invoice @ \$60 / lot
8 FUNDING SOURCE - FIBER					See full fiber funding worksheet
9 Net Water System Sale Proceeds	159,120.00			159,120.00	Sale price minus federal tax on asset sale
10 Interest Income (water sale saving act.)	1,470.99		na	1,600.00	Interest on saving account balance
11 WA Water - billed quarterly	29,370.89	80,780.00	51,409.11	6,338.24	Balance of funds transfers to savings
12 Water Capital Fund - quarterly	5,110.47	20,960.00	15,849.53	24,182.32	Balance of funds transfers to savings
13 Transfer to saving for balance of tax	6,859.44				Transferred for tax and increased interest
14 Loan for fiber installation				70,000.00	5 yr. loan @ 6.25%
15 Assessment - 5 yr Fiber Loan				4,080.00	Assessment for fiber middle mile @ \$34 / lot for 5 years, Total per lot of \$680.
16 TOTAL INCOME - excluding fiber	\$ 72,124.61	\$ 155,980.00		\$ 56,207.08	
17 TOTAL FUNDING SOURCE	\$ 197,970.99			\$ 265,320.56	
18 EXPENSE					
19 Administrative Expense					Includes processing fees for credit card and online payments
20 Bank & Merchant Bankcard Fees	179.41	100.00	(79.41)	300.00	
21 Dues & Subscriptions	-	300.00	300.00	300.00	
22 Insurance	423.00	6,500.00	6,077.00	3,000.00	Reduced cost due to sale of water system
23 Office Supplies	361.53	300.00	(61.53)	500.00	Printing for fiber information packets
24 Postage	589.44	550.00	(39.44)	700.00	Mailing for water and fiber packets
25 Miscellaneous - bad debt	524.06	100.00	(424.06)	525.00	Water close out - Otters Lair nonpayment
26 Total Administrative Exp.	2,077.44	7,850.00	5,772.56	5,325.00	
27 Professional Service					
28 Accounting	2,800.00	2,800.00	-	2,800.00	
29 Bookkeeping	5,055.00	6,500.00	1,445.00	6,765.00	Additional time for water sale refunds, invoicing and tax research
30 Web Hosting	308.00	250.00	(58.00)	308.00	Website cost increase
31 Legal, Related Fees	2,187.00	4,000.00	1,813.00	4,000.00	Includes legal review for water sale and fiber contract
32 Total Professional Services	10,350.00	13,550.00	3,200.00	13,873.00	
33 Wildfire Mitigation	910.76	100.00	(810.76)	12,000.00	contracted fire break work for 3 lots on Olga Rd
34 Taxes - Federal, WA, R/E	1,469.66	3,000.00	1,530.34	1,700.00	Reduced use taxes due to water sale
35 Taxes - transfer to savings for tax	6,859.44				
36 Road Maintenance - capital	103,921.94				Bid accepted Jan 2018, Invoiced July 2018, paid from Road Fund
37 Road Maintenance - operations	3,426.77		(3,426.77)	11,500.00	Snow Removal, culvert repair, ditch restoration
38 Water Capital Fund Expense	\$ 71,873.33			-	Member refund of water capital fund
39 Refund overage accounts	\$ (1,308.00)			-	Member refund of water capital fund
40 FIBER PROJECT OUTLAYS					See full fiber funding worksheet
41 Fiber Installation Payment				253,593.49	Fiber installation contract
42 Loan Payment - 4th Qtr 2018-2019				3,006.00	Loan first 3 months of payment
43 Loan Interest				1,078.00	Interest first 3 months
TOTAL EXPENSE - less fiber & road capital fund	\$ 18,234.63	\$ 24,500.00		\$ 44,398.00	
45 NET OPERATING INC. / (EXP.)	\$ 53,889.98	\$ 700.00		\$ 11,809.08	
46 TOTAL OUTLAY FIBER				\$ 257,677.49	
47 WATER					
48 Washington Water					
49 Quarterly Base Fee	\$ 293.87	\$ 25,650.00	\$ 25,356.13	\$ 293.87	
50 Metered Water Use	12,445.47	50,000.00	\$ 37,554.53	12,445.47	
51 Ready To Serve	1,043.16	5,130.00	\$ 4,086.84	1,043.16	
52 Total Billed Quarterly to Members	29,370.89	80,780.00	\$ 51,409.11	29,370.89	
53 Purchased Water - Paid Monthly	13,782.50	42,000.00	\$ 28,217.50	13,782.50	
54 Net Washington Water	\$ 15,588.39	\$ 38,780.00	\$ 23,191.61	\$ 15,588.39	
55 Expense					
56 Water System Manager Retainer	2,700.00	\$ 7,200.00	\$ 4,500.00	2,700.00	
57 Maint. & Improve. - Manager	2,906.92	5,500.00	\$ 2,593.08	2,906.92	
58 Supplies, Maint. & Improvements	3,070.71	10,000.00	\$ 6,929.29	3,070.71	
59 Meter Reading & Maintenance	812.50	3,000.00	\$ 2,187.50	812.50	
60 Utilities	787.94	4,000.00	\$ 3,212.06	787.94	
61 Permits & Fees WA DOH +	4,998.39	1,100.00	\$ (3,898.39)	4,998.39	
62 Water Testing	445.00	2,000.00	\$ 1,555.00	445.00	
63 Total Water Expense	\$ 15,721.46	\$ 32,800.00	\$ 17,078.54	\$ 15,721.46	
64 NET WATER INC. / (EXP.)	\$ (133.07)	\$ 5,980.00	\$ 6,113.07	\$ (133.07)	
TOTAL EXPENSE - less fiber & road capital fund	\$ 49,544.48	\$ 96,080.00			
65 TOTAL NEW INCOME / (EXPENSE)	\$ 22,580.13	\$ 59,900.00			

CASH FLOW - OHA ACCOUNTS RECONCILED TO BANK ACCOUNTS

	OHA ACCOUNTS				BANK ACCOUNTS	
	Beginning Bal. 7/1/18	Money Billed	Money Disbursed	Ending Bal. 2/28/19	Balance Sheet Balances as of 2/28/2019	
67						
68 OPERATIONS	\$ 20,275.48	\$ 20,107.08	\$ 21,667.30	18,715.26	\$35,882.35	Key Bank
69 WATER	6,471.31	29,370.89	35,842.20	-	\$197,970.99	Key Savings
70 WATER CAPITAL FUND	90,945.18	5,110.47	96,055.65	-	\$1,926.03	Accounts Rec
71 ROAD FUND	95,724.83	17,536.17	107,348.71	5,912.29	\$360.00	Undeposited Funds
72 RESERVE FUND	12,163.50			12,163.50	\$1,377.33	Accounts Payable
73 SAVINGS - Fiber Funding Source		\$ 197,970.99		197,970.99		
74 TOTALS	\$ 225,580.30	\$ 270,095.60	\$ 260,913.86	234,762.04	\$234,762.04	

Since the July 1, 2018 effective date of a new HOA law regarding reserve studies, the OHA has yet to conduct such a study but will presently be researching the issue with its Certified Public Accountant and will update members at the next Annual meeting.

**Orcas Highlands Association
5 YEAR BUDGET WORKSHEET**

Revised as of:
3/13/19 11:52

	ACTUAL	4th QTR BUDGET	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 23-24 Budget
	July - Mar 2019	Apr - Jun, 2019					
Account Balance as of: Feb. 28							
Key Checking	\$ 18,715.26	\$ 10,348.27	\$ 3,498.27	\$ 7,088.27	\$ 10,178.27	\$ 11,338.27	\$ 13,128.27
Reserve Fund	\$ 12,163.50	\$ 12,163.50	\$ 6,163.50	\$ 6,663.50	\$ 7,663.50	\$ 8,663.50	\$ 9,663.50
Road Fund	\$ 5,912.29	\$ 7,055.31	\$ 14,255.31	\$ 35,055.31	\$ 55,855.31	\$ 74,655.31	\$ 93,455.31
Key MM Savings	\$197,970.99	\$ 198,229.11	\$ 14,765.11	\$ 14,748.11	\$ 14,731.11	\$ 14,715.11	\$ 14,697.11
Total Assets	\$234,762.04	\$ 227,796.19	\$ 38,682.19	\$ 63,555.19	\$ 88,428.19	\$ 109,372.19	\$ 130,944.19
Loan Balance			\$ 66,994.00	\$ 54,489.00	\$ 41,180.00	\$ 27,016.00	\$ 11,940.00
Income							
Annual Dues	1,143.01	6,000.00	24,000.00	24,000.00	24,000.00	24,000.00	24,000.00
Finance Charges			50.00	50.00	70.00	70.00	100.00
Interest Income (reinvested)	258.12	240.00	0.00	0.00	0.00	0.00	0.00
Road Maintenance Fund	1,143.02	7,200.00	28,800.00	28,800.00	28,800.00	28,800.00	28,800.00
Fiber Loan		70,000.00					
Assessment - 5 yr Fiber Loan		4,080.00	16,320.00	16,320.00	16,320.00	16,320.00	12,325.00
Total Income	\$ 2,544.15	\$ 87,520.00	\$ 69,170.00	\$ 69,170.00	\$ 69,190.00	\$ 69,190.00	\$ 65,225.00
Expenses							
Administrative Expenses							
Bank Charges	20.00	30.00	100.00	100.00	100.00	100.00	100.00
QuickBooks Payments Fees	30.00	120.00	120.00	140.00	160.00	180.00	200.00
Insurance	0.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Miscellaneous			500.00	500.00	500.00	500.00	500.00
Office Supplies	120.00	80.00	300.00	300.00	300.00	400.00	400.00
Postal services	100.00	70.00	400.00	400.00	400.00	400.00	400.00
Total Administrative Expenses	\$ 270.00	\$ 3,300.00	\$ 4,420.00	\$ 4,440.00	\$ 4,460.00	\$ 4,580.00	\$ 4,600.00
Professional Services							
Accounting	0.00	0.00	2,800.00	1,000.00	2,800.00	1,000.00	3,000.00
Bookkeeping	570.00	1,770.00	7,080.00	7,200.00	7,200.00	7,200.00	7,200.00
Legal Fees	500.00	1,500.00	1,500.00	3,000.00	3,000.00	3,000.00	3,000.00
Software - Quickbooks	30.00	100.00	360.00	400.00	400.00	450.00	450.00
Web Hosting	0.00	0.00	310.00	320.00	350.00	350.00	400.00
Total Professional Services	\$ 1,100.00	\$ 3,370.00	\$ 12,050.00	\$ 11,920.00	\$ 13,750.00	\$ 12,000.00	\$ 14,050.00
Roads							
Road Maintenance	8,000.00		8,000.00	8,000.00	10,000.00	10,000.00	8,000.00
Taxes							
Federal Taxes**	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property Taxes	0.00	150.00	150.00	200.00	200.00	250.00	250.00
State Taxes	0.00	30.00	140.00	200.00	200.00	250.00	250.00
Total Taxes	\$ 0.00	\$ 180.00	\$ 290.00	\$ 400.00	\$ 400.00	\$ 500.00	\$ 500.00
Water Service - Burn Area	\$ 140.00	\$ 0.00	\$ 200.00	\$ 200.00	\$ 300.00	\$ 200.00	\$ 300.00
Wildfire Mitigation	\$ 0.00	\$ 12,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 4,000.00	\$ 4,000.00
Fiber Installation							
First Half - Down payment		\$ 108,000.00					
Second Half - Balance		\$ 145,700.00					
Loan Principal		\$ 3,006.00	\$ 12,505.00	\$ 13,309.00	\$ 14,164.00	\$ 15,076.00	\$ 11,940.00
Loan Interest		\$ 1,078.00	\$ 3,832.00	\$ 3,028.00	\$ 2,172.00	\$ 1,262.00	\$ 313.00
Total Expenses	\$ 9,510.00	\$ 276,634.00	\$ 44,297.00	\$ 44,297.00	\$ 48,246.00	\$ 47,618.00	\$ 43,703.00
NET Operating Income	-\$ 6,965.85	-\$ 48,837.81	\$ 24,873.00	\$ 19,258.19	\$ 40,182.19	\$ 61,754.19	\$ 87,241.19
Transfer to Reserves			\$ 500.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00	\$ 1,000.00
Closing Balance As Of:							
Key Checking	\$ 10,348.27	\$ 3,498.27	\$ 7,088.27	\$ 10,178.27	\$ 11,338.27	\$ 13,128.27	\$ 12,778.27
Reserve Fund	\$ 12,163.50	\$ 6,163.50	\$ 6,663.50	\$ 7,663.50	\$ 8,663.50	\$ 9,663.50	\$ 10,663.50
Road Fund	\$ 7,055.31	\$ 14,255.31	\$ 35,055.31	\$ 55,855.31	\$ 74,655.31	\$ 93,455.31	\$ 114,255.31
Key MM Savings	\$ 198,229.11	\$ 14,765.11	\$ 14,748.11	\$ 14,731.11	\$ 14,715.11	\$ 14,697.11	\$ 14,769.11
Account Receivables							
Total Current Assets	\$227,796.19	\$ 38,682.19	\$ 63,555.19	\$ 88,428.19	\$ 109,372.19	\$ 130,944.19	\$ 152,466.19

**Federal tax on water sale paid from sale proceeds, see fiber funding summary

* 8 years road fund total repave project

Based on budget projects we can have a \$10 reduction in dues per lot

Dues per lot quarterly - \$50 operations, \$60 roads, \$34 fiber loan for five years

NET CHANGE - Fiber Assessment with dues change is a NET increase in member quarterly payment of \$24 per lot/quarter for five years

Funding Summary

PART I - Water System Sale / Fiber Middle Mile Installation

	SOURCE	OUTLAY	Balance
FIBER FUNDING			
Water System Sale Proceeds	196,500.00		196,500.00
Federal Tax on Sale		37,380.00	37,380
NET Water System Sale Proceeds			159,120.00
	SOURCE	OUTLAY	
NET Water System Sale Proceeds	\$159,120.00		
Interest Income as of 2/28/19	1,470.99		
Surplus Funds from Water Capital	24,182.32		
Surplus funds from Water Operations	6,338.24		
Transfer to saving from operations	6,859.44		
Loan for fiber installation	70,000.00		
Installation downpayment		107,929.47	
Installation mid-point payment		56,601.83	
Installation final payment		89,062.20	
	TOTAL	267,970.99	253,593.50

PART II - Islanders Bank \$70,00 Repayment Schedule

	SOURCE	OUTLAY	Outstanding Balance
Loan from Islander			70,000
Loan Interest @ 6.25%			11,685
Total Islanders Loan with Interest			81,685.00
Assessment - 4TH QTR 2018-2019	4,080.00		77,605.00
Loan Payment - 4th Qtr 2018-2019		3,006.00	
Loan Interest		1,078.00	
Assessment - 5 yr Fiber Loan	16,320.00		61,285.00
Loan Payment - 2019-2020		12,505.00	
Loan Interest		3,832.00	
Assessment - 5 yr Fiber Loan	16,320.00		44,965.00
Loan Payment - 2020 - 2021		13,309.00	
Loan Interest		3,028.00	
Assessment - 5 yr Fiber Loan	16,320.00		28,645.00
Loan Payment - 2021 - 2022		14,164.00	
Loan Interest		2,172.00	
Assessment - 5 yr Fiber Loan	16,320.00		12,325.00
Loan Payment - 2022 - 2023		15,076.00	
Loan Interest		1,262.00	
Assessment - 5 yr Fiber Loan	12,325.00		0.00
Loan Payment - 2023 - 2024		11,940.00	
Loan Interest		313.00	
	ENDING BALANCE		0.00

PART III - Installation Cost Summary

TOTAL INSTALLATION	\$253,593.50
TOTAL \$70,000 LOAN INTEREST	\$11,685.00
TOTAL OUTLAY	\$265,278.50

as of: 3/13/19 11:52