

Orcas Highlands Association Budget Meeting and Board of Director Meeting Following

March 30, 2019
MEETING CALL-IN INSTRUCTIONS:
Dial: (641) 715-3287 Enter Access Code: 420471#

PURPOSE: ASSOCIATION MEETING FOR BUDGET RATIFICATION

A motion was made to reconvene the meeting from Friday, March 22. Board members present: Marcia West (president), David Turnoy (secretary), Dennie Carter (treasurer), Bob Wyatt (member), Harvey Aldort (member), Jens Kruse (member); present by phone Lee Goodwin (member).

Marcia thanked all the people who have worked on the fiber project. We will be voting to not approve the budget. The current budget was adopted when we still owned the water system, so we need to revise it in order to accommodate the fiber project.

We have just spent \$12,000 on fire suppression along Olga Road. We paid \$8,000 for ice and snow removal. We also added a water hookup for the burn pile, and we had to get a water membership, all told about \$3,000.

We have a five-year budget we will be voting on. We have about \$24,000 in reserves. The loan for fiber will cost \$34 per quarter, but we are able to reduce dues by \$10, so the net is an extra \$24 per quarter for five years. We have \$14,000 that will stay in savings after this transaction.

Member Statements: Cindy Carter: It was asked that if 80% of our members sign up for service and pay \$80 per month to Rock Island, why are we paying anything to Rock Island for the fiber? Marcia answered that it has to do with the business model by which RI is installing and distributing fiber. The middle mile is being put in for all the members. Harvey added that this board is the most fiscally prudent group, that money is spent efficiently, in the long run fiber will add to the value of our property, fiber today is like electricity in the 1930s.

Bob Burke: He will vote against the budget because he is not sure that the 3% increase is valid, he would support the proposal if there is a consensus, he feels the procedure has not been adequate to prove that consensus. He thinks the board needs to send out more information next time, there hasn't been information shared for long enough. Marcia says we could send minutes out monthly, minutes are posted on the website. Bob also says that it would be helpful for everyone to have members' opinions posted. Marcia says that we will try to do something like this electronically, we need to get away from paper because the cost is so prohibitive. Bob asks if Rock Island is a regulated utility, wants to know if they can change our rates without government approval.

Linda Erickson: She has been frustrated with technology, is looking forward to fiber to make technology work better.

Jim Hennessey: He is in favor of fiber, already gets 50-75 mb through a company in Bellingham, but supports fiber because everything they do is on the internet, internet has helped with communication with his doctors during his health issues this last year. He feels the money spent is worthwhile. His fiber will have to go under the road, wants to know who will pick up the extra cost for the final mile. Marcia says that the member has to do so. If you let RI know right away, you can get the final mile put in sooner than later. Jens says also that if several adjacent neighbors put in at the same time, it can save money.

Robbie Walker: She wonders if county government will use fiber as a reason to raise our property taxes. Ron asked the county this, they don't ask about fiber, tax rates are based on real estate transactions.

Tom Roosma: Although he supports fiber, he wonders why the members weren't polled, this was debated by the board. A straw poll would not have been binding, our attorney told us that the method we followed was legally appropriate. He also wondered about a deal from CenturyLink; Jens answered that they never were serious about a deal, that their price would have been far more, that their system would not work as well as that from Rock Island.

The motion is to begin the vote to reject the board-adopted amended budget and special assessment, as stated in the ratification agenda; if you favor that, vote yes. If you are in favor of the fiber, vote no or don't vote. There are 11 proxy votes and 5 votes in person to reject the amended budget and special assessment, a total of 16 votes to reject the revised budget. The budget is adopted because 50% + 1 did not vote to reject.

Once the proposal to move ahead with fiber was approved, we started to talk about payment alternatives. Dennie says he thinks the loan is simple interest, so that if a lot of money is paid up front, more will go to principal than interest. The board needs to look at this to figure out the numbers. Geri reminds us that we recently received a \$700 refund for the water maintenance fund, this covers the fiber loan. Chris says the Board should not provide members an early payoff option after the loan is closed unless the bank restructures the loan. Those who would prepay after the loan was made would be prejudiced; any benefit to accrue to those who did not prepay by reducing the loan with prepayment funds would be at the direct expense of those who prepaid. Further, prepayment to reduce the loan balance post-closing of the loan would require refinancing (re-amortizing) the new principal balance; but even this would not remedy the prejudice to those who prepaid. Thus the only option available is prepayment before the loan is executed at rate of \$583.33 per lot to be received on or before April 15, 2019. Finally, prepayment by any lot owner would not affect up or down, mathematically, the assessment against those lots who did not prepay. The assessment for fiber is 34.05 per quarter, per lot. This quarterly assessment amount is not altered by prepayments, or a reduction in general dues. They are separate issues and while the net overall dues may decrease from \$34.05 to \$24.05, the assessment due to the loan to finance fiber remains at all times \$34.05 until the loan is retired. We can't finalize the loan until all this other business is taken care of. There is still a possibility of collecting money up front before the loan is processed. Prepayment would help everyone, reducing the amount of

dues for those who pay up front as well as reducing the principal for the others. We would need people to pay in the next two weeks, by April 15. A memo will be sent out to members, they can send to the association. A majority of attendees voted in favor of offering this option.

Cindy moved that we refund all the money from the water sale and revoke the vote on fiber, no one seconded. Jens reminded us that we legally cannot refund the money, it is not individual money, it has to be used for the collective. The motion was not seconded.

Adjourned at 11:20.

Subsequent Board Meeting

Motion was made for board approval of prepayment of \$583.33 by April 15 as agreed to by the membership present in the ratification meeting to reduce the initial loan principal amount from \$70,000 to as low a number as possible. Prepayment is optional for each member. Motion seconded, approved unanimously.

Here is the email we will send all our members:

The amended budget was ratified at our association meeting on March 30, which means that we will be going forward with installation of the middle mile of fiber by Rock Island. 11 proxy votes and 5 in person voted against the fiber proposal, thus the 50% + 1 threshold to stop the proposal was not reached.

There will be two payment options that the board has approved. If you choose to pay up front before we finalize our loan with Islanders Bank, your cost will be \$583.33. If instead you choose to have your share added to your quarterly dues to pay it over time, it will be \$34.05 per quarter (only really \$24.05 in net dues because of a reduction in general dues of \$10 per quarter). If you do want to take advantage of the prepayment option, which reduces the amount of principal we need to borrow and saves you almost \$100 in interest, please either send your check, bank draft, or credit card information to Orcas Highlands Association, PO Box 474, Eastsound, WA 98245. Any fees for bank drafts or credit cards will be borne by the member, not the association. This check, bank draft, or credit card information must be received by April 15, as we will be going to the bank on April 16 to finalize the loan.

We will go to the bank April 16 to complete the loan. Prepayment checks should be photocopied and put into one deposit.

Next meeting in May. Annual meeting is June 8. We will try to reserve the Parish Hall for this. Adjourned at 11:55.