

Annual Homeowners Meeting Orcas Highlands Association

OPALCO Conference Room

June 20, 2015

The directors and then the property owners introduced themselves.

- I. Ron Claybourn called the meeting to order at 1:15. He announced the new burn restrictions that comes into effect next Monday morning, and that he'll be putting the cable up across the entrance to the burn pile. He mentioned that the purpose of this meeting is to elect directors and to also get feedback for what has happened during the last year. He asked if there could be a more convenient time of the year for the annual meeting and mentioned that the CC&R say that the annual meeting is to be held in April.
- II. Ron asked for three volunteers to review and approve the minutes of this meeting. The volunteers are Peter Bohr, Brian Ehrmantraut, and Roxy Marck.
- III. Reports:
 - A. President's Report

Broadband: Ron said that last summer he met with Jerry Lawler about Broadband for the Highlands and Jerry put together a plan for the Highlands. This information has been posted to our website. Ron said, briefly, they will provide infrastructure throughout San Juan County, and that this is quite expensive. He said that Islanders Bank is willing to provide funds for infrastructure projects at a low interest rate, and if anyone is interested in the details Ron will be happy to meet with them. He then said that Mt Baker Cable already has infrastructure in place in the Highlands and if we would be able to utilize that existing infrastructure it could reduce the ultimate costs. Dan Adams, the owner of Mt Baker Cable, said that he can offer an alternative to what OPALCO is offering at a competitive price. Lee Goodwin interjected that this would be less of an investment than what is offered by OPALCO. Ron mentioned that we already have broadband connection as the street in the tall green boxes. Susan Kunk mentioned that OPALCO also is offering phone service and that Mt. Baker does not offer that. Ron said that OPALCO will finance up to \$1500 to offset some of the cost for road work that would be needed. The total cost for the Highlands area is about \$188,000. Kristen Wilson said that she presently has Rock Island and the service fluctuates during high traffic times, and she asked if Mt Baker would be any different. Ron said that the Mt baker Service would be through coaxial cable and therefore may have the same problems. He said that he has Century Tel and has the greatest service. Richard Strauss said, as an example, that for his Spring Point property they paid about \$4300 for their portion of the infrastructure. Ron said that the service is highly dependable upon the quality of the cable. Arthur Winer that they also have 10MB service from Century Tel. Ron said that the cost is flexible and depends upon how many property owners join the service, and that the more people the more affordable. Carl Capdeville told Ron that they installing new cables in the Eagle Lake area. Ron showed a map showing the "middle mile" in the Highlands and said that if all owners participated the cost would be approximately \$1920 for each

participant, and that the payback of any loan a member may utilize is rolled into the customer's monthly bill.

Tree cutting: Ron asked for volunteers to determine what areas still need additional tree work, and said that this work is to begin in July. This tree work was driven by the safety of our roads and especially better visibility at corners. Phil Schulz said that the trees behind his property hang over the fence. Ron said that we are only dealing with right of way trees, and Phil said that these trees are in the right of way. It was also mentioned that Tall Trees Trail needs tree work.

Accounts Receivable: Regarding aging accounts receivable, Ron said that we keep track of the number of days a member is in arrears and that notices are sent out with the regular billing. The total of those accounts is \$2700. Kristen asked who would have the power to cut off water on a member who is in arrears if Washington Water took over, and Ron said that he'd explain later when talking about Water Issues.

Water documents: Ron said that he was able to get documents from the Health Department showing some of the infrastructure of our water system, and that some maps are included. Ron said that he also contacted Roy Stanton, manager of the Rosario Treatment plant.

B. Water System Report

1. Rates, Ron said that he learned last August that our rates will be increased by Washington Water. He said that since our service is through a 2 inch meter that we are charged at the highest tier rate, and that this increased will increase up to 25%. It is necessary for us to raise the member rates effective the next billing cycle. Lee said that he has a handout showing the increase. Ron said the member increase is enough to cover the increase in our costs, and that there is no way around this. Ron Ambler asked if the UTC gave Washington Water what they wanted regarding increases, and Ron said that they were given 17.5% on average increase. Ron Amber asked if there is an alternative, and Ron Claybourn said that the alternative is a $\frac{3}{4}$ service, and we'd need to rip up our entire system. Lee said that the UTC would need to approve any changes to our system, and Ron Claybourn said that to change our meter we would need to change our entire infrastructure. Ron further explained that we now have a 3 inch meter installed so that we can more easily detect leaks, and that leaks are an ongoing problem.
2. Washington Water management, Ron said that he has a handout showing the comparison between our present system and the one with Washington Water managing our water and that this shows the numbers including the increase of rates discussed above. This is based on the typical use of 3000 Gals. Consumption. Bea vonTobel asked if Ron produced the formula for the spreadsheet, and Ron said yes and that he would send it to her. Ron said that under the Washington Water management there are 3 caveats, and that there would be a differential that we would owe to Washington Water for the water, we would

also be responsible for repairs to our system. Washington Water management would provide 24/7 for repairs, compliance, permits, automatic billing and credit card billing. Ron noted that as we would approach a 0 loss situation we may be in a position that we'd owe Washington Water a differential from what we would then pay them against what the cost is for the water itself (and he doesn't know what that differential is). Ron said that he advocates that we do this and that he knows that Bea wants to talk about this as well. He said that we will still manage the unpaid members. Ron said we'd have a professional company running out water system, and that we should try it and see how it works. He mentioned that the Dept. of Health is looking to a 10% loss or less in the system. Ron made it clear that it is a headache to run this system and if we stick with the status quo he will no longer do it.

Ron said that we have 3 estimates to upgrade our meters that will make a 24/7 automatic reading available. If meter data is collected automatically we can identify leaks more easily. Ron said that he also advocates installing a few more of the larger 3 inch meters in our system to help identify leaks in the system. Arthur asked why we haven't looked into Washington Water taking over our system. Ron said that there is a long history to this and that it takes a long time to do all of this. Lee said that we need to find a better system than the one we presently have and that the board has met with Washington Water and liked what they heard, although Lee said that he doesn't trust them. Brian suggested that Eastsound Water Users Association would be happy to help us with our system but any of other possibilities will not be any cheaper. Kristen suggested that we would have our attorney look at any agreement with Washington Water prior to entering into it. Ron said that we could cancel an agreement with them in 30 days with cause and 90 days without cause. Cindy Carter asked if we aren't encouraged to hire locally. Kristen said that an agreement with Washington Water will not eliminate our bookkeeping billing, and Ron said that Washington Water's billing system can accommodate 3 other fees in their billing. Ron pointed out that we will continue to pay for our water through a 2 inch meter unless Washington Water owns our system. Judy Winer asked if the management by Washington Water couldn't be an intermediate step to their owning our system. Ron said yes, and that the board has the ability to do this. Jackie said that we are paying about twice for our water what Rosario and Vusario are paying. Susan Kunk asked if we had repairs under Washington Water management scenario would they be making the repairs, and Ron said not. Lee said that the bills for repairs would come to us but the process would be managed by Washington Water. Susan asked if Washington Water would charge anything on top of the cost for repairs and Lee said that there would be no additional costs, but that there isn't any saving either. Bea mentioned that she had the responsibility of managing our system for a long time. She said that Washington Water will only manage our system after all repairs that they deem necessary have been made, and that the system is a mishmash, and that the system has reached the end of its life. Bea said that she likes the fact that we are

re-metering our system, but that she'd like to see the board stay with managing the system to see how close to the 10% loss we can get. Ron Ambler asked who will manage the system if Ron steps away. There was no response to that. Ron Claybourn said that Mike Ireland and Roy Stanton took a cursory look at our system already. Peter Bohr made the motion that and Ron Ambler seconded that we approve the replacement of our meters. Brian asked how old the present meters are and Bea said that they were installed in 1990. Brian agreed that their life is about 20 years. Motion passes unanimously.

- IV. Nominating new directors: Ron said that he checked with the by-laws and that these elections should be by secret ballot, and that next year we may do that. Jackie said that this would be helpful for those who would like to serve. Lee said that we've been loosey goosey about this, and that we also should have a nominating committee in the future. Kristen agreed with Lee and said that we are lucky to get volunteers. Ron said that David Turnoy nominated Nathan Ahrens. Lee nominated Gail Benton and that she's been here about 20 years and was on our recent RV Committee. Ron noted that the RV Committee were all volunteers. Bea asked whose terms expire and Ron said Lee, Duffy, and Kristen. Kristen said that she didn't know if she could commit to a full 3 year term. Ron said that Duffy is not available to renew, and that Lee can stay if elected. Ron read Nathan's Bio. Kristen said that she wanted to make it clear that we will have 9 members unless we have nominations from the floor. Lee suggested that we need to know more about Nathan. Marcia said that Nathan's kids are in activities in the community and he is also involved. Kristen suggested that we delay the decision on Nathan. Jackie said that we should have proxy voting and moved that we have it and Brian seconded. Ron said that proxy voting is in the CC&Rs and that we don't need to have a motion. Roxie said that she is willing to be on the nomination committee. Jackie said that her proxy motion is to include all matters and Brian seconded. Motion carried unanimously.
- Ron suggested that we vote by name.
- Kristen passed with one opposed
- Lee passed with one opposed
- Gail passed with two opposed
- Nathan, Ron suggested that the board meet with him since we know so little about him. Kristen said that we may need to vote on him since he was nominated. Richard Jordan moved that we vote on him subject to the board's approval, and this was seconded by Rollie Sauer. Ron Ambler said that we need to not let the present board have too much power over who else gets on the board. Richard Strauss moved that all votes thus far were null and void and that we should be voting with one vote per lot and Bea seconded the motion. Ron read that by-laws, section 4 about how voting is conducted, and there is one vote per lot. Motion carried with 22 yesses and 2 no votes.
- Revote:
- Kristen passed with 27 yes, 1 no, and 2 abstaining
- Lee passed with 24 yes, 4 no, and 5 abstaining
- Gail passes with 23 yes, 1 no, and 6 abstaining
- Nathan failed with 10 yes, 12 no, and 9 abstaining

Lee said that the discussion of Nathan is silly as we don't know him. Brian mentioned that the board can appoint him if they like, per the by-laws. John ?? asked why we vote if the board can appoint who they want, when the floor has spoken how can the board appoint someone who was not approved by the members. Richard Jordan said the board can appoint until the following annual meeting, and Ron Claybourn agreed, and said that we'll work on this.

Reports continued:

- C. Treasurer's Report, Dennie passed out the budget and noted that line 36 is the road fund. He said his report is in a comparison format where column 2 is this year through the end of this month and column 4 is the budgeted amount. He said that the money for the meters will come out of the water, line 18-32 and line 35. He noted that we are projecting a small surplus in water of about \$2490. He said that he looked back at the water maintenance costs and they are:

2010-2011 \$4019

2011-2012 \$6581

2012-2013 \$24516

2013-2014 \$15347 (\$8287 of this to Earthworks)

2014-2015 \$13892 (\$7610 of this to Earthworks)

Dennie said that our balance sheet is on the back of the report and that our accounts receivables are in good shape. He mentioned that Judy Cook did a lot to accomplish this. Brian asked if we have a budget for road repair and Dennie said no. He said that Bea was the road repair manager in the past. Ron Ambler asked who has that duty now and Dennie said that he didn't know. Ron Claybourn said that one of the expenses for road work earlier this year was work on Marada Lane as we provided some funds for the re-grading of the road. This was about \$900. Ron said that he got an email from Harvey Aldort and he wants us to increase our road fund. He also wants us to re-habilitate our mail boxes. Ron said that we might find some funds to do these things. Richard Jordan said that Don Carlson did a study in the past to replace our mail boxes with locking boxes. The cost was about \$200 per household. Peter Bohr mentioned that his mail had been stolen from his box and that locking boxes would be a help. Ron Claybourn said that he had mail taken in the past. Roxie said that we need to approve the budget. The vote to approve was unanimous. Insurance, Lee said that we've had some problems in the past few months with our insurance, and that part of our liability was canceled last year. Our property insurance runs out in June. He said that we have a new broker in Bellingham and that the broker gave us a proposal last week and we are studying it as it is complicated. He said that every broker uses different terminology.

- V. Unfinished Business: Ron reiterated that the RV and Road Sign Committees are volunteers. He said that the RV policy recommendation was sent to all members and that Ed Wilson will talk about the proposal. Ron asked if anyone didn't receive the policy proposal. He noted that at the last annual meeting he asked for volunteers for the RV Committee and 8 people joined. Ed said that

they had 4 meetings and presented a recommendation however that is not what was mailed out to members. That recommendation followed 6 steps that the attorney recommended be followed. Their results were submitted to the attorney and then there was a conference call with the attorney at the Leahy firm in Seattle. Ed said that he realizes that there are a lot of different opinions on this and that members are recommended to send their comments to P.O. Box 474. If anyone has send their responses electronically, please also mail to the P.O. Box. Ed mentioned that there are also copies of the proposal in the back of the room. Ed said that he can't reveal any of the confidential information discussed with the attorney. Peter said he was confused that the mailed proposal was not the attorney recommendation. Ed said that in essence they are the same. Ron said that the board has the authority to set rules and policy. Peter said that it would be better if the board had the backing of the members in something like this. Ron said that this is contentious at best, and we may all have views of what is implied in our CC&Rs. Peter moved that the board take a vote of the members to either accept or reject any proposal that the board ultimately recommends. Ron Ambler seconded. John [Kelly] asked what RV stands for. Ed said RV is not boats. Jackie asked if it includes tents. Ed said that this is all covered in the language of the proposal. Jackie said we are changing the language of our rules. Ed said that this is not a change it is a clarification. Brian said that he thinks the interpretation is not clear and he takes the opposite opinion and that he can see this ending in litigation. He intends to defend his property rights. Ron interjected that this is contentious and interpretative and that we are trusting the judgement of one person. Ron Ambler asked if the attorney is a specialist in this area. Jackie said that the information provided to the attorney was selective. Brian said that since it is contentious we shouldn't want to go down this path. Richard Strauss said that it is imperative that we put our feelings in writing was we have chosen to receive input in writing.

Vote on Peter's motion passed with 3 no, 1 abstain.

Richard Jordan next spoke on the unique subdivision that we have, and the really good water, underground utilities, and totally paved roads. He read that the Community Association Institute mandate is, and said that it basically advocates building better communities. He said that it helps homeowners enrich their communities. He said that only Lee has attended one of their meetings. Lee said that the meeting was jam-packed with information relating to HOAs. Richard said that he asks that the members vote to pay for the entire board to go to the conference and pay all costs. Roxy said that there is training on the island and asked how this is different. Richard said that he can't answer that. Roxy said that the Community Foundation has excellent training. Richard said what he is asking is not frivolous and the tuition is \$89 per member. Richard said that the board has the right to do this and have the association pay. Lee said that his experience it was mainly about legal topics, and that is where he met Terry Leahy, the attorney firm that we are using. Jens says that he supports this. Richard said that enforcing our CC&Rs is one of the 3 things that the board has to do.

Marcia talked about signs. She is on the road sign committee. She mentioned that there is speeding in the Highlands since the county put up the 25 MPH sign. She presented several

signs and said that they are standard size. Her committee doesn't want to put too many signs up and that they will go up in July. She said that they have a low bid, estimate of \$700 to install them.

Emergency Fire Exit, Ron said that David Turnoy contacted Eric Youngren to see what it would cost to re-do the road through Eric's property as a fire exit. Roxy said that she thinks a Shelter in Place is a better option and she asked for volunteers to create a "shelter-in-place community". She then explained what she meant by "hardened". This can be used in many emergencies. Judy Cook has volunteered. Lee asked if these facilities are individual homes and Roxy said yes. Jackie asked about liability. Roxy said that we would need to check on that and to create a communication system and coordinate with emergency services. Ron said that he will email a notice regarding this and also put it in our next newsletter.

Ron thanked Duffy for his work on the board.

Ron asked if there were any other topics. None noted

Ron adjourned the meeting at 4:52

Respectively submitted by Duffy King, Secretary