

Edelweiss Board of Directors

Meeting Minutes 4.11.2016

Present: John Kirner (President); Alan Fahnestock (Vice President); Jim McDonald (Treasurer); Larry Halford; Kirk Schumacher; Will Fohrell

Absent: Steve Ralph (Secretary); Josh Jankowski; Bill Craven

Staff Present: Dick Volckmann (General Manager); Craig Hook (Operations Manager)

Members Present: Patricia Leigh; Carol Tilley

Chair: John Kirner

Minutes: Alan Fahnestock, substituting for Steve Ralph

1. Call to Order by John Kirner – 6 PM
2. Review and Approval of Previous Meeting's minutes (12.14.2015). Noted by Schumacher that Minutes already technically reviewed and approved soon after 12.14 meeting via email, so that they could be posted to www.edeleweissmethowvalley.org as quickly as possible for the benefit of membership; concern that re-approval could cast doubt on validity of those already posted. Motion to re-approve AS POSTED, seconded and carried unanimously
3. President's Report (Kirner): Noted 2015-16 wettest winter in Winthrop's recorded history, with repercussions on Edelweiss infrastructure: considerable number of repairs and associated expenses to consider.
4. Treasurer's Report (McDonald): (appended to this document)
 - a. Need to correct revenue ascribed to pool project in published Treasurers Report from ~\$90K to ~50K
 - b. Some confusion as to prepay totals on pool project, clarification by Volckmann appended
 - c. \$3K transferred to legal fund
 - d. ~\$130K thus far spent on pool, including ~\$90K to General Contractor, another ~\$30K now due under "percentage completion" payment paradigm
 - e. See appended Treasurer's Report for further details
 - f. McDonald will not seek re-election to Board in 2016 due to commitments in Bremerton, will make himself available to new Treasurer and Board as required for hand-off all aspects.
5. General Manager's Report (Volckmann): (appended to this document)
 - a. Brandenburg Construction to pour pool decking within 2-3 weeks, after which GC will complete pool plastering, etc. Pool usable by ~June.

- b. New quote for pool fence: \$4200, add ~\$200 to up-grade posts to 2.5" (moved and approved). Moving fence outside of poured deck for greater strength/durability, needs accurate measurements and drawing to complete fence order.
 - c. ~\$181K in pool assessments collected so far, not all reflected in QuickBooks due to backlog at CPA firm; 55 members have paid all three assessments; 3 have not paid any and will be informed/penalized accordingly; 81 haven't yet paid 2016 assessment and will be informed of impending penalties for non-payment by mid-April.
 - d. ~\$277K will be final assessment total in spring of 2017.
 - e. HOA water tax recently discovered by CPA
 - e.i. Assessed on amount paid by members; also on each hookup
 - e.ii. Deductions based on up-grades to system only, not on actual cost of providing service.
 - e.iii. Edelweiss out of compliance forever, but State Dept. of Revenue only looks back 4 years, so proactive compliance for those years should end issue, with only minor penalty (~\$25). Total to comply in vicinity of \$3K (\$11K less deductions identified by Volckmann)
 - f. Open Open Space tax agreement with County finally concluded. Confusion during fires (2015) caused failure to comply fully with County protocol, resulting in cancellation of original contract. Volckmann resubmitted to the County, contract rejected; resubmitted again and accepted. Should reduce tax on open space along Methow River/Goat Creek Road by around half, ~\$1000. Final requirement is development of plan for controlling noxious weeds.
6. Operations Manager Report, Upcoming projects
- a. Winter water-main breaks:
 - a.i. Eagles' Nest: connection to new main (2015) disrupted, fixed by JA Wright under warranty --- DONE
 - a.ii. Fawn Road: shallow main (only 18" deep) froze, temporarily fixed, will require redoing when circumstances (ground, groundwater) suitable.
 - b. New water service: Bjornsens will need ~180' of new poly buried to serve new house on Goat Creek Rd
 - c. Fawn Road culvert needs to double in length to accommodate truck access including fire
 - d. Highland Meadow water damage
 - a.i. Cassal Creek needs new, larger culvert under Highland Meadow at Yerkes (Grahams); possible used culvert from Palm; assorted other options

- a.ii. HM Road will require considerable re-work once run-off subsides, including re-routing, working around sewer and water pipes
- e. Entrance re-paving: Granite Paving unresponsive as to new bid, cost last year was estimated at \$33K, will get new bid ASAP
- 7. Discussion of how to finance assorted projects
 - a. Road fund currently at \$~20K after Bjornsen new home contribution
 - b. Possible to save ~\$10K by not applying lignin, grade roads only
 - c. Other options include General Savings (~\$60K), few others
 - c.i. McDonald, Kirner emphasize need for GREATER reserves, not less
 - d. Need to better identify and quantify projects, costs, available resources.
- 8. Interjection by Carol Tilley, leading to long (~1 hour discussion of various road, drainage and governance issues. See motion (***) below prior to adjournment.
- 9. Return to business discussions. Carol Tilley leaves.
 - a. McDonald mentioned that final loan repayment to OCEC due early 2017, freeing up ~\$10K/yr
 - b. Motion to forego lignin in 2016, apply \$ to other projects, seconded and carried unanimously with one abstention.
 - c. Volckmann to investigate engineering and costs for Highland Meadow
 - d. Will Fohrell suggests that he could speak with Erlandsen re: engineering study of Edelweiss road, in response to Carol Tilley's concerns. High probability that the study would be very expensive and therefore not feasible, but worth the question. Moved, seconded, approved.
- 10. Final business:
 - a. Next meeting: May 2, so as to finalize business before Annual Mtg.
 - b. Larry Halford and Jim McDonald to leave Board, Kirner requests their help in identifying and recruiting new candidates.
- 11. Meeting adjourned ~8:45 PM

- Sent out quarterly financials (P&L – Budget vs. Actual and Balance Sheet). Tracking as expected. Collected about 75% of expected income from dues and fees. There was one mistake that I noted. Listed on “Other Income – Pool Special Assessment”, the amount listed as income for the quarter was \$95,687.37 instead of the actual collected amount of \$52,770. (we have had other deposits since then).
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- Made transfers from Farmers Checking to Capital One Savings for the Water Capital account (40% of dues collected towards the end of March) and \$3000 to our Legal fund
- Pool checking has approximately \$115,000. This includes \$70,000 of Sewer Loan funds. Since the beginning of the pool project, we have deposited \$176,710 in assessments and have spent nearly \$130,000 towards construction (\$96,000 paid to the General Contractor on a bid of approximately \$190,000). Dick recently told me that another large bill (over \$30,000) has just arrived. This makes sense since their contract calls for billing based on percentage of completion and we had more work done than billing after they finished for the year.
- Still have about \$24,000 due this year and \$70k next year. Should be able to pay off the loan if the funds come in as projected. Dick has the complete breakdown in his managers report.
- I don't plan to seek election next year but will certainly help in the transition to the new Treasurer.

Respectfully submitted, Jim McDonald

General Manager's Report

Pool Progress – Brandenburg has begun setting the forms for the pool coaming in preparation for pouring the concrete for the pool deck. The pour will come after the area is leveled and gravel is spread to the level of the current level of the top of the pool edge. It is my understanding that plastering and tiling the pool will commence after the deck has been poured.

Pool Fence – Based on new measurements, the estimated length of the pool fence has been increased to 180 feet. Also, it has been suggested that the fence will be much stronger and more durable if the posts are anchored in the ground at the edge of the pool deck, rather than anchored to the deck. Based on the new measurement and the fact that the posts will be 2 feet longer, the new estimate from iFence Company is forthcoming and should be available by the meeting tonight. Once we know the exact

outline of the pool deck, iFence will request a measured drawing. Order time will be approximately 3 ½ weeks from the time they receive the drawing.

Pool Assessments –

- To date we have received **\$181,260.00** in pool assessment payments.
- 55 People have paid their pool assessments in full.
- Three property owners have not paid their 2015 assessment, and they have been billed and charged late fees.
- 81 people still owe assessments for 2016 (**\$24,300**) – due April 15th.
- At the end of the assessment period in 2017, if everyone has paid, the total collected will be **\$277,780.00**.

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HOA Water Distribution Tax - - We learned from our accountant Bart Bradshaw, that all HOAs are required to pay a tax (0.05029) on the gross proceeds obtained from owner water fees. Unfortunately, the cost of supplying the water (pumps, electricity, labor, general repairs) cannot be deducted from the proceeds. However all upgrade costs to the water system can be used as deductions. In addition, there is a tax on water hook-ups (0.015).

The Washington State Department of Revenue will only hold us responsible for the tax for this coming year plus the past 4 years. I have developed a spread sheet showing the proceeds from water “sales” vs the upgrade costs and the proceeds from water system hookups for the past 4 years. I have estimated our tax liability for that time period at \$3,248.00. According to Bradshaw, if we ‘raise our hand’ and offer to pay the tax, we will not be liable for major penalties – only a \$24.00 late fee. But, now that we know about the tax, if we ignore it, we could become criminally negligent.

Bradshaw is currently working on the process of registering Edelweiss Maintenance Commission water system with the Department of Revenue.

Open Space Tax Agreement - During the tumult of the fires of last summer, Edelweiss received the Okanogan County Open Open Space Tax Agreement for parcel #3520040030, a 30 acre parcel along the Methow River. As a result of the confusion and activities related to the fires, I neglected to return the agreement to the County within the mandated 30 day period. However, after having written two letters to the County Commissioners requesting reinstatement of the agreement, and having appeared personally at a Commissioner’s meeting, I was able to convince the Commissioners that it was not the intention of Edelweiss to reject the agreement. The Commissioners reinstated our agreement. It has been signed and delivered to the Planning office and we will be moving forward to performing the necessary obligations – (noxious weed plan, entry sign, etc.)

Water Projects – Two Water breaks occurred during the winter months. One was on Eagles Nest on the new 2 ½ water main. Jim Wright was able to make the repair at his expense, as he installed it last year. The other was on Fawn Road – an 18 inch-deep line froze. Temporary repairs were done on this break. It will need a permanent fix as soon as it becomes convenient to dig in the saturated ground.

Spring Melt Run Off - The heavy snow pack (close to 10 feet total) combined with an unusually rapid warm-up has created an extreme amount of run-off. Streams that have previously been non-existent persist even to this date. Parts of the upper meadow, which were dry at this time this year have become bogs. Springs are flowing from the top of the meadow and saturating much of the slope. The vast

quantities of water flowing down Cassal Creek has overwhelmed the culverts under East Fawn Creek Road and Highland Meadow Road, creating washouts on both roads. Craig has been able to divert most of the water back to the creek on Highland Meadow Road, however the result is several deep trenches which are difficult to negotiate. At this time, it is advisable to use East Fawn Creek Road/Highland Road to get to the East side of Edelweiss. The road will be restored as soon as all the water from Cassal Creek is flowing through the culvert.

Road Repairs – Two projects are paramount for this summer:

- 1- Repave and widen the entrance portion of Highland and Homestead Roads – last year's estimate was \$33,255.00 including tax. I have been unable to contact Granite Construction in Omak, and found out today that they are closed until the weather permits paving operations. I was finally able to contact the Granite office in Wenatchee. Randy Manry of the Wenatchee office is reviewing the proposal.
- 2- Install a larger culvert (30") where Cassal Creek goes under Highland Meadow Road. The culvert may cost as much as \$1200, plus installation, but it will eliminate the need to repair the lower part of Highland Meadow road again.

Lignin – Because of the necessity of making the road repairs and paving, it may be advisable to forego applying lignin to Highland and Homestead Roads this summer. If we only grade the roads, and eliminate the lignin, we will save approximately \$10,000.00, which we can apply to the needed repairs.

Respectfully submitted - Dick Volckmann