

**SUNRIVER OWNERS ASSOCIATION
BOARD OF DIRECTORS WORK SESSION
SROA BOARD ROOM
APRIL 19, 2024**

DIRECTORS PRESENT: Bill Burke, Clark Pederson, Mark Murray, Gerhard Beenen, Keith Mobley, Scott Gillies, Tony De Alicante & Linda Beard

DIRECTORS PRESENT VIA ZOOM: Julianna Hayes

STAFF: James Lewis, Keith Kessariss, Susan Berger, Gary Siefert, & Jesus Mendoza

The meeting was called to order at 11:17 A.M.

OWNERS IN ATTENDANCE: 10

OWNERS FORUM

Lori Menalia, 7 Aquila Condo, spoke and submitted written comments directed at the unsightly nature of the recycling depot and the disruptions to surrounding owners. Ms. Menalia was under the belief that once side-yard recycling started, the existing location would go away. Ms. Menalia suggested relocating the bins to the Lake Penhollow area where they would be out of sight and not next to where people reside.

Ron Angell, 4 McNary Lane, spoke on two issues. Mr. Angell attended the joint SROA/SSD annual meeting earlier this morning and felt Police Chief Stephen Lopez's message was very positive. Mr. Angell noted his second comment is in relation to the suggestion of incorporation that was brought up at the joint meeting. He was appalled to hear the Board might actually be considering incorporation. Mr. Angell feels that would be an enormous mistake. The prior attempt at incorporation in the 1990's tore the community apart and was a very divisive issue and would be in Mr. Angell's opinion an even more divisive issue now. Mr. Angell referenced the homeless issue and the other rules and regulations that are bestowed by the legislature on cities of which Sunriver would have to comply if the community were to become incorporated. Mr. Angell feels it would dramatically change the face of the community. Please do not do it.

The General Manager noted there was one letter from an owner to the Board.

The letter was from David Heath, 2 Redwood Lane, who commented on the sewer rates in Sunriver. Mr. Heath believes that they are too high and questioned the flat rate billing for the months he is not in Sunriver and there is no water usage at his home (leading to no sewer use.) Mr. Heath is asking for fairness from Sunriver Utilities in this regard.

GM Lewis noted there was a second letter that was received on April 17th from Paul Conte, 8 McKenzie Lane regarding plant protections. There was not a request to read it into the record. It is noted that the letter was received by the Board.

INTRODUCTION: GARY SIEFERT – IT DIRECTOR

GM Lewis introduced Gary Siefert who has been with SROA for approximately a month. Gary lives in Bend and comes to SROA with an extensive IT background and knowledge, and we are very happy to have him on board.

Mr. Siefert noted that he has been in Bend for the past eight years. After leaving the Navy, he worked in technology management starting with Tektronix back in the 1980's and ending most recently at Les Schwab.

He worked primarily in communications while serving in the Navy. Mr. Siefert is happy to be here, is getting to know and coordinate with the rest of the IT staff and the other employees at SROA. Mr. Siefert looks forward to getting to know everyone better over time.

The Board welcomed Gary aboard and thanked him for being in attendance today.

NOMINATING COMMITTEE – ANNOUNCEMENT OF 2024 BOARD CANDIDATES

Nominating Committee Chair Ron Angell and committee member Debbie Baker were both in attendance and reported the Nominating Committee has been meeting regularly over the past several months to establish the slate of candidates for three positions on the SROA Board for 2024.

Mr. Angell noted he was happy to report there are six candidates who will be running for the three open positions with their term starting in August 2024 and ending in August 2027. Mr. Angell noted that all six are really strong candidates and the interviews with these individuals went very well. The six names in alphabetical order are:

Brad Banta
Bill Cloran
Gwen Gamble
Veronica Jacknow
Holly Lekas
Randy Schneider

Committee member Debbie Baker thanked Directors Mobley and Pederson for steering some people to the Nominating Committee and encouraged the rest of the Board as they interact with people in different ways to keep in mind that it is really important to establish that engagement.

The Board thanked Chair Angell and Ms. Baker for attending today's meeting.

NW NATURAL – PROPOSED WATER RATE INCREASE

GM Lewis introduced Tim Smith, Pacific NW Regional Manager for NW Natural and Spencer Mitchell who is the General Manager for NW Natural and who were both in attendance today to describe the need and the rationale behind NW Natural's current proposal for a 21.08% increase to water rates.

Director Murray noted for the record that NW Natural purchased the water and sewer company from Sunriver Resort Limited Partnership back in 2019 and not from SROA. SROA has never owned or sold the water and sewer companies.

Mr. Smith commented that Mr. Mitchell is responsible for the day-to-day operations and making sure all maintenance projects, new connections, etc. are facilitated at the water and sewer company.

Mr. Mitchell explained that SR Water has been working on a number of different projects over the past few years, but two of them are the main driving force behind this proposed increase. One of those is in relation to Well #2 which is one of the three primary wells in Sunriver. Well #2, which was originally drilled back in the 1940's was never used due to issues with the water quality not meeting the necessary standards desired. As a result, SR Water has operated off of two primary wells to meet demand meaning those wells to run constantly in the summertime. An issue arose a couple of years ago with Well #14 that caused it to go down heading into the July 4th weekend. This resulted in NW Natural staff having to put on a curtailment on water usage. Despite that curtailment, they were barely able to keep up with the demand.

There were already plans to rehabilitate Well #2 prior to that incident but that put the pressure on to get it completed as soon as possible. Operationally they now have three primary operating wells, meaning if one

goes down for maintenance for any reason it will not affect the consistent supply of water to residents and guests.

The second big project that was completed was the south reservoir project which is a two-phase project. The reservoirs were built back in 1970/71. There are three tanks which were inspected in 2018 and which have reached the end of their useful life. They have plans to replace those and the first phase was dealing with the valving that controls the entire site. Many valves had to be rerouted before new valves could be installed and prepped to facilitate the reservoirs being replaced. These projects equate to approximately \$3 million in infrastructure investments. There are several other smaller projects they had undertaken, but the well and reservoir issues were the most pressing. The lifespan of the reservoir is fifty years and for the well it is twenty-five years.

Security systems have been installed on all water company infrastructure and multiple generators were installed to make sure water service is still available to all customers during a power outage. Older meters have been replaced with wireless read meters and annual hydrant inspections occur to replace unserviceable hydrants to ensure the community has continued fire protection. A valve replacement program has been initiated to ensure all valves work properly and so areas of distribution can easily be identified during a leak.

President Beenen inquired that now that all these changes have occurred what is the status of the water system? Mr. Mitchell responded that the water company is dealing with a lot of aging infrastructure issues, especially in the core area. For the last several years, through state mandates and good practices, inspections have occurred on the asbestos-cement (AC) distribution pipes which comprise a lot of what is in the current system. The inspections provide them with a detailed report on the status and expected lifespan left in those pipes. Over time the wall thickness of the AC pipes erodes which leads to service breaks and other issues plus the state of Oregon wants those type pipes out of the ground meaning they will all have to be replaced, which will be a multi-year project.

Mr. Smith added that when people hear the words “asbestos-cement” they do not have to be concerned about asbestos pipe leading to any asbestos getting into their homes as it is the dust from asbestos that causes harm. Additionally, the majority of these pipes are in the main distribution system and are not pipes that go to the individual homes/condominiums in Sunriver. Also, technology has been beneficial in the creation of a pipe breaker in the form of a hydraulic squeeze that cleanly breaks the pipe with very little to no creation of dust.

Mr. Smith, in response to another question from President Beenen commented that due to fact that the reservoir project must be completed, he anticipates the water company will be asking for additional increases by 2026.

Treasurer Pederson inquired if the continued development and the increased demand at Caldera Springs has resulted in Sunriver owners paying a higher cost? Mr. Smith responded no, Caldera Springs owners pay for their own infrastructure and operating costs separately from Sunriver. The rate increases are specifically based on what Mr. Mitchell reported earlier regarding the failing infrastructure that has to be replaced. Due to the way the Public Utility Commission (PUC) operates, it requires that the repairs be made and then the company can go back and ask for a rate adjustment after the fact.

In answer to a question regarding why the water and sewer cannot just be tied together, Mr. Smith responded that is the model NW Natural chose to set up for its 75,000 connections in several different locales. The American Water Works (AWWA) Association provides several different models water/sewer companies can choose from as the model they will utilize and NW Natural chose to keep those separate. Additionally, it was noted that the PUC does not regulate sewer. Director Pederson added that currently

Sunriver water bills are relatively small, but the sewer rates are substantially higher. Mr. Smith added that as most people are already aware, NW Natural recently completed a significant improvement project that cost over \$18 million at the wastewater treatment facility on West Cascade Road.

Mr. Smith went on to say they are preparing to begin the next phase of the improvements to the wastewater treatment plant. That phase will include making improvements on the solids handling facilities. A public meeting will be held on this matter on Wednesday, June 5th at the SHARC facility. This is also a multi-year project that will be completed by 2026.

Mr. Smith also noted the entire rate case filing is available on the Sunriver Water website, www.sunriverwater.com/water-rates.

The Board thanked Mr. Mitchell and Mr. Smith for attending today's meeting.

GM Lewis noted that if the Board wants to file for intervener status like they did three years ago, they can certainly do so. In that case the water company was requesting a 40% increase and were approved for a 21% increase, some of which is due to the regular scrutiny that is done by the PUC.

GM Lewis continued that prior to the last rate increase SROA was paying approximately \$86k a year for water. Had Sunriver Water received the entire 40% increase they had requested, SROA would have paid \$120k a year or an approximate \$34k additional per year. By the PUC reducing that amount, SROA is paying \$107k per year for water. The difference between what the water company was proposing and what SROA is actually paying reflects a \$21-22k per year or approximately \$65k savings over a three-year period. Additionally, the legal costs were approximately \$26k for SROA to be represented as an intervener so from a cost basis we spent money to save money. Plus, by that participation, every time you are able to keep the increase lower, there is the compounding effect that you do not get as well.

There are a number of reasons why the Board may want to consider intervening, however it should be noted that the legal expenses this time around would be higher than the savings SROA might realize and there is no way to know how much of a decrease is due to SROA's intervention and how much is due to the regular scrutiny by the PUC.

GM Lewis added that to date, he has not received correspondence from any owners pushing for SROA to intervene as he did three years ago.

Director Gillies noted that the last time there was a rate case it was due to the company not being profitable. This time they are asking for it specifically to do a job so it may be viewed a bit differently this time around. President Beenen added that the repairs to Well #2 as well as the planned infrastructure upgrades to AC distribution pipes are all to Sunriver owners advantage.

In answer to a question from President Beenen, GM Lewis reported he has discussed the possibility of intervening with management for both Sunriver Resort and The Village @ Sunriver. At this time, neither party plans to intervene in the proposed rate change.

The Board and GM held further discussion on this issue and directed the general manager to reach out to John Stevens, the attorney who assisted SROA three years ago and determine if there is a viable case for SROA to intervene this time or not.

RESOLUTION 2024-001 SUNRIVER CHARITABLE FUND DISCUSSION

GM Lewis reminded the Board that the Sunriver Charitable Fund was created to allow the Association to receive a donated grand piano that was housed at SHARC for a number of years. It was not possible to

accept the donation as a 501(c)(4), so a 501(c)(3) fund was established so the piano could be accepted. Mr. Lewis also noted the piano has since been donated to the Sunriver Music Festival.

Additionally, some funds, approximately \$1,400, were received that were originally designated for the kids programs that no longer exist. Each year a non-profit exists there are necessary reports and paperwork that must be filed with the state. While that has all been done, there is no reason to have the charitable fund any longer as SROA is not receiving any other funds.

At this point to dissolve the charitable fund, there are a number of documents that need to be filed with the state of Oregon. One thing that arose as part of this process was the realization that none of the three existing Charitable Fund Board members are currently serving on the SROA Board which is one of the requirements of the Bylaws for the charitable fund. Two of the three Charitable Fund Board members have resigned but despite numerous attempts SROA has been unable to get in contact with the third board member.

The action that the SROA Board will be asked to take at tomorrow's meeting is to remove the one remaining Charitable Fund Board member and then to appoint three existing SROA Board members to serve as Sunriver Charitable Fund Board members. The only further action of those three individuals will be to take the necessary steps to dissolve the board and sign and execute all the necessary documents associated with such.

Director Pederson noted he along with Directors Burke and Murray are all willing to serve on this board. As they all live locally, that should make things easy as far as their ability to come into the Administration office and sign the necessary documents to send to the state.

This item is on the agenda for action at tomorrow's meeting.

SROA COMMITTEE POLICY – PROPOSED CHANGES

GM Lewis reported that the SROA Committee Policy is periodically reviewed to ensure its accuracy and applicability. A recent review of that document revealed several items, mostly of a housekeeping nature, which need to be addressed. The Committee Policy was sent to all committee chairs for their input and feedback which has been incorporated into the proposed revisions.

This item is on the agenda for action at tomorrow's meeting.

SROA/SSD/DESCHUTES COUNTY MANAGEMENT AGREEMENT

President Beenen noted that a discussion on this topic was held earlier this morning at the annual joint meeting of the SROA and SSD Boards. President Beenen summarized there is a strong opinion amongst the SROA Board that the proposed changes that eliminate any SROA Board representation on the SSD Managing Board unless a SROA board member were to run for a position on the SSD Managing Board. SROA Board members feel that is not the right thing for Sunriver. The rest of the Board agreed with that summarization.

GM Lewis went on to review the letter that the Board sent to the Commissioners back in March which noted SROA's disappointment at not having been invited to participate in the process of these proposed modifications instead of simply being notified after the fact and asked to comment. Further, the letter expressed SROA's belief that eliminating all SROA representation on the SSD Managing Board from two down to none is unwarranted and as such they object to the removal of all representation.

The elimination of the SROA representation affects the ability for Sunriver property owners to be represented with/to a taxing district for which they pay rates by have limited voting capabilities.

Approximately 80% of the properties in Sunriver are owned by absentee owners who are not registered to vote in Deschutes County. It is the SROA Boards understanding that when the SSD split from SROA in the early 2000's, part of the rationale for maintaining SROA representation on the SSD Board was to provide for continued elected representation to the new formed tasking district.

The SROA Board further questioned the proposal that would eliminate an SROA Board member from holding any officer position on the SSD Managing Board. Currently there is a prohibition of the SROA Board members from being the Chair of the SSD Managing Board, but it is not clear why this would affect all officer positions and the SROA Board believes the language should remain as it is.

Initially the proposal was to limit the number of SROA Board members on the SSD Managing Board from two down to one and now with no input from SROA they have moved to eliminate both of the SROA board member positions. Director Hayes inquired as to why this change from one down to zero. President Beenen responded that County legal counsel has been pushing to have zero representation by SROA Board members on the SSD Managing Board since the beginning because of the potential for conflict of interest. Director Pederson added in his view there is the potential for conflict of interest for a board member serving on any board and the issue is disclosing it and if appropriate recusing oneself from a discussion and/or vote. Director Pederson added that this change could inhibit communication and the two entities working together, things which have made the relationship successful.

Director Murray noted this would essentially force SROA to do everything through the County and if they choose to expand the service district beyond the borders of Sunriver that could result in a negative effect on the services to Sunriver owners which is concerning.

GM Lewis plans to attend the Deschutes County Commissioners meeting scheduled for next Monday at 1:45 P.M. and he encouraged any Board members who want to attend to join him. Mr. Lewis noted he can request the opportunity to speak at the hearing.

ADMISSIONS MODEL WORK GROUP UPDATE

Assistant GM Keith Kessarlis provided a breakdown of recreation statistics for the month of March.

As of March 31, 2024, a total of 3,522 Member Preference Program (MPP) cards have either been purchased or renewed. Of that total, 2,907 were renewals and 216 were new cards. The remainder are extended household, long-term renter, or commercial passes. This is 317 more MPP cards than the end of March of 2023. At the end of March, the MPP revenue totaled \$306,565 or 48.5% of the annual budget.

Regarding the 2024 Recreation Plus Program (RPP), as of March 31, 2024, there were 817 homes and/or condominiums signed up for the program. Last year at the same time there were 868 properties participating in the program. Mr. Kessarlis also provided a breakdown of the RPP's by the number of bedrooms. RPP revenue is at \$2,293,476 or 88.8% of the 2024 budget.

Gate revenue is currently sitting at \$25,775 or 4.40% of the budgeted \$580,357.

SHARC hosted a total of 10,714 attendees at the facility in the month of March compared to 9,718 in 2023. Of that number, 3,330 were owners, 5,511 were RPP pass holders, 109 were member guests, 364 were extended family, 672 were gate admissions, and 52 were Central Oregon Sunday users.

By the end of March 2024, staff have issued 26,280 paper guest passes and of those 1,212 have been redeemed at SHARC. There were 17,910 passes issued by the end of February 2023 of which 1,270 were redeemed at the SHARC.

Mr. Kessarlis noted that the Sunriver Music Festival will be holding a pickleball tournament fund raiser on the last weekend of May.

Mr. Kessarlis reminded the Board that owners can renew or purchase their cards for 2024 in person at SHARC, or if just renewing it can be done over the phone, 541-585-5000 and online at sunriversharc.com\Programs\SROA Member Preference Program. The Member Services office is open seven days a week from 9:00 A.M.– 4:30 P.M.

Facility event space rentals are off by \$5,116 at the end of March. Year-to-date sales are \$17,835. The overall budget, which includes AV rentals, linens, etc., is \$115,000 for the year. As of the end of March, there are 27 paid events on the books. There are a lot of non-paid events for local groups on the books as well as a lot of requests for space for wedding events and the like coming in.

Two part-time events assistants have been hired and the search continues for an Events Coordinator. In the meantime, recreation staff have been assisting in the set-up and tear down after events.

TDS UPDATE

GM Lewis reported there is not a lot to update the Board on since last month. TDS continues to do the main fiber installations. They are currently in the third of six sectors on the map they provided SROA with. Currently they are in the center part of the community and are continuing to notify owners and make the drops to the homes/condominiums. Owners only need to notify TDS if they are opting out of having fiber to the home brought to their house and to date GM Lewis is not aware of anyone who has opted out.

Approximately thirty homes have been connected to the new TDS service and Controller Healy is now billing those owners for the \$35 bulk rate fee on a monthly basis.

ADJOURN TO EXECUTIVE SESSION

Director Gillies moved to recess the public meeting and reconvene in executive session under the authority given in the SROA Bylaws, Article IV, Section 11 to confer with legal counsel regarding threatened litigation which is subject to a claim of attorney client privilege. The threatened litigation includes an SROA members request to examine certain SROA records which has been denied by the SROA staff because it is determined that the SROA member has failed to establish that the request to examine records has been made in good faith for a proper purpose. It also includes threatened litigation by another SROA member relating to the operation of SHARC. The deliberations constitute a privileged communication and cannot be disclosed to anyone outside this room. Seconded by Director Mobley, the motion passed unanimously.

The public meeting recessed at 1:02 P.M.

The public meeting reconvened at 1:40 P.M.

OTHER BUSINESS- PUBLIC SAFETY BUILDING

Director De Alicante noted that at the joint SROA/SSD meeting earlier this morning, SSD Director John Ralston, who has been instrumental in assisting with the building of the new Public Safety Building informed the SROA Board that they have discovered there was one more tree that should have been marked for removal that was not included in the original plans. The tree is in the path of the proposed sidewalk and the request to remove the tree was submitted to the SROA Design Committee and that request was denied. Director De Alicante asked if the Board could do anything. The response is that the decision can be appealed to the Design Committee for reconsideration and if on reconsideration the Design Committee says

they will uphold their original decision, it can be appealed to the Appeals Board. Assistant GM Kessariss added they can also resubmit and include a certified arborist report that says that the tree will not survive.

OTHER BUSINESS- DOG PARK

Assistant GM Kessariss reported that work on the dog park is underway. Holes for all the fence posts have been dug and approximately half of the materials are on site. Staff are working on signage for the project and the goal is to have the dog park open by Memorial Day weekend or shortly after.

ADJOURN

There being no other business, President Beenen asked for a motion to adjourn the meeting.

Director De Alicante moved to adjourn the public meeting. Seconded by Director Murray, the motion passed unanimously.

The public meeting adjourned at 1:45 P.M.

Respectfully submitted,

Scott Gillies, SROA Secretary