

High Lostine Owners Association Water System 30-Year Plan (2018 – 2048)

Executive Summary

This comprehensive document describes the High Lostine Owners Association Water System, and provides a long-term plan for management, maintenance, operations, and improvements. The Plan fulfills Oregon statutes that require owners associations to protect property values with long-range plans for stable funding for commonly held assets. This Plan was developed through multiple iterations over a three year period with input from engineering, hydrogeology, and water utility professionals; many meetings of the Water Committee and multiple Board discussions. It has been approved by the board in January, 2019, and is available to all owners.

The plan provides the background and history of the water system, including how maintenance and improvements have been financed. The annual budget line items and process are explained. A comprehensive analysis predicts future water system costs for the next 30 years, including identification of risks associated with the analysis. Most important to owners, the plan's analysis describes what will be needed in order to have a stable and adequate revenue stream and sufficient capital reserves so that the association can guarantee that high quality water is consistently delivered to our property in perpetuity.

Conclusions and Recommendations

- Physical improvements have corrected a large number of deficiencies and moved the water system to a much firmer position. While the discovery of deficiencies has not abated in recent years, there is reason to believe most major deficiencies have now been identified and addressed in the Plan.
- The HLOA has a robust financial structure that can handle unanticipated events and emergencies while protecting the capital reserves.
- Financial challenges remain because our system is growing into a new regulatory category, relies excessively on volunteers, has deficiencies relative to many municipal systems, and is aging.
- The schedule indicates the assessment level announced in spring 2018 is sufficient (excluding inflation) to support about 80% of the cost of the capital improvement projects anticipated over the 30-year period of the Plan.
- While assessments have been increasing in recent years to address system deficiencies and build a formative capital reserve, additional revenue is necessary to supplement the funding of anticipated capital improvements projects, and to build the capital reserve to a level that responsibly protects the water system and functions to protect owners from large assessments in crisis situations. It is the Association's responsibility to ensure revenue is adequate to support the water system asset that is fundamental to the value of owner's lots.

- A permanent \$2,000 per year increase in the capital reserve contribution is recommended to supplement the anticipated capital improvement projects.
- The operating budget will need to be increased by about \$9,000 per year: \$1,000 for professional assistance on the operations side of managing the water system (starting in 2020) and \$8,000 when the water system comes under a new regulatory status (projected in 2023). It is possible that both parts of the increase in the operating budget are underestimates.
- Planning should be pursued in 2019 for professional assistance on the operations side of managing the water system. Responsibilities and contract terms (for example, hourly rate and a time reporting system) need to be written for assistance beginning in water year 2020/21.
- A retrospective analysis should be conducted every 5 years or after a major financial change to compare historical expenditures and revenues against the cost and revenue schedule, and an inflation adjustment must be incorporated into the annual expenditure and revenue requests.

The Water Committee will consult the Plan annually for development of its annual expenditure and revenue requests. The Board will use the Plan as a basis for making decisions on annual expenditure and revenue requests. The Plan is to be reviewed, revised, and approved by the Board every 5 years. The revision may be in the form of approved change documents or a new 30-Year Plan.

What Does This Mean for Owners?

Owners can have confidence in our critical shared asset: the High Lostine Water System. Our volunteers have worked very hard to maintain the asset and anticipate its future needs, including a plan to move toward increased professional management.

Water rates are going to increase for the foreseeable future to meet the needs identified by the Plan.