

**FALCON HEIGHTS CONDOMINIUM ASSOCIATION**  
**MEETING MINUTES SPECIAL BOARD MEETING**  
**Thursday May 2, 2024**  
**FHCA Community Center, Westbrook Drive, Klamath Falls, OR**

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**Call to Order @ 6:05 pm**

**1. Roll Call Current Board of Directors**

Tony Anghinetti - Present

John Stanton - Present

Mark Teel - Present

Dave Tatge-Present

Dallas Cummings of Ghost Ridge Construction gave an update regarding the roofing project. Roofs will be pre-loaded with shingles over the next month on the first phase of the project. (Lower McGuire, Wright, all of Kincheloe, Vincent and Preddy) will begin in late July or early August

Board Chairman Anthony Anghinetti read aloud his letter to community regarding the upcoming decision by the Falcon Heights Water and Sewer District to implement a sewer charge for all homeowners. See attached.

Managing Agent, Samantha Mitchell gave a financial presentation regarding the current status of the HOA finances and why it was necessary to have the WSD start paying for the sewage disposal. See attached

The comments and questions period covered mostly why the WSD District was implementing the charge and the Board and Managing Agent answered questions and reiterated the information already given in the presentation.

No further items were discussed as this was a Special Meeting directly related to the HOA financial status and the decision to no longer continue to financially be responsible for the Water and Sewer District.

**Meeting Adjourned at 7:50 pm**

Hello neighbors,

I write this letter to the community as the Chairman of the Board of Falcon Heights Condo Association and not from my position as the Treasurer of the Falcon Heights Water and Sewer District. Please forgive my use of acronyms, but going forward in this letter, the Condo Association is "FHCA" and the Water and Sewer District is "WSD".

The first thing I want to focus on communicating is that Falcon Heights is basically a town comprised of 290 condominiums and we don't get a penny from the Feds, State or County. I think it's amazing that a volunteer board and one paid manager are tasked with taking care of this place. FHCA is responsible to pay for any and all infrastructure and maintenance areas of responsibility. As a result, condo owners are required to pay monthly assessments and if necessary "special assessments". Responsibilities to FHCA include, but are not limited to roads, sidewalks, alleys, landscaping and trees in common areas, roofs, perimeter fences, electricity to streetlights, the gate etc. If you're not responsible for it, FHCA is. Inflation is impacting each of us on a personal level, but it's also impacting the Association with an implied multiplier of 290.

One of the responsibilities of FHCA is the replacement of roofs on the condos. They've "lifered out" and are in immediate need of replacement. The roof project is north of \$3 million and we had, at best, just shy of \$1 million to draw from. We invested in CD's and took on cost saving measures wherever we could to make any difference possible. We knew we didn't want to take a loan and have to repay more and kick the financial can down the road. Last year we replaced 12 roofs and split the work amongst three contractors. Doing this allowed us to see quality of work, our ability to work with the contractor and the different prices we were charged. We recently selected one of them for the remaining work needed and had our attorneys resolve the contract language. Just a few weeks ago, the Treasurer and I signed the contract, setting things in motion. The terms of this contract are as creative as we could manage, with a down payment, scheduled balloon payments and monthly payments. As of now we've advanced \$600,000 and will be paying \$25,000 monthly until the contract amount is satisfied. To accomplish this monumental financial task, we knew we had to do many things, one of which was to adjust our deeply flawed relationship with the WSD. This resulted in separating out anything and everything WSD related so we could collect and budget based on our actual obligations.

Here is some history and things realized while looking into how FHCA and the WSD were improperly comingled for the last 17 years...

In 2007 the voters in Falcon Heights approved the formation of the special district known as Falcon Heights Water and Sewer District. This should have resulted in the WSD being spun off and standing on its own in every way. The funding of the district was to come from

taxes of assessed values of condos and was set at \$3.50 of every \$1,000. It's safe to say, it must have become evident very early on that the WSD didn't take in nearly enough revenue via taxes to actually pay all of its bills. Unfortunately FHCA never deviated from the past practice of paying bills on the behalf of the WSD until recently.

When we began investigating why the condo association had such a low balance in our reserve account and we needed to put roofs on homes, things started to make sense. Instead of FHCA putting an average of roughly \$100k into the reserve annually, it was shuffled over to pay for sewage pumping and pipe repairs on the behalf of the WSD. So when I'm asked where the money for roofs went, I can literally say "it was flushed down the toilet".

As of a few months ago, FHCA no longer pays any WSD bills which has put the WSD in a position of having to find a solution. The new WSD Board was elected last year and prior to that, there is nothing to indicate that the WSD has ever taken any action to correct their lack of revenue. FHCA is aware of the WSD having total financial responsibilities of approximately \$220,000 annually. However tax revenue being their only income of approximately \$95k resulting in significant underfunding. The WSD responsibilities are fresh water well pumps, sewage pumps and pumping fees, electricity, chemicals, labor, insurance, maintenance, repairs and quality/safety testing. The biggest single ongoing financial responsibility to the WSD is the pumping of sewage to the City of Klamath Falls which is metered and billed, amounting to roughly \$120k each year recently.

I'll close by saying I'm certain the path forward is the right one and that all options have been explored.

Thank you for your understanding, patience and support as we work hard to provide the best for our community.



# FHCA CURRENT FINANCIAL STATUS

OUR CURRENT POSITION  
AND HOW WE GOT  
HERE



# TOPICS OF DISCUSSION

2

## Historical Financial Information

- SOCO
- Water and Sewer Expenses
- Historical Cost per Unit

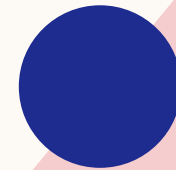
## Current Financial Information

- Progress made so far
- Roof Contract
- Budget and Projections

## How Are Our Dues Being Spent?

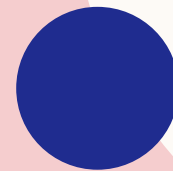
- 2023 Actual Amounts
- 2024 Budgeted Amounts

## Conclusion





# **HISTORICAL FINANCIAL DATA 2003-2023**





Year	Dues Amount	Total Income	Total Expenses	Profit	
2003	\$95.00	\$321,768.34	\$299,108.04	\$22,660.30	
2004	\$100.00	\$361,247.13	\$332,068.34	\$29,178.79	
2005	\$100.00	\$348,898.33	\$319,600.60	\$29,297.73	
2006	\$125.00	\$439,891.06	\$403,182.06	\$36,709.00	
2007	\$125.00	\$438,706.41	\$386,860.28	\$51,846.13	
2008	\$125.00	\$447,605.38	\$450,974.30	(\$3,368.92)	
2009	\$125.00	\$436,272.25	\$441,740.29	(\$5,468.04)	
2010	\$140.00	\$482,833.53	\$493,620.06	(\$10,786.53)	
2011	\$145.00	\$541,278.24	\$458,619.54	\$82,658.70	
2012	\$145.00	\$467,468.52	\$494,047.09	(\$26,578.57)	
2013	\$150.00	\$510,485.69	\$565,175.12	(\$54,689.43)	
2014	\$150.00	\$552,920.11	\$532,353.60	\$20,566.51	
2015	\$150.00	\$540,443.01	\$647,959.68	(\$107,516.67)	
2016	\$165.00	\$595,352.99	\$499,334.98	\$96,018.01	
2017	\$170.00	\$578,935.14	\$574,683.00	\$4,252.14	
2018	\$170.00	\$554,515.51	\$465,937.32	\$88,578.19	
2019	\$175.00	\$585,635.79	\$524,451.70	\$61,184.09	18 Year Total
2020	\$175.00	\$626,829.57	\$514,792.54	\$112,037.03	\$426,578.46
2021	\$175.00	\$613,940.92	\$510,884.83	\$103,056.09	
2022	\$185.00	\$664,565.85	\$403,647.89	\$260,917.96	3 Year Total
2023	\$185.00	\$688,366.14	\$485,998.33	\$202,367.81	\$463,285.77
		\$10,797,959.91	\$9,805,039.59	\$992,920.32	



## 20 YEAR FINANCIAL HISTORY

# **FINANCIAL RESPONSIBILITY**

- Work within the fiscal confines of the approved budget
- Work within the guidelines and recommendations of a Reserve Study
- Make adjustments to income, expenses and budgeting based on the Independent Financial Study
- Accurately maintain accounts receivable records and ensure timely collection of dues



# RESERVE STUDIES AND FISCAL REPORTING

## ORS 100.175 (3)

(a)The board of directors of the association shall annually determine the reserve account requirements by conducting a reserve study or reviewing and updating an existing study using the following information:

(A)The starting balance of the reserve account for the current fiscal year;

(B)The estimated remaining useful life of each item for which reserves are or will be established, as of the date of the study or review;

(C)The estimated cost of maintenance and repair and replacement at the end of the useful life of each item for which reserves are or will be established;

(D)The rate of inflation during the current fiscal year; and

(E>Returns on any invested reserves or investments.

## ORS 94.670

(5)Subject to ORS 94.671 (Application of ORS 94.670 (5)), the association of a planned community that has annual assessments exceeding \$75,000 shall cause the financial statement required under subsection (4) of this section to be reviewed within 300 days after the end of the fiscal year by an independent certified public accountant licensed in the State of Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.



# SOCO

7% of all dues collected

60% of all Interest Collected on Past Due Accounts  
100% of all Lien Accounting Payments

50% of all:  
Late Fees  
Transfer Fees  
RV Lot Fees  
Community Center Rental Fees

Total Payments to SOCO from 2003 to 2021	\$920,044.57	9.7% of Total Revenue
Total Estimated Uncollected Dues from 2003 to 2021	\$448,312.97	4.8% Loss of Revenue
Total Net Profit from 2003 to 2020	\$426,578.46	
Total Net Profit from 2021 to 2023	\$463,285.77	

**SOCO**  
**2003-**  
**2021**



## Water and Sewer

Total WS Expenses 2003 to 2023	\$3,165,094.77	29.2% of Total Revenue
Total WS Expenses 2007 to 2023	\$2,722,540.98	29.3% of Total Revenue
Annual Sewer Pumping Expense 2007	\$78,345.04	17.4% of Total Revenue
Annual Sewer Pumping Expense 2023	\$114,454.59	16.6% of Total Revenue
WDS Funds available as of 01/01/2021	\$365,000 based on \$91,000 in Revenue	
HOA Funds available as of 01/01/2021	\$418,000 based on \$613,940 in Revenue	

**FALCON HEIGHTS**

**18-56 Falcon Heights Special Water-Sewer District Formation/Permanent Tax Rate.**

**Question:** Shall Falcon Heights Special Water and Sewer District be formed with a tax rate of \$3.50 per \$1000 assessed valuation?

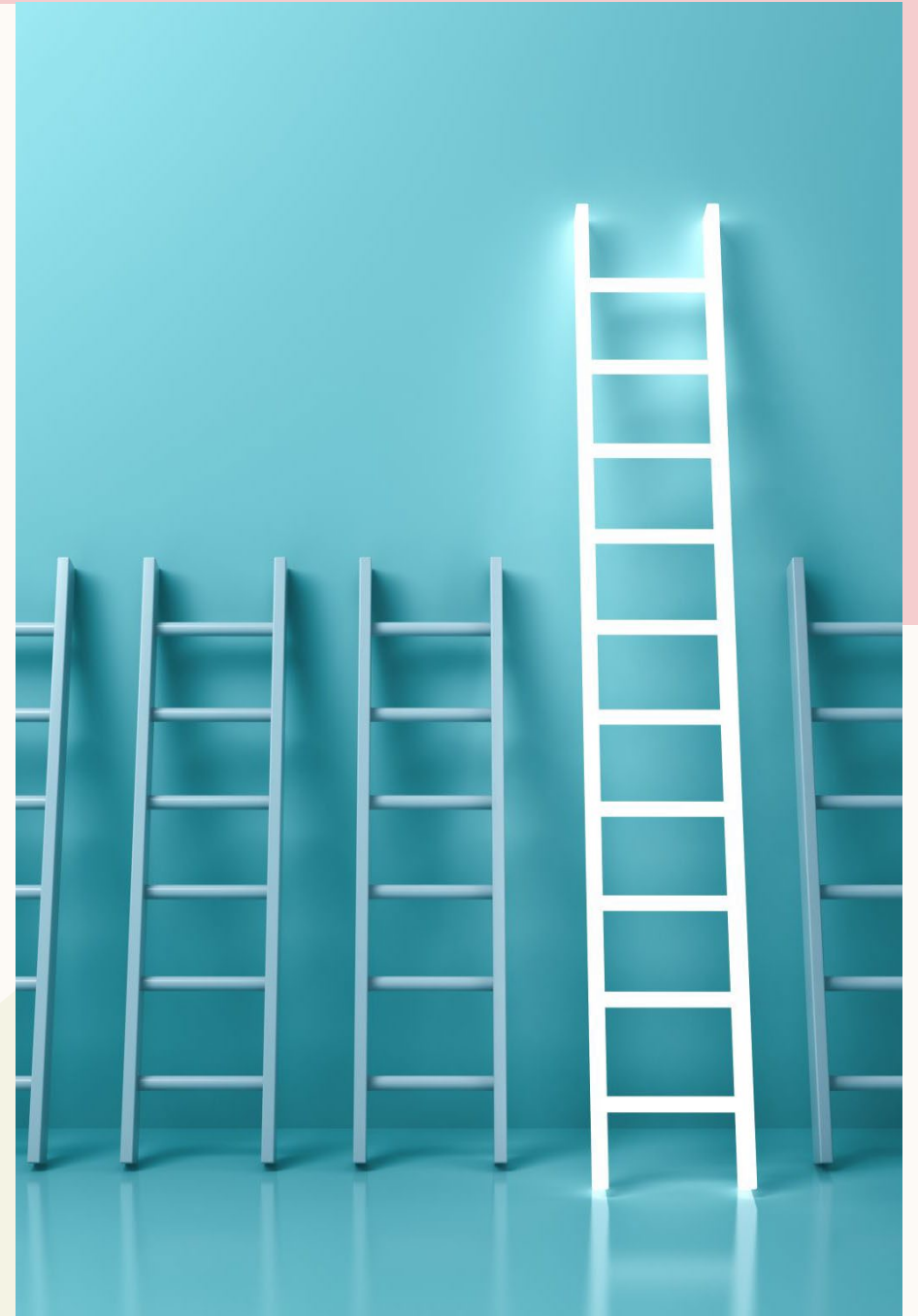
**Summary:** "This measure will cause property taxes to increase more than three percent." Passage of this measure will provide for the formation of the Falcon Heights Special Water and Sewer District and establish a permanent tax rate. The District will include all properties that lie within the taxing area known as Falcon Heights Condominiums. The District will collect and allocate monies for the operation and repair of the water and sewer systems of Falcon Heights. The tax rate limit of \$3.50 per \$1000 assessed valuation will provide an annual revenue of approximately \$61,778.47, based on current assessed values.



# WATER & SEWER

# 2021 - 2024

Where we are now and where we need to go in the future.



# WHAT WE HAVE ACCOMPLISHED



Increased profits through careful budgeting and collection efforts



Increased our available funds on hand from 418k on 1/1/2021 to 1.1M by 1/1/2023



Carefully invested our reserve funds to yield maximum interest for upcoming projects.



Replaced roofs on 28 homes. Upgraded the front fence. Fixed the security gate. Crack sealed the roads.



Still hold 365k in reserve after roof contract down payment of 600k.





# THE ROOF CONTRACT

14 Roofs (28 homes) completed and paid	\$240,000
262 remaining homes to be completed	\$3,077,775.00
Nov 2023 Contractor chosen down payment made	(\$200,000.00)
April 2024 Final contract signed, additional payment made	(\$400,000.00)
Balance of Contract Due	\$2,477,775.00

Terms are \$25,000 per month until Dec 2030.

Balloon payments of \$250,000 made in 2026 and 2028



# 5 YEAR PROJECTED BUDGET WITH ROOF CONTRACT

	2024	2025	2026	2027	2028	2029	2030
Total Expense	\$393,842.00	\$350,073.50	\$368,131.00	\$383,310.00	\$390,280.00	\$396,470.00	\$379,139.00
Total Income	\$1,137,544.65	\$788,664.65	\$1,066,764.65	\$842,964.65	\$1,061,964.65	\$835,764.65	\$855,564.65
Profit	\$743,702.65	\$438,591.15	\$698,633.65	\$459,654.65	\$671,684.65	\$439,294.65	\$476,425.65
Roof Contract	\$600,000.00	\$300,000.00	\$525,000.00	\$300,000.00	\$525,000.00	\$300,000.00	\$327,775.00
Transfer to Reserve	\$95,000.00	\$95,000.00	\$130,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$140,000.00
	\$695,000.00	\$395,000.00	\$655,000.00	\$415,000.00	\$640,000.00	\$415,000.00	\$467,775.00
Net Income	\$48,702.65	\$43,591.15	\$43,633.65	\$44,654.65	\$31,684.65	\$24,294.65	\$8,650.65



Roof Contract Term

	2024	2025	2026	2027	2028	2029	2030
	\$2,877,775.00	\$2,277,775.00	\$1,977,775.00	\$1,452,775.00	\$1,152,775.00	\$627,775.00	\$327,775.00
Payments	\$600,000.00	\$300,000.00	\$525,000.00	\$300,000.00	\$525,000.00	\$300,000.00	\$327,775.00
Balance	\$2,277,775.00	\$1,977,775.00	\$1,452,775.00	\$1,152,775.00	\$627,775.00	\$327,775.00	\$-

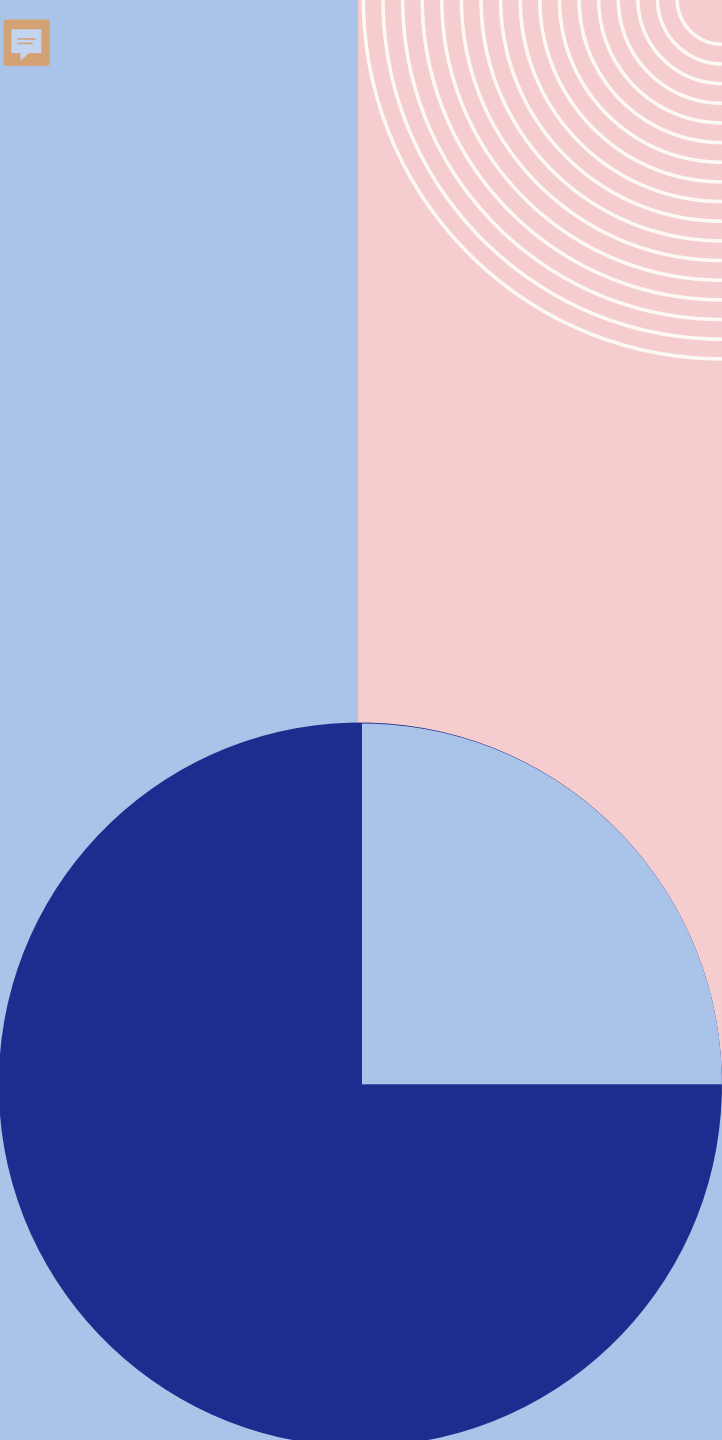


## Reserve Account Balance

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Beg Balance	\$570,000.00	\$265,000.00	\$360,000.00	\$265,000.00	\$380,000.00	\$270,000.00	\$385,000.00
Contributions	\$95,000.00	\$95,000.00	\$130,000.00	\$115,000.00	\$115,000.00	\$115,000.00	\$140,000.00
Deductions	<u>\$400,000.00</u>		<u>\$225,000.00</u>	<u>\$-</u>	<u>\$225,000.00</u>	<u>\$-</u>	<u>\$-</u>
End Balance	\$265,000.00	\$360,000.00	\$265,000.00	\$380,000.00	\$270,000.00	\$385,000.00	\$525,000.00



# WHERE DO OUR DUES GO?





# 2023 DATA @ 185.00 DUES

Total Revenue Collected (all sources)	\$197.81 per month
Total Admin	\$24.22
Total Repairs and Maint.	\$6.42
Total Landscaping	\$42.64
Total Water/Sewer	\$41.42
Total Utilities	\$25.14
Transfers to Reserve	\$27.30
Capitol Projects not from Reserve	\$16.80
Total Cost per Unit Per Month	\$183.76



# 2024 BUDGETED AMOUNTS

## @ 200.00 DUES

Total Revenue Collected (all sources)	\$211.94 per month
Total Admin	\$24.78
Total Repairs and Maint.	\$6.49
Total Landscaping	\$39.37
Total Water/Sewer	\$17.24
Total Utilities	\$25.29
Transfers to Reserve	\$27.30
Monthly Roof Contract	\$64.66
Total Cost per Unit Per Month	\$205.13

# IN CONCLUSION

1. The Board determined that there were insufficient funds in reserve to offset the debt service of the roof contract
2. The Board took steps to decrease expenses and increase revenue to help alleviate the financial situation.
3. The decision was made to no longer pay the expenses of the Water and Sewer District. This is so the HOA can balance their budget and meet their financial obligations.
4. This decision was not taken lightly. It impacts everyone, including the Board, who are fellow homeowners.
5. We hope that the information provided gives you a clearer understanding of how and why the Board came to this decision

# **THANK YOU FOR TAKING THE TIME TO LISTEN**

If you have any questions or would like further information about the details presented, please contact the office

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