

## Replacement Ferry for the *Holiday*



The *m/v Holiday* was designed and built specifically for Hat Island Community in 1964. She has served us faithfully for over 43 years. But as most of you are aware she is becoming increasingly difficult and expensive to maintain in a seaworthy condition.

After three no notice haul outs over the past 18 months due to leaks the Board asked for a special hull survey to help us determine how much longer we could expect to keep *Holiday* seaworthy without the expenditure of \$100's of thousands of dollars. The

conclusion is that while she is presently safe and seaworthy, we are facing a major decision to either spend lots of money overhauling her or to replace her.

We have been watching the trade magazines and on-line brokerages for years now, looking for just the right boat to replace her. The Vessels committee has also been examining the possibility and costs associated with the purchase of a new vessel. A new vessel will cost over well \$1 million and require a major, 10 year special assessment in the \$1,000+ per property range. The last used ferry we seriously looked at was \$750,000 and she really did not meet our needs.

On Friday, January 4<sup>th</sup> Loren Pawloski found “*Expeditions 3*” on Yachtworld.com. She is a 55 foot aluminum passenger ferry USCG licensed for 99 passengers in open waters. She was built in 1996 in LaConner for Expeditions and has been in service until 2005 running the Lanai – Lahaina inter-island passenger trade in Hawaii.



The vessels committee already had a scheduled meeting planned for Monday, January 7<sup>th</sup> during which they reviewed the specifications and asking price of the vessel and made a recommendation to the Board of Directors that we immediately pursue the purchase of this vessel to replace *m/v Holiday*. The Board met telephonically and electronically on Tuesday, Jan 8<sup>th</sup> and voted to make a full price offer on the vessel contingent on receiving Island approval and contingent on the results of a full professional marine survey. That offer was accepted by the seller.

Here is a bit more information about the vessel. She's 55 feet long, 17'6" in the beam and draws 4'6". She weighs in at 51 tons and is powered by twin 16V92 Detroit Diesels. She cruises at 20 knots on 1110 horse power. She has bow thrusters and a ride stabilization system. She will fit in our current slip and is wheel chair accessible. She has Men's and Ladies restrooms and a snack

bar. Her seats are cushioned. She is air-conditioned. More information and pictures are at the following website: <http://www.yachtworld.com/boats/1300221/0>. In short she meets every requirement that we listed on our requests for proposal for a new vessel and she's on the market for \$150,000 which is a real steal. At her last insurance survey in 2001 she was appraised at a market value of \$850,000. Two years ago when she was first put on the market the initial sales price was over \$600,000. With shipping her here and the cost of putting her back into service we're looking at upwards of \$250,000.

How do we pay for her? We'll pay cash for her out of existing funds and then pay ourselves back as follows: This year you were to receive the invoice for the second half of the marina expansion for \$2,105 of which a minimum of \$210 would be due in 2008. Our anticipated cash requirements on the marina will allow us to delay that invoice for one year. Then the \$210 due this year will go to the purchase price of the vessel and you won't be billed for the second marina assessment until 2009. So there will be no real additional cost to you this year.



That assessment will net about \$200,000, and any costs above that, if necessary, will be covered by reallocating existing dedicated funds as follows:

- \$15,000 from cash reserves
- \$10,000 from the vessel special assessment
- \$5,000 from the Equipment special assessment
- \$5,000 from the Operations Special Assessment
- \$15,000 from the Marina Special Assessment

Now it's not all peaches and cream. She's newer and bigger than *Holiday* and will carry more passengers. Therefore our insurance costs will go up. She has bigger, more powerful engines and she will burn significantly more fuel than *Holiday*. As she is 10 feet longer our berthing costs in Everett will go up proportionately. In short while a newer boat should reduce our annual maintenance costs, those reduced maintenance costs will be overshadowed by the increased operating costs. In the future we will either have to subsidize her operation with more money from the general fund or raise trip costs to help pay the higher operating costs. But we'll need a few months of operational data to make those kinds of cost analysis.

We understand that this is very short notice and we wish we had more time to make a decision, but the sellers are paying about \$3,000 per month just to insure her and berth her and they are anxious to sell the vessel. At her new lower price of \$150,000 we have lots of competition, and there are multiple contingent offers waiting behind us.

The ballot you will receive shortly will be for you to approve this purchase and the necessary funding as outlined above.

Obviously we think it's the right choice and a great price.