

Approved Minutes for the HICA Regular Board of Trustees Meeting on April 22, 2017 held at the HI Y&G Club respectfully Submitted by HICA Secretary Scott Wilson.

President Scott Holte called the meeting to order at 10:34AM. Also present were Treasurer Mike Immel, Secretary Scott Wilson, Trustees Darla Younce, Udo Gerz, Kevin Smith and Island Manager Sandra Bettencourt. VP Karen Conner was not in attendance.

President Scott Holte called for a motion to approve the Minutes from the Regular March 18, 2017 Meeting. Darla Younce so moved, Mike Immel seconded. The Motion passed unanimously

Island Manager's Written Report (from Sandy) w/ Secretary's Notes.

Manager's Report

- Barge Run:

This week's barge run (April 19-21st) was packed! We provided service for 50+ users coming to and leaving from Hat Island. Our next barge service is scheduled for June 29, 30, and July 1st (Thursday through Saturday run schedule). We will be sending our notification to the Community soon.

- Water Operations:

Our water operator Scott Gresli has decided to retire. Scott first started working with the Island in 2008 as our Greens Keeper. Scott became the Water Operator last April. Scott will work through May training our new water operator.

I would like to announce that we have hired Chris Inman as our new Water Operator. Chris is one of our newer residents and will be working full-time as our Water Operator. In addition to Scott's training support during the month of May, Karl Arhart has also offered to lend support in Chris's training program as needed. I will be sending a bio from Chris after the meeting so know he's our new water guy!

Case RO, visited this past week and replaced much needed valves and brought over other needed parts. They will be sending a report of their service and other recommendations to the RO system. We had an opportunity to introduce Chris Inman to the CASE team as their future contact. Case has been contracted to provide a minimum of twice yearly inspections and services. They are also going to provide additional operational training as needed for our Water Operator/other maintenance staff as we progress toward a more proactive water management program.

As I mentioned at the last Board meeting our freezing weather over the winter months was particularly hard on the island's water lines. We have had several water leaks and many were due to failure to shut off the water at the meter. We did have two cases where enough water

leaked to lower the tanks, in the most recent leak in I Division; the Water Tank lost 8 feet of water, with an estimated loss of 45,000 plus gallons of water. We have also had repairs to some of the beach fire stand pipes. In most cases it is impossible to know that total water loss due to these breaks since most have been in remote areas. I would also like to let owners know that using water out of the standpipes is prohibited. If you see a leaking standpipe or neighborhood meter, please contact the office immediately. Thanks for everyone's support. Our next water meter readings will take place in early May.

- PSYC Annual Contract Meeting:

The PSYC annual contract meeting is scheduled for May 20th. They have had quite a bit of transition in their organization. Bob Josephson is the new Commodore. Our new liaison will be Barry Ellingson.

- Redside Construction Meeting:

We are coordinating a time to meet with Redside Construction to evaluate the Marina for dredging and evaluate the docks around the ferry landing for possible reconfiguration for the Ferry landing. We are tentatively looking at Saturday, April 29th as a potential meeting time.

- 2nd Quarter Assessments:

Our contract bookkeeper is currently sending out 2017 2nd Quarter Assessments. If you do not receive them in a week or two, please contact the office. Our primary way of invoicing owners is by email unless otherwise directed. Please keep us updated on any email or address changes. Our invoicing system cannot notify us if there is a bad email address (bounce back). We also need our snowbirds to let us know if they want us to change mailing information otherwise it may go to your winter residence location. So if you feel you have not received an invoice, please give us a call and we would be happy to review your account with you and send any invoices that might be missing. Thanks to all the owners who have paid their assessments including Marina assessments. We are currently assessing all late payments a \$25 dollar late fee after the 15 day grace period according to our Collections Policy. We are also sending out past due letters to all owners who have not paid off their Marina Improvement Assessment. This should have been paid in full as of December 31, 2017. Late payers will be assessed late fees and interest on all unpaid balances. Please contact the office if you do not know if you have paid off these assessments.

- Report on Assessment Payment Status of Owners:

As of April 21, 2017 for 1st Quarter 2017:

*Regular, Special, and Water/RO Maintenance Fee (for developed lots)

•Unpaid Developed Lots: 36 lots = \$20,952

•Unpaid Undeveloped Lots: 116 lots = \$55,912 plus Matt S. Lots = \$130,140 for grand total of: \$186,052

- Marina Improvement Assessments Unpaid

•Unpaid: 55 lots = \$14, 886.57 (this does not include Matt S. Lots)

- Marina Expansion Assessments Unpaid (1st Quarter 2017)

•Unpaid: 56 lots = \$4,062.24 (this does not include Matt S. lots)

*Does not include any previous quarter assessments due.

- Island Insurance Renewal:

The Insurance Policy is currently up for renewal. It is the recommendation of Management to accept this package and move forward with binding. This year's policy is slightly up from last year's policy due to adding equipment. North Star is pleased that rates have either stayed the same or were slightly lowered. If this continues they hope we can be more competitive next year, and receive further reductions in our fees.

SW: Sandy Bettencourt reinforced the need for property owner's to shut their water off when leaving the Island.

Scott Holte interrupted the IM's report to identify Matt Surowiecki present and inform him that the Meeting was for Members in Good Standing and because MS was not a Member in Good Standing he was asked to leave. MS responded that "I've paid my dues". He also stated he had been attempting to negotiate. Scott Holte instructed Secretary Scott Wilson to note in the Minutes that SH would notify Legal Counsel.

Legal Report – Scott Holte

The legal counsel defending the Association and individual Defendants anticipate filing several motions within the next couple of weeks and more depositions are being scheduled. No settlement negotiations have taken place since the mediation was cancelled in January. We've been advised by our attorney not to comment further at this time. We will, however, inform the Community of anything that is divulged in public court filings.

The Trial is scheduled to begin on Monday September 11, 2017. It is expected to last two weeks or more.

Treasurer's (Written) Report – Mike Immel

- 1) Still waiting to hear from legal on our ability to get the records returned or have insurance cover the cost of duplicating files so that we can conduct our audit.
- 2) An extension on the 2016 taxes was filed by 3/15 and we are now finalizing closing the year and waiting for a finding on conducting the audit. We have time to get a ruling from legal.
- 3) Pay rate: We will give that out at the board meeting as we are finalizing now.
- 4) Review the balance sheet: Specifically the reserve accounts, and the fact that operational funds are inflated in the first two quarters by the portion of the special assessment that goes toward operations.
- 5) Review the P&L: The line that includes 2016 funds received in 2017. The P&L is a collapsed version showing the totals of each expense category. All expenses appear to be in line with the budget. We do have the budget input in QBO by month. This helps the island manager, the bookkeeper, and the board review expenses.

Waiting for legal regarding 2014, 2015, 2016 Records to see if Insurance will cover reproduction for Plaintiffs request (subpoena).

Extension filed for 2016 Taxes.

Extensive Vessel Repair Expenses expected for April & May.

Surplus is due to Paid Special Assessments.

P&L is Cash Based.

Vessel Report – Udo Gerz

Udo Gerz reported on his research into certain Government Funding Programs available. It does not appear that HICA would qualify due to value, age and/or condition of the Hat Express.

Udo also reported the following;

- The Hat Express Generator is down, not repairable and must be replaced as soon as possible. The estimated cost is \$28K.
- A new Gear Actuator may be available for an estimated cost of \$17K. This is being investigated by Capt. Ray Brown. The failure of this device would result in a NO SAIL Condition making this an imperative initiative.
- A Member asked what the plan was for a NO SAIL Condition. Sandy and/or Capt. Ray responded there are three Providers in the Queue.

Sandy Bettencourt and Capt. Ray offered this idea;

- The HICA needs to look at replacing the Hat Express as a Value Proposition considering the cost of maintenance on an aging Vessel, fuel economy, general efficiency and expanded usage. Udo and the Vessel Committee have been researching this. Udo did meet with Armstrong (Boat Builder, Port Angeles) last week and will meet with other Passenger Vessel Boat Builders in the future of which there are many. Members knowing of Passenger Vessel Boat Builders are encouraged to let the Office know of them.
- Evaluating the Vessel versus ridership is the key. The Coast Guard Regulations make Passenger Vessels with a capacity of 50 and under optimal.
- An On-Line Reservation System is being investigated making a Smaller Vessel with multiple runs more efficient to operate.
- A Member asked what the Budget Number on a New Vessel was. Mike Immel responded; “we are not there yet”.

Udo Gerz introduced The Pilot Cargo Plan. It is as follows;

Hat Express Cargo Transport Program

To facilitate movement of low volume cargo to and from Hat Island we are introducing a “pilot” cargo program for our owners. This new program service is called: “Hat Express Cargo Transport Program”.

- Each passenger is currently allowed a maximum of 5 sq. ft. during routine transit.
- Individuals with cargo exceeding 5 sq. ft. will be charge a minimum \$5 cargo fee.
- Captain will determine the volume of excess cargo and assess a fee based on volume and size.
- Individuals wishing to transport a higher volume of cargo should pre-arrange a date and time to transport these items. A transport fee will be invoiced by the HICA office.
- Owners are responsible for supplying the necessary manpower to deliver, load and unload items to and from the ferry.
- Owners may be responsible to pay an additional fee for cleaning or damages.

Allowable items:

- Small furniture (end tables, lamps, pictures, bed frames, folding chairs, etc)
- Large tools, wheelbarrows, wagons
- Shelves, medium cabinets
- Small appliances (must fit into the cargo hold and be easily transportable)
- Yard supplies (topsoil, fertilizers, etc. must be placed on aft deck)
- Small quantities of building supplies (lumber, windows, shingles, electrical)
- If we can safely maneuver and properly stow it we may accommodate it

Not allowed Items:

- Gasoline/Diesel/Propane powered equipment
- Large items that would block or hinder aisles and doorways
- Batteries, chemicals, Flammable liquids, hazardous cargo

The Cargo Transport program will be limited to the following seasonal schedules:

Low Season – Sept. 5 – May 24, 2017

- Thursday mornings 9:00 am trip from Everett to Hat Island
- Thursday evening 6:00 pm trip from Hat Island to Everett
- Sunday afternoon 3:00 pm trip from Everett to Hat Island
- Friday evening 7:00 pm trip from Hat Island to Everett

High Season – May 25 – September 4, 2017

- The cargo transport program will be amended to accommodate peak season travel and the associated higher volume of routine cargo.
- Thursday mornings 9:00 am trip from Everett to Hat Island
- Friday evening 7:00 pm trip from Hat Island to Everett

If you have any questions please contact the HICA office (360) 444-6611 or email harbormaster@hatisland.com prior to bringing any cargo to the ferry to avoid any disruption in regularly scheduled ferry operation.

The New Proposed Hat Express Rules were introduced as follows;



Hat Island Ferry
Operations, Loading, Departure, and Baggage Rules



PURPOSE: The purpose of these rules is to ensure the safe operation of the vessel and the safety of crew and passengers. These rules are placed in effect to ensure the fair and equitable access to the ferry for all of our owners.

GENERAL: The *Hat Express* is a federally licensed and regulated vessel operating under the parameters of CFR 46 and further regulated by the Washington State Utilities and Transportation Commission and the state Department of Revenue. It is the legal responsibility of the crew to ensure that the vessel is operated within these regulations. Property owners are responsible for their guests being properly informed of these requirements.

OPERATIONS:

*Vessel Master is charged with the responsibility to enforce the rules approved by the HIC Board of Directors, and as such:

Has final authority to determine what cargo can be carried on the vessel.

Has the final authority to determine if the weather is safe for running *Hat Express*.

Has the authority to deny passage if in his/her determination a passenger presents a danger to other passengers or the crew, or refuses to follow crew instructions. If necessary the Captain may seek the assistance of local authorities.

*The Captain's decision on ship's safety, volume or excessive quantity or weight of items brought on board prevails.

*Hat Express falls under federal Coast Guard regulations prohibiting illicit substances per CFR 49.

*Smoking is not allowed anywhere on *Hat Express*.

*Please stay behind the yellow line/chain on the Bridge. Please do not congregate at the Bridge nor distract the helmsman.

*The forward deck (bow) is a working space. Passengers may move to the bow after the Captain has left the wing station and must remain on the bow until docking operations are complete and the vessel is shut down. Please remain behind all marked barriers and chains.

*Children under the age of 6 are not allowed on the forward deck due to safety concerns.

*Children below the age of 12 must be accompanied by an adult. The crew cannot be responsible for unattended minors.

*Please remain seated until the Captain has announced arrival and issued disembarking instructions.

*Please do not stand on the stairs or congregate in front of the pay station/concession stand. The crew needs unobstructed access to these areas.

*Pets must be in an approved pet carrier or muzzled before boarding and remain so until off the vessel.

*Pets must ride either in the baggage compartment, upper enclosed deck, or upper aft deck.

*Pets must ride on the floor and not on the seats or in the owners lap.

*To ensure there is an outside space where non-pet owners can sit without pets, there are no pets permitted on the forward deck (bow).

*Pets are not allowed to lay in the aisle. The aisle must remain clear to allow the crew and passengers to transit safely.

*To preserve the seats please keep feet off the cloth seats.

LOADING AND DEPARTURE: The ferry is the only means of transportation for a large percentage of our owners. They rely on the ferry to arrive and depart on the published schedule in order to arrange appointments and connecting travel.

*All passengers should arrive not later than 20 minutes prior to departure. This is especially important during the peak season.

* There is no assigned seating on the ferry. Seats are made available on a first-come, first served basis. Exceptions are for those travelling under the American Disabilities Act who are given priority for designated ADA seating, and

for those with pets who must ride with their animals in designated sections of the boat. The captain has final authority on passenger loading.

*To ensure a timely departure, we ask all passengers and baggage to be onboard the vessel at least 10 minutes prior to scheduled departure.

*For the safety of the crew, vessel and passengers on board, once the process of departure has begun it will continue uninterrupted.

BAGGAGE: There is a finite amount of space and weight capacity on the vessel. If a few owners or guests bring excessive amounts of baggage it will cause the vessel to reach weight capacity before reaching passenger limits. This results in passengers being turned away.



*A maximum of 5 cubic feet per passenger is the maximum amount allowed per passenger. Passengers exceeding 5 cubic feet will incur a cargo fee. This fee will be determined by the total volume of the excess cargo. Cargo fee is a minimum of \$5.00

*Hat Express is a passenger vessel and as such is designed and utilized to carry daily use cargo. Hat Island Community frequently charters a commercial landing craft for transporting larger cargo items. The only exception is if the passenger has made prior arrangements with the island manager utilizing the "HX Cargo Charter Program" *See Below

*Items brought into the cabin must fit under your seat. Nothing may be stored in the aisles or at your feet.

*Items must not require more than one crew member to lift or handle safely.

*Transportation of unaccompanied items is not permissible. All items brought on board must be under the personal control of a passenger. If you need to send something to the Island you must arrange for a passenger to be responsible for its loading and unloading.



*Larger items, containers and all rolling stock must fit completely under the baggage shelf and not protrude out into the walkway.

*Large four (4) wheeled wagons or dock carts are not allowed. Folding wagons are allowed but must be unloaded and folded dockside. Rigid wagons are not allowed.

*Hand trucks/hand carts that do not collapse are not allowed

*Light weight folding hand carts are allowed but must fit under the baggage shelf.

*Loose items must be contained in a closed container. Items such as toys, clothing, and bedding should be contained in a closed bag or container.



*Individual grocery store bags (i.e. white plastic bags) are discouraged as they are hard to transport and are subject to failure. Please consolidate your grocery items in larger reusable and durable shopping bags, plastic tubs, or coolers.

*Items need to be packaged to be stackable to make optimal use of the space available. The crew/vessel is not responsible for damage to improperly packaged items. The crew will relocate items to maximize available space.

*All containers such as coolers, suitcases, plastic tubs should be labeled with the owner's name or lot number.

*No building materials, ladders, or contractor's equipment are allowed except for Community maintenance work.

*Propane, gasoline, diesel, or other flammable liquids are not allowed. Machinery using any of these liquids must be brand new and in their original packaging. Captain must approve the transport of these items prior to departure.



*Vehicle batteries are not allowed.

*Furniture is not allowed.

*Certain cargos such as bicycles are on a space-available basis and may be loaded last

*Household garbage only, no construction debris, garbage must be in quality bags. Leaking or torn bags or loose garbage will not be accepted.

*A \$5 cargo fee will be applied to excess cargo.

Generally Allowable Items:

Pets (must adhere to the published Pet Policy)

Food & Beverage

Luggage, Suitcases containing clothing

Paint & Painting Supplies (1 gallon per person)

Limited Home Décor Items (small pictures, mirrors, drapery rods, lamps & shades etc.)

Small Plants (must be properly contained in cardboard or plastic limited to 1 flat or 1 gallon per person)

Lawn and garden supplies such as topsoil, fertilizer and seed (limit up to 2 sq. ft) must be placed on the stern for transit)

Small Automotive Parts & Supplies (in an emergency, 1 tire)

Golf Clubs (1 set per passenger)

Household Items: Bedspreads, Blankets, Pillows, Kitchenware, Garden Hand Tools.

*The above information is not all inclusive. Items may be denied passage in the interest of safety and reliable performance at the discretion of the Captain. If in doubt, ask!

Sandy Bettencourt emphasized the need for on time departures and stated there would be no more rear boarding due to liability.

Scott Wilson recommended that travelling Members look at the Washington State Ferry Weather Site at <http://i90.atmos.washington.edu/ferry/Ferryjs/mainframe1.htm> or just Google Washington State Ferry Weather. There you can easily see Wind Speed and Direction. Also you can check the Marine Forecast. Find Puget Sound and Hood Canal and look for Gail or Storm Warnings.

There was a Motion to Approve the New Ferry Rules. Mike Immel so moved and Kevin Smith Seconded. The Motion passed unanimously.

Community Input

A Member asked about Hat Express Cancellations and utilizing Text Messaging as an additional venue. It is available and some Members already use it. Sandy Bettencourt will send out instructions for enrollment.

A Member inquired about the status of the Audit. Scott Holte responded that yes it going ahead. Our Lawyer has the 2014, 2015 & 2016 Files which are needed to establish the beginning balance for 2015.

A Member asked about Roads and Potholes. Sandy Bettencourt responded that Manpower, Time and Materials are being marshalled to the restoration after a long, wet winter. It is a priority.

A Member asked if the Barge Runs pay for themselves. Sandy Bettencourt responded that yes, for the most part, they do. The Island can't charge itself for it for Fuel Hauling and other Island Material needs.

A Member expressed concerns over the disparity of Water Produced versus Water Sold. The Island Manager and other Board Members Responded.

Of note;

1. The HICA is current with the DOH (Department of Health).
2. The General Plan and/or Water Committee Charter is in place to find leaks and stop the source in addition to the Systematic Replacement over Time of the entire Distribution Piping. This is why the HICA purchased a Water Leak Finding Device.
3. Meters are being installed where they weren't previously to systematically and methodically close the Gap that we know exists.
4. A Part Time Assistant was budgeted for and hired specifically to assist the Island Maintenance Team to meet the obvious objectives.

With no further business President Scott Holte called for a Motion to adjourn to Executive Session to discuss personnel and legal matters, with no reconvening of the Regular Board meeting. Mike Immel so moved, Kevin Smith seconded. The Motion passed unanimously. The meeting was adjourned at 11:52 AM.

*The HICA minutes are intended to be a reasonable summary of the Board's deliberations and actions. The minutes are not a verbatim record of everything said at the meeting. The minutes include all actions taken by the Board.

Hat Island Community Association
Profit and Loss
January - March, 2017

	Jan 2017	Feb 2017	Mar 2017	1st Quarter Totals
Income				
Total Annual Assessments & Fees Income	\$ 56,164.86	\$ 28,947.08	\$ 50,169.24	\$ 135,281.18
Total COMMUNITY INCOME	\$ 53,789.00	\$ 24,675.81	\$ 29,898.11	\$ 108,362.92
Total Previous Year Collection Income	\$ 17,023.51	\$ 6,872.40	\$ 6,419.48	\$ 30,315.39
Total SPECIAL ASSESSMENT INCOME	\$ 79,545.68	\$ 46,086.74	\$ 96,410.77	\$ 222,043.19
Total WATER INCOME	\$ 27,929.37	\$ 12,441.31	\$ 26,668.12	\$ 67,038.80
Total Income	\$ 254,332.56	\$ 131,963.14	\$ 229,224.46	\$ 615,520.16
Total Cost of Goods Sold	\$ 8,724.57	\$ 7,660.62	\$ 3,136.71	\$ 19,521.90
Gross Profit	\$ 245,607.99	\$ 124,302.52	\$ 226,087.75	\$ 595,998.26
Expenses				
Total Administration	\$ 1,063.83	\$ 351.55	\$ 40.60	\$ 1,455.98
Total Insurance	\$ 6,853.75	\$ 6,853.75	\$ 6,853.75	\$ 20,561.25
Total PAYROLL	\$ 30,154.54	\$ 30,028.12	\$ 48,564.53	\$ 108,747.19
Total Professional Services	\$ 3,220.67	\$ 1,168.10	\$ 6,676.30	\$ 11,065.07
Total REPAIRS & MAINTENANCE	\$ 5,645.86	\$ 2,850.04	\$ 5,794.56	\$ 14,290.46
Total TAX	\$ 632.43	\$ 865.64	\$ 379.76	\$ 1,877.83
Total UTILITIES	\$ 2,209.12	\$ 1,885.04	\$ 2,164.85	\$ 6,259.01
Total Expenses	\$ 49,780.20	\$ 44,002.24	\$ 70,474.35	\$ 164,256.79
Net Operating Income	\$ 195,827.79	\$ 80,300.28	\$ 155,613.40	\$ 431,741.47
Other Income				
Total Other Income	\$ 967.74	\$ 460.68	\$ 604.18	\$ 2,032.60
Other Expenses				
Reserve Contribution				
8200-AB Capital Reserve Transfer	19,170.86	10,624.62	23,718.36	53,513.84
8300-AB Cash Reserve Transfer	12,837.81	7,114.78	15,883.18	35,835.77
8500-AB RO Water Reserve Transfer	6,964.69	3,171.35	5,003.28	15,139.32
Total Reserve Contribution	\$ 38,973.36	\$ 20,910.75	\$ 44,604.82	\$ 104,488.93
Total Other Expenses	\$ 38,973.36	\$ 20,910.77	\$ 44,604.82	\$ 104,488.95
Net Other Income	-\$ 38,005.62	-\$ 20,450.09	-\$ 44,000.64	-\$ 102,456.35
Net Income	\$ 157,822.17	\$ 59,850.19	\$ 111,612.76	\$ 329,285.12
Monday, Apr 17, 2017 02:22:36 PM GMT-7 - Cash Basis				

Hat Island Community Association

Balance Sheet

As of March 31, 2017

	Total
ASSETS	
Current Assets	
1100 Cash Petty	231.00
1111 Bank FB Operating Ckg - 41606	523,645.41
1121 CCB Operating Ckg Acct #1744	33,283.77
1122 CCB Receipts Acct# 6064	5,708.54
1125 Merchant Services / Secure Pay	31,712.26
PCB - Sweep Acct #5755	4,269.38
Total Operating Cash Accounts	\$ 598,850.36
Other Reserves	
1129 CCB DNR Bond Acct# 3316	1,511.58
Total Other Reserves	\$ 1,511.58
PCB - Capt. Res # 5771	177,670.02
PCB - Cash Reserves #5763	\$ 95,513.62
PCB - Marina Acct #9741	41,424.57
PCB - ROP Acct # 5797	29,759.41
Total Bank Accounts	\$ 944,729.56