

Approved Minutes for the HICA Regular Board of Trustees Meeting on December 16, 2017 held at the HI Y&G Club respectfully Submitted by HICA Secretary Pro-Tem Scott Wilson.

2018 Budget Ballot

President Scott Holte called the meeting to order at 10:36AM. Also present were Treasurer Mike Immel, Trustees Darla Younce and Scott Wilson and Island Manager Sandra Bettencourt. Udo Gerz attended telephonically. VP Karen Conner and Secretary Kevin Smith were not in attendance.

The meeting was semi suspended while final counting/tallying of the Ballots took place at the office. Members in attendance introduced themselves to one another. Island Manager Sandra Bettencourt reviewed the Ballot Counting process in detail.

At 10:36 the Meeting was called back to order.

Treasurer Mike Immel thanked everyone involved in the Budget Development Process and Ballot Counting Process starting with the Board Members and all Finance Committee Members:

Alan Dashen, Committee Chair, Mike Immel, Board Chair, Ginger Harmon, Community Member, Mike McCarthy, Community Member, Angelina Burnett, HICA Contract Bookkeeper and Scott Holte, Board President.

Followed by the Ballot Counting Team:

Bill Townsend, Sharon Meadows, Tammy Mason, Lori Christopher, Dave Andrews, Joan Andrews, Kurt Kassahn, Karen vanSpanje, Community Observer, Darla Younce, Board Observer, Mike Immel, Board Treasurer/Observer.

The results were then shared.

Regular Assessment:	203 Yes	39 No
Special Assessment:	189 Yes	56 No
Waive Audit	143 Yes	98 No

- Waiving of the Audit requires a 67% Margin so this did not pass.

Scott Holte stated we should thank ourselves for passing the 2018 Budget. He also noted that the discourse we all participated in via the Constant Contact venue was impactful on the result.

Approval of Minutes

Scott Holte asked for a motion to approve the Minutes from the November 18, 2017 Regular Board Meeting. Darla Younce so moved, Scott Wilson seconded. The Motion passed unanimously.

Island Manager's Report (Written)

- **Island Leak:**

We had a leak in A Division this past week. Chris Inman will need to provide the approximate amount of water lost. The break was on our side of the road (not the owner side). It turned out to be a broken coupling. There was a report of a leak in the J Division however, after investigating the location, it turned out to be a line of trees thawing in the area.

- **Employee Gift Fund:**

There is still time to donate to the employee gift fund. Generally, checks are given to staff just prior to the Christmas holiday. If there are still funds coming in we will do another distribution. Thanks to all the owners who have contributed to this fund.

- **4th Quarter Assessments:**

The 4th Quarter Assessments are due on December 31st. Late fees will be added after the 15th of January. We did send out collection letters to owners who are in arrears or late. If you feel there is an error on your letter, we are happy to review your account with you at any time. We are also working with owners who may need a payment plan to pay off any outstanding balances. Contact the office if you would like to make those arrangements.

Legal Update (Written)

Scott Holte reported on two matters:

- (1) Port of Everett Ferry berthing & permitted parking area. Sandy, Scott, and Captain Ray Brown met with a port official a week ago to confirm what was a previously proposed new berthing site and parking area. The port official proposed an entirely new berth. Following the meeting Ray did a test run to and from the new site & authored a report, which found the site totally unacceptable for a number of reasons, including "an accident waiting to happen." We sent a letter to the Port outlining our concerns, including Ray's report, with a request to berth the ferry in the previously agreed to location at the south Marina Village dock. Based upon the response we received we believe we will resolve the issue.

- (2) Lawsuit: The Plaintiffs have had two law firms representing them, & one of the firms has just withdrawn from representation. The trial is scheduled to start on March 5, 2018 & is expected to last at least two weeks. The Association will vigorously oppose any attempts by Plaintiffs to continue the trial.

Discovery is continuing, although the Plaintiffs' remaining counsel cancelled a major deposition (CR 30 b 6) scheduled for a full day earlier this month two days before the deposition. After various motions and some voluntary dismissals by Plaintiffs, the lawsuit has three major areas of focus:

- (a) The primary claim is on the allocation of assessments. Specifically, Plaintiffs claim that any lot should be assessed its pro rata share of total **tax assessed value** of **all** lots. The just completed discussion by the Community on the 2018 Budget included a number of comments on how assessments should be allocated, with many expressing the opinion that assessments based strictly on taxed assessed values would create inequitable results. Should a lot owner with a \$10,000 tax assessment pay 1/10th the assessment of an owner with a \$100,000 tax assessed lot? The Community discussed this issue in our last Long Range Planning Retreat & will discuss it again. The Board's position has always been that **a few owners should not dictate** the allocation of assessments to the Community and that any **change** should be the result of **amendments** to our **Bylaws** and **not** through litigation.

Further the Plaintiffs' argument fails to take into account that about ½ of our operating expenses are funded by assessments. The other ½ is paid for by all those who use the island's amenities: moorage, green fees, ferry tickets, gas sales, and water maintenance fees. There is nothing "inequitable" about paying for amenities. Owners who use them more pay more. The Plaintiffs just want more. So again, the Board's position is don't let the demands of a few outweigh what the Community thinks is fair & if change is needed amend the Bylaws.

- (b) Plaintiffs are also pursuing claims about Marina expenses. HICA reviewed all expenses associated with the Marina repair and expansion and provided copies of all invoices to Plaintiffs. The special assessments passed by the Community totaled \$4.0 million. Based on past experience with the RO assessment the Association anticipated that many owners would pay over time, resulting in interest over the \$4.0 million, and that the Association had an agreement with PSYC requiring it to pay up to 18% of the Marina repair and improvement expenses. The Association moved forward with the project based in part on those projections and assumptions. The Community was consistently informed that anticipated costs were more than \$4.0 million. The Plaintiffs claim that the Association owes them damages for every dollar spent over \$4.0 million. We

absolutely dispute that claim. The actual cost of the Marina project was about \$4.3 million, or about 8% over the **estimated** costs. The approximate \$300,000 owed by PSYC was disputed & the issue was resolved by an agreement giving ownership to HICA of the docks, which the Community overwhelmingly approved by vote. We have a hard time understanding why the Association should pay any money to the Plaintiffs when they have and are benefitting from the improved and expanded Marina just like any other lot owner.

- (c) Finally, Plaintiffs claim that the Association is to blame for current lot values. We believe that maintenance, repair, upkeep and improvements to Association property and amenities is the best way to support lot values. We believe that we are doing our best, but if owners **don't pay assessments** we don't have the money to pay for repairs, upkeep and certainly not improvements. The Board again absolutely disputes this claim.

All of the foregoing should **not** be interpreted that the Board is not interested in resolving this lawsuit short of trial. We have attempted twice to mediate in good faith, and continue willing to mediate because this lawsuit is a cloud, which hangs over the Community. We feel, however, it is very important for the Community to understand the Association's positions on and responses to these critical claims by the Plaintiffs.

Treasurer's Report

Mike Immel reported briefly and added the P&L and Balance Sheet for inclusion into minutes.

Committee Reports

Water

Scott Wilson spoke to the highlights of the Water Operator's Year End Water Update.
(Written)

In an effort to be more accurate in our water produced and lost we are looking at it from an actual billing cycle basis. Below is the billing cycle year not the calendar year as reported previously. The percent loss for the year was an avg. of 24.5% overall in general the total lost water that comes from actual leaks is 80% so the percent lost from unknown leaks is actually 19.6%. In actual gallons lost for the year we are at 607,868. A large number but when converted over to actual leak sizes you will be surprised. This amount would be lost in a year if we had 14 leaks of this size ●, 3 leaks of this size ●, or 1 leak of this size ●. This is from 10 miles of 3, 4 and 6" pipes with over 3000 glued connections.

As far as current status goes the wells are performing as expected

The RO is currently down as we have a broken diffuser in our 3rd sand filter and this is not allowing the water to go to our RO membranes. Case has quoted us \$2115 to come over and replace this to get the sand filter fixed. This is a quote to fix this providing all else is OK. Worst case is that all 3 sand filters would need to be fully rebuilt with all the media changed out and that would be in the \$30,000 + range.

Approval for Advertising Lots for Sale owned by the HICA.

Scott Holte asked for a motion to approve. Mike Immel so moved, Scott Wilson seconded. Motion passed unanimously.

Community Input

A member asked about votes per lot referencing ½ owner issues. It was decided that the office would research that and respond.

Barb Conwell pointed out to the attending members that ***“if you see a puddle and it's not raining say something to somebody”***. This is how a leak was discovered recently.

Mike Immel reminded everyone to wear life jackets.

Adjournment

With no further business President Scott Holte called for a Motion to adjourn to Executive Session to discuss legal and personnel matters. Mike Immel so moved, Darla Younce seconded. The Motion passed unanimously. The meeting was adjourned at 11:45AM.

Hat Island Community Association Balance Sheet

As of November 30, 2017

	Total
ASSETS	
Current Assets	
Bank Accounts	
9999 Marina Invoice Clearing	253.89
1100 Cash Petty	231.00
1111 Bank FB Operating Ckg - 41606	411,654.74
1121 CCB Operating Ckg Acct #1744	72,447.73
1122 CCB Receipts Acct# 6064	6,452.80
1125 Merchant Services / Secure Pay	21,253.73
Total Operating Cash Accounts	\$ 512,293.89
Other Reserves	
1129 CCB DNR Bond Acct# 3316	1,511.97
PCB - Capt. Res # 5771	221,907.55
PCB - Cash Reserves #5763	222,444.88
1110 Cash Reserve Employee Bonus	3,603.86
Total PCB - Cash Reserves #5763	\$ 226,048.74
PCB - Marina Acct #9741	11,741.93
PCB - ROP Acct # 5797	39,969.25
Total Bank Accounts	\$ 1,013,473.33
Thursday, Dec 14, 2017 02:05:14 PM GMT-8 - Cash Basis	