

APPROVED Minutes for the HICA Regular Board of Trustees Meeting on March 17, 2018 held at the Hat Island Fire Hall respectfully submitted by HICA Secretary Darla Younce

The meeting was called to order by Vice President Karen Conner, as President Pro Tem at 10:30 a.m. also present were Secretary Darla Younce, Trustee Kevin Smith Trustee Scott Wilson, Trustee Udo Gerz, Treasurer Mike Immel and Island Manager Sandra Bettencourt. President Scott Holte, was not in attendance.

Approval of Minutes

Karen Conner asked for a motion to approve the minutes for the February 21, 2018 regular Board Meeting, Scott Wilson moved to accept the minutes, Mike Immel seconded. There was a question about the link to the HICA Documents page. That was corrected to include the entire URL. The motion was unanimously approved.

Treasurer’s Report

Mike reported that the Office was helping the Auditor get into QuickBooks Online and we should be hearing something from them in the near future. It will be nice to get that completed to see what we are doing right and if any, what we are doing wrong and get it corrected. Mike reminded us that there will be another audit for 2017 as well. The updated P&L and Balance sheet are included in these minutes. Please note on the P&L: I included an additional column that highlights annual incomes that are received in the first quarter yet the expenses are spread out over the year. Items such as: Special Assessments for capital reserves and operational shortfalls; Annual Moorage; Annual Golf and RO Reserves. These items reduce profits significantly. Also, note that expenses increase dramatically during the high season with items such as: Ferry Fuel; Ferry Staff due to longer hours; Payroll due to additional staff for implementation of drainage and road maintenance etc.

Committee Reports:

Water Update 3-15-18 (Written)

Water produced in February:

	February	YTD
Wells	46,435	252,419
RO	76,740	133,140
Totals	123,175	385,559

During February the wells and RO performed well.

The production total from this month was lower compared with what we’ve produced from last February. We do not need to make as much water with the lower demand so making what we need keeps things circulating.

On the RO side of things we ran fairly well with a reduced flow on the backwash to mitigate sand migration to our cartridge filters. There is more algae in the water now so we are having to clean our cartridge filters more often. We are still working with Case to see if changing the sand out in our sand filters or replacing them with a fixed type stainless steel filter system will be cost effective. Should have numbers by the end of this month.

The wells ran fine and the state tests were all good. We are due for the wells to have their Nitrate levels checked and I have ordered the test and will get that completed by the end of the month.

Island Managers Report 3/17/2018 (Written)

- 1. Assessments** are being received. The coupon book has greatly reduced the amount of questions that we had previously. Water and other fee for services will continue to be invoiced. After the 30th we will run our reports to contact or send notices to owners who are late with their 1st quarter or previous quarter assessments.

- 2. Board Resolution RE: Fines Enforcement Policy and Fines Policy Mailed:**
The Resolution and Fines Enforcement Policy has been mailed to all owners. We have posted these documents including the Fines Schedule on our website under the Document Library under Community.

- 3. NorthStar Insurance Brokerage** is working on insurance coverage for our 2018-19 business year. All paperwork and updates have been sent on our end and we should be getting their proposal in a few weeks.

- 4. Port of Everett Agreement Status Report**
 - We are still in negotiations with the Port of Everett for parking and moorage. Scott Holte will be scheduling a meeting with the Port Commissioner to finalize a few details. We are still on track to move our parking to the Marina Village near Lombardi's and the Hat Express will most likely be moved to the dock in front of Marina Village. Once the agreement has been finalized notices will be sent to existing owners, owners on the waiting list, and a community wide announcement will be sent out for anyone interesting in obtaining a parking permit. There will be 45 permits available.

- 5. Vessel Report**
 - The generator was down temporarily. Ray replaced the raw water pump impeller and it is back in service.
 - The port main engine block heater is burned out. Ray has ordered the replacement. He will have to drain the 18 gallons of coolant to replace. Scheduled for the next 2 weeks

- USCG "5" Year inspection is scheduled for June 5th. This is a very detailed inspection of the vessel, operational readiness and crew performance
- The square is evolving into our primary cash transaction. Around 50% of the Ferry transactions involve the square.
- **The new dock fenders have arrived and we are waiting for an agreement with the POE before installing on our proposed location.**
- **Ray has hired Ryan Taisey as a deckhand for the Hat Express. Ryan, his wife and four children live on their boat in the Everett Marina. Ryan brings a great deal of knowledge and experience to the team. He has been a great asset and is going to be our backup deckhand as well as primary Thursday crew during the peak season.**

6. Marina Report

We have purchased a new power washer and deck clean implement for the Marina. The other unit is being rebuild and we will have two machines to use to clean docks. Barb is also in process this week of checking all safety ladders and will be working with Chris to repair or replace any broken ladders. We will order the remaining needed ladders so the marina has the safety ladders in all areas of the Marina.

2018 Cruise Season:

- January, the Navy YC visited with 12 boats bringing in a total of \$1,034 dollars
- March Everett YC had 19 Boats bringing in \$1604 (of that \$608.00 was on Square!)

Upcoming Cruises:

- March 23-25 Dagmar YC
- April 27 – 28 Milltown Sailing Club (a member is sponsoring)
- May 18-20 Mukilteo YC (a member is sponsoring)

7. Hat continues to go Square!

We are pleased to announce that we have added the Marina and Fuel Station on the "Square" system. Barb Conwell, has been trained and will be using it for Marina Transaction as needed, and we will be using the Square at the Fuel Station. We will be notifying the Community that we are moving toward more of a cashless system in all areas possible. We know we may not be completely cashless, however, we believe the community will embrace being able to charge moorage and fuel. Soon we will be training Duan on Square so we will be able to use this program during office hours.

8. Golf Update:

- **Brad is preparing the golf course for the spring season. We have had a great response to the special golf ticket book option.**

9. Maintenance Operator Interviews:

We will be conducting Maintenance Operator Interviews next week. We have 3 candidates. 2 on island owners and 1 off island applicant. The interview committee consists of: Sandy Bettencourt, Manager, Chris Inman, Water Operator, Chuck Motson, Past

Manager/Community Member, and Udo Gerz, Board Trustee. We hope to make a hiring decision shortly after.

John Brown, will be returning starting in April as our seasonal maintenance worker. He is scheduled for 35 hours per week from April through August, Primary project include continued work on the Drainage Plan, road and right of way maintenance, and facility maintenance improvements.

- 10. Tree Work in Community owned lots in H Division.** Last season we brought down several hazardous trees. They have been on the banks and our intent has been to remove the bulk of the trees off the Bluff. This week we had our professional tree cutters here on island to cut up the downed trees. You will see cut up logs along the foot of the bluff. This wood is for anyone who want it. After the wood is clean up, we will continue to remove branches and further clean this area up.

Submitted by Sandy Bettencourt, Island Manager

Marketing Report

Kevin Smith asked if there had been any further inquiries about the community owned lots that are for sale. We have sold two lots and there has been some interest on others. Sandy will work with Darla to open up the process to include the public.

Legal Report 3/17/2017 (Written)

1. Update on major property owner's and others' lawsuit:
 - (a) On March 6th the preassigned judge heard two motions by the Defendants. The arguments and discussions lasted over three hours. The motion for the Association was to dismiss the Plaintiffs' major claim that our regular assessments are inequitable; and the other motion was to dismiss all remaining claims against our former Island Manager, Chuck Motson.
 - (b) The judge dismissed all claims against Chuck entirely, so he is no longer a Defendant in the lawsuit. The other individual Defendants were previously dismissed from the lawsuit, so the Association is the sole remaining Defendant.
 - (c) The judge reserved ruling on the Association's motion, but indicated quite strongly to the Plaintiffs' counsel that unless he found something more than argued he would dismiss the equitable assessment claim.
 - (d) The judge also indicated that he intends to rule on HICA's motion to dismiss the Plaintiffs' fraud claims. There may be another court appearance before the Judge rules but that is uncertain.
 - (e) We feel that we have a very good chance that our motions will be granted and that there will be very little, if anything, left of the Plaintiffs' lawsuit.

2. The Foreclosure lawsuit against Matt Surowieckie's delinquent lots:

As we have reported before, the foreclosure lawsuit is separate and apart from the lawsuit discussed above. However, the foreclosure action was "stayed" because of an argument based upon the equitable assessment claim in the other lawsuit. This ruling was made by a different judge, and the Association has to go back to that judge to request her to lift the stay.

3. Release of the \$60,000.00 for delinquent assessments paid into the court registry:

The parties have stipulated to release of the funds. The next step is getting an order from the preassigned judge for release of the funds to the Association. As of the date of this report I don't know when that will be accomplished, hopefully soon.

4. Division H Lawsuit. The Association has answered the complaint. No further action has been taken at this time.

Sincerely, Scott Holte, Board President

Community Input

Bill Townsend asked if the adjacent owners of the community lots that are for sale were notified prior to the announcement to the community. Sandy said they were not but the notices went out to all community members. Sandy also noted that some of the adjacent owners are involved in the lawsuit.

Sharon Meadows asked about the condition of H Division and if there was a number to call to check on the conditions of the bluffs. Sandy said that in January there was a pretty big slide near Mike Worthy's that triggered Snohomish County to come out and take a look. The County has made it clear that any work that involves moving or removing soil must be permitted through application by the property owner not the Association. We have encouraged impacted lot owners to work with the County to clear their lots in compliance with applicable laws and regulations. Since that time there have been 3 or 4 more slides. Scott Wilson asked if there was a Hot line number to call emergency management that can be provided to the community.

Chuck Motson expressed his thanks and appreciation to the Board for their support during this long lawsuit and he is happy to be dismissed and no longer involved.

Jim Conwell asked what is going on with the Division H lawsuit. Karen replied that the Association has answered their complaint and that we have not heard any new information.

Adjournment

With no further business Vice President Pro-Tem, Karen Conner called for a motion to adjourn to Executive Session to discuss legal and personnel issues and not reconvene. Kevin Smith so motioned Mike Immel seconded. The motion passed unanimously. The meeting was adjourned at 11:30 a.m.

Hat Island Community Association Profit and Loss January - February, 2018

	Total	Net of annual fees paid at Beginning of Yr.
Income		
Annual Assessments & Fees Income		
4000-AB Annual Assessment Income	\$94,178.67	
4010-AB Annual User Fees Income	\$708.00	
4040-AB Late Fees Income	\$1,075.52	
4045-AB Administrative Setup Fee Income	\$50.00	
4055-AB General Registration Vehicle Fee	\$25.00	
4060-AB Misc. General Income	\$11,150.00	
4070-AB Escrow Statement Fee Income	\$125.00	
Total Annual Assessments & Fees Income	\$107,312.19	
COMMUNITY INCOME		
4600-AB Apartment Rental Income	\$1,705.00	
Total Apartment Rental Income	\$1,705.00	
Common Area Income		
4700-AB Kayak Storage Rental Income	\$500.00	
Total Common Area Income	\$500.00	
Ferry Income		
4300-AB Ferry Trip Book Income	\$2,560.00	\$2,560.00
4305-AB Ferry Trip Single Pass Income	\$4,060.29	
4310-AB Ferry Concessions Income	\$94.00	
4320-AB Ferry - Cargo	\$115.00	
4325-AB Ferry Trip - Pets	\$447.00	
4330-AB Ferry Misc Income	-\$10.00	
Total Ferry Income	\$7,266.29	
General Service Barge/Community Income		
Total General Service Barge/Community Income	\$11,768.01	
Golf Income		
4400-AB Annual Golf Membership Income	\$7,250.00	\$7,250.00
4410-AB Guest Golf Round Income	\$200.00	
4415-AB Golf Coupon Books Income	\$4,100.00	\$4,100.00
Total Golf Income	\$11,550.00	

Marina Income		
4500-AB Annual Marina Moorage Income	\$48,008.00	\$48,008.00
4510-AB Marina Moorage Daily Usage Income	\$779.90	
4520-AB Marina Moorage Guest Income	\$985.00	
4530-AB Marina Dock Power Usage Income	\$1,607.00	\$1,607.00
4535-AB Marina Vending Machine Income	\$57.00	
4545-AB Marina Admin Fee	\$10.00	
4550-AB Marina Parking Fee Income	\$200.00	
Total Marina Income	\$51,646.90	
Total COMMUNITY INCOME	\$84,436.20	
4159 POE Parking Income	-\$11.73	
4196 Legal Fees Billed to Owners	\$217.50	
Total Other Operations Income	\$205.77	
Total Other Operational Income	\$205.77	
Previous Year Collection Income		
4000 Rev A/R Balance Forward	\$11,454.38	
4100 Annual Assessment	\$1,704.04	
4102 Special Assessment - General Operations	\$1,621.89	
4104 Special Assessment - Cash Reserve	\$351.05	
4106 Special Assessment Capital Reserve	\$582.76	
4400 Annual Water Maintenance Assessment	\$150.00	
4450 Rev Water SIs Usage	\$70.00	
4780 Transfer Prev Yr Coll to Cap Res	-\$582.76	
4790 Transfer Prev Yr Coll to Cash Res	-\$351.05	
Total Previous Year Collection Income	\$15,000.31	
Services	\$25.00	
SPECIAL ASSESSMENT INCOME		
4100-AB SPA - General OPS	\$87,750.09	\$73,125.08
4105-AB SPA - Cash Reserve	\$490.00	
4110-AB SPA - Capital Reserve	\$34,193.54	\$28,494.62
4150-AB Transfer to Cash Reserve	-\$490.00	
4160-AB Transfer to Capital Reserve	-\$31,334.05	
Total SPECIAL ASSESSMENT INCOME	\$90,609.58	
Unapplied Cash Payment Income	\$29,174.73	QBO entry issue
WATER INCOME		
4800-AB Annual Water Maintenance Income	\$33,317.71	
4805-AB Quarterly Water Usage Income	\$5,219.73	
4810-AB RO Reserve Assessment Income	\$11,105.85	
4850-AB Transfer to RO Reserve	-\$10,332.83	
Total WATER INCOME	\$39,310.46	
Total Income	\$366,074.24	
Cost of Goods Sold		

5015-AB COS - Gas	\$8,888.45
5020-AB COS - Diesel	\$1,503.23
5035-AB COS - Barge Rental	\$10,011.25
5045-AB COS - POE - Ferry Berth Rental	\$1,959.03
Total Cost of Goods Sold	\$22,361.96
Gross Profit	\$343,712.28
Expenses	
Administration	
Total Administration	\$1,725.00
Insurance	
5600-AB Insurance-NorthStar	\$13,132.44
5610-AB Insurance-Beacon	\$680.34
Total Insurance	\$13,812.78
Labor	
6000 Salaries & Wages	\$4,800.00
Total Labor	\$4,800.00
PAYROLL	
6300-AB Payroll Service Fees	\$539.20
Employee Benefits	
Total Employee Benefits	\$439.47
Payroll Taxes	
Total Payroll Taxes	\$7,209.04
Salaries & Wages	
Total Salaries & Wages	\$58,007.52
Total PAYROLL	\$66,195.23
Professional Services	
Total Professional Services	\$8,539.16
REPAIRS & MAINTENANCE	
Total Community Apartment	\$6.24
Total Community Office	\$31.64
Total Community Water	\$666.12
Total Ferry	\$669.16
Total General	\$1,600.40
Total Golf	\$2,224.14
Total Marina	\$2,440.96
Total REPAIRS & MAINTENANCE	\$7,638.66
TAX	
Total TAX	\$2,525.62
UTILITIES	
Total Community Office/Apartment	\$447.96
Total Golf	\$95.12
Total Maintenance	\$1,141.74

Total Marina	\$1,056.43	
Total RO Water/Water Lab	\$1,362.29	
Total UTILITIES	\$4,103.54	
Total Expenses	\$109,339.99	
Net Operating Income	\$234,372.29	
Other Income		
7005-AB Interest Income - Delinquent Accouts	\$49.69	
Marina Assessments		
8235 Income Marina Expansion	\$145.08	
8240 Interest Income Marina Improvement	\$533.18	
8245 Interest Marina Expansion	\$1,164.86	
8260-AB Transfer to Marina Reserve	-\$1,832.11	
Total Marina Assessments	\$11.01	
Reserve Revenue		
8600-AB Capital Reserve Revenue	\$31,916.81	
8700-AB Cash Reserve Revenue	\$841.05	
8800-AB Marina Reserve Revenue	\$1,832.11	
8900-AB RO Reserve Revenue	\$10,332.83	
Total Reserve Revenue	\$44,922.80	\$44,922.80
SPECIAL PROJECTS - DONATED INCOME		
7400-AB Special Projects Donated - Employee Gifts Donation	\$1,625.00	\$1,625.00
Total Other Income	\$46,608.50	
Other Expenses		
7020 Bad Debt Expense	\$26,807.04	
9210 Interest Expns Marina Loan	\$8,800.53	
Total Interest Expense - Marina Loan	\$8,800.53	
Total Other Expenses	\$35,607.57	
Net Other Income	\$11,000.93	
Net Income	\$245,373.22	\$106,805.80

Friday, Mar 16, 2018 09:55:45 AM GMT-7 - Cash Basis

Hat Island Community Association Balance Sheet

As of February 28, 2018

(See aging report on bottom)

	Total
ASSETS	
Current Assets	
Bank Accounts	
9999 Marina Invoice Clearing	253.89
Operating Cash Accounts	
1100 Cash Petty	231.00
1111 Bank FB Operating Ckg - 41606	544,231.58
Total 1111 Bank FB Operating Ckg - 41606	\$ 544,231.58
1121 CCB Operating Ckg Acct #1744	82,531.11
1122 CCB Receipts Acct# 6064	6,537.59
1125 Merchant Services / Secure Pay	45,091.67
Total Operating Cash Accounts	\$ 678,622.95
Total Other Reserves	
PCB - Capt. Res # 5771	\$ 241,434.76
PCB - Cash Reserves #5763	227,253.41
1110 Cash Reserve Employee Bonus	3,603.86
Total PCB - Cash Reserves #5763	\$ 230,857.27
PCB - Marina Acct #9741	856.53
PCB - ROP Acct # 5797	46,372.39
Total Bank Accounts	\$ 1,199,909.80
1500 Other Asset Undeposited Funds	199.21
Allowance for Doubtful Accounts - General	
1208 A/R Allwnc Dbtfl Accts	-47,596.24
Total Allowance for Doubtful Accounts - General	-\$ 47,596.24
Allowance for Doubtful Accounts - Marina	
1209 A/R Allwnc Dbtfl Accts Marina	-67,651.99
Total Allowance for Doubtful Accounts - Marina	-\$ 67,651.99
Total Employee Receivables	-\$ 544.05
Inventory	
1301 Inventory Gas	10,847.60
1302 Inventory Diesel	1,987.28
Total Inventory	\$ 12,834.88
Prepaid Insurance and Taxes	

1401 Prepaid Insurance	66,218.11
1402 Prepaid Property Tax	15,636.34
Total Prepaid Insurance and Taxes	\$ 81,854.45
Total Other Current Assets	-\$ 20,903.74
Total Current Assets	\$ 1,179,006.06
Fixed Assets	
Accumulated Depreciation	
1911 A/D Vessels Purchased	-275,311.64
1921 A/D Buildings Donated	-16,450.00
1922 A/D Buildings Purchased	-17,119.56
1931 A/D Water Imprvmnts Donated	-50,000.00
1932 A/D Water Imprvmnts Prchsd	-349,336.56
1940 A/D Marina Facilities Prchsd	-7,738.52
1942 A/D Marina Imprvmnt Prchsd	-1,284,928.05
1943 A/D Marina Facilities Loan Fees	-8,871.52
1948 A/D Marina Picnic Prchsd	-6,870.51
1949 A/D Marina Recreational Prchsd	-9,843.00
1951 A/D Ofc Eqmnt Donated	-1,025.00
1952 A/D Ofc Eqmnt Prchsd	-2,295.06
1961 A/D Autos & Trucks Prchsd	-27,604.50
1965 A/D Machine/Tools Prchsd	-111,630.37
1971 A/D Roads	-20,453.60
1972 A/D Roads Blkhd Div H	-232,654.89
1981 A/D Water RO Treatment Plnt	-647,368.91
1991 A/D Golf Course Upgrade	-8,464.23
Total Accumulated Depreciation	-\$ 3,077,965.92
Autos and Trucks	
1861 F/A Autos & Trucks Prchsd	34,142.61
Total Autos and Trucks	\$ 34,142.61
Buildings	
1821 F/A Buildings Donated	16,450.00
1822 F/A Buildings Prchsd	21,468.05
Total Buildings	\$ 37,918.05
Golf Course Upgrades	
1891 F/A Golf Course Upgrades	13,449.69
Total Golf Course Upgrades	\$ 13,449.69
Land	
1801 F/A Land Donated	701,909.00
1802 F/A Land Prchsd	199,044.15
Total Land	\$ 900,953.15
Machines and Tools	
1865 F/A Machines/Tools Prchsd	206,695.58

Total Machines and Tools	\$ 206,695.58
Marina	
1841 F/A Marina Facilities Prchsd	7,738.52
1842 F/A Marina Facilities Imprv Prchsd	4,483,359.29
1843 F/A Marina Facilities Loan Fees	40,945.48
1848 F/A Marina Picnic Prchsd	9,280.25
1849 F/A Marina Recreational Prchsd	9,843.00
Total Marina	\$ 4,551,166.54
Office Equipment	
1851 F/A Ofc Eqmnt Donated	1,025.00
1852 F/A Office Eqpmnt Prchsd	3,140.13
Total Office Equipment	\$ 4,165.13
Roads	
1871 F/A Roads	28,727.85
1872 F/A Roads BIKhd Div H	350,892.18
Total Roads	\$ 379,620.03
Vessels	
1811 F/A Vessels Prchsd	416,473.95
1813 WIP Ferry	11,939.93
Total Vessels	\$ 428,413.88
Water Improvements	
1831 F/A Water Imprvmnts Donated	50,000.00
1832 F/A Water Imprvmnts Prchsed	353,185.88
Total Water Improvements	\$ 403,185.88
Water RO Treatment Plant	
1881 F/A Water Ro Treatment Plant	958,568.53
Total Water RO Treatment Plant	\$ 958,568.53
Total Fixed Assets	\$ 4,840,313.15
Other Assets	
1405-AB Apartment Security Deposits	-1,000.00
Total Other Assets	-\$ 1,000.00
TOTAL ASSETS	\$ 6,018,319.21
LIABILITIES AND EQUITY	
Liabilities	
Credit Cards	
Total Credit Cards	28,418.94
Total Deferred Income	\$ 2,828.50
Total Donations Payable - Unfunded Projects	\$ 1,007.00
Payroll and Payroll Taxes	
Total Payroll and Payroll Taxes	\$ 8,995.52
Total Other Current Liabilities	\$ 12,831.02

Total Current Liabilities	15,587.92
Deferred Income - Marina	
2991 Dfrd Inc Marina Imp	212,194.35
2992 Dfrd Inc Marina Exp	562,747.69
Total Deferred Income - Marina	\$ 774,942.04
Total Loan Payable - Marina	\$ 1,079,179.90
Total Long-Term Liabilities	\$ 1,854,121.94
Total Liabilities	\$ 1,838,534.02
Equity	
3000 Opening Balance Equity_QB	-12,656.77
3400 Suspense	-3,993.46
Equity - Accumulated Earnings	3,143,593.20
3005 Equity Donated	807,469.00
Total Equity - Donated	\$ 807,469.00
Net Income	245,373.22
Total Equity	\$ 4,179,785.19
TOTAL LIABILITIES AND EQUITY	\$ 6,018,319.21

Aging report
Note: Much of 91 and older in legal

Current
\$349,957

<u>1-30</u>	<u>31-60</u>	<u>61-90</u>	<u>91 and older</u>	<u>total</u>
\$18,497	-\$1,278	\$10,997	\$1,803,603	\$2,181,776

Friday, Mar 16, 2018 10:16:34 AM GMT-7 - Cash Basis