

APPROVED Minutes for the HICA Regular Board of Trustees Meeting on April 21, 2018 held at the Hat Island Yacht Club respectfully submitted by HICA Secretary Darla Younce

The meeting was called to order by President Scott Holte at 10:32 a.m. Present was Secretary Darla Younce, Trustee Scott Wilson, Island Manager Sandra Bettencourt. Trustee Udo Gerz and Treasurer Mike Immel attended by phone. Karen Conner and Kevin Smith were not in attendance.

Approval of Minutes

Scott Holte asked for a motion to approve the minutes for the March 17, 2018 regular Board Meeting, Scott Wilson moved to accept the minutes, Mike Immel seconded. The motion was approved with Scott Holte abstaining.

Island Managers Report 4/21/2018 (Written)

Operations

The Island has hired a full-time Maintenance Operator. His name is Roy Dyngen. Roy's first day of work will be Monday, April 23, 2018. John Brown, Assistant Maintenance Operator (part-time, seasonal) started work this Monday, April 16th. He will be working 35 hours per week on average. We will be send out updates periodically to the community letting owners know what we have accomplished as well as what projects are upcoming. We have purchased a backhoe and seat attachment for the Kubota tractor. This will be used all around the island and will be a good tool for our drainage work starting this spring. This will be delivered on the April Barge run.

Insurance for HICA:

We continue to work with North Star Insurance Services to locate the best coverage possible for our Association and at the same time keeping costs contained. I met with Ian Blackburn and Patti Ball this past week to review their proposal. I am pleased they were able to contain costs for us and we are coming in lower than last year's costs (not including the Marina Operators/Dock Coverage Due in November 2018) of \$79,069.53 to \$76,408.32 dollars, a \$2,661.21 reduction in costs. I have approved the binding of the policy and approved payment (budgeted for in the 2018 budget) to go out as soon as possible.

Taxes:

Hue Tran, CPA Services has filed a Tax extension for the HICA. Once the Audit is completed, Mr. Tran will be completing all taxes.

Barge:

Barb Conwell is finishing up on the April Barge Run scheduling for this coming April 24-26th! Our next Barge run is scheduled for July 18-20th.

Collections: We have sent out another round of collection letters to 41 owners owing on 1 or more lots. The total collection value is: \$129,458.19 dollars. An additional \$80,975.87 is owed by 4 property owners currently in legal (not including the major property owner).

Major Property Owner owes: 1,831,227.33 (not including late fees and interest which is being tracked by Legal).

Collection Letter Process:

On small amounts owed, we send an overdue statement, or an email reminder.

Late Payment Letters or Collection Letters with statements and a copy of the Collection Policy are sent to owners in arrears of \$200 or more.

We have sent 18 owners letter #2. I have requested support from the Finance Board Chair to see if we can get some help finding a Collection Agency with HOA experience that we might contract with for owners who are in arrears.

All owners are offered the opportunity to request a payment plan if needed.

Marina:

The Milltown Sailing Club will be staying at our Marina April 27-29th. We are expecting approximately 24 vessels. They will be spread throughout the Marina. Barb is still looking for volunteers to assist her with dock power washing.

Golf:

We have purchased a replacement aerator (Jacobsen Walking Aerator) which will be delivered on the April Barge Run. Brad has also ordered some turf to begin working on the women's tees. There will be a Golf Cleanup Day scheduled for Saturday, May 19th (9:00 am – 12:00 pm) which will include a lunch & prize drawing for volunteers participating. We will send out announcements via community email and fliers.

Submitted by: Sandy Bettencourt, Island Manager

Presidents Report: 4/21/2018 (Written)

Legal Report

1. The major property owner and others lawsuit:
 - (a) We are waiting for the Judge to decide on two motions for dismissal, which he reserved ruling on.
 - (b) We are also waiting for the Judge to enter the order dismissing our former Island Manger from the lawsuit.
 - (c) The Plaintiffs' new attorney has sent more discovery requests, which means a lot more time spent by our office staff. Our attorney is trying to limit or prohibit the discovery, which may mean another court appearance.
 - (d) Hopefully, we will have an update by the next Board meeting.

2. The Division H lawsuit:

There has been no action taken by the Plaintiffs since they filed the lawsuit, so there is nothing to report.

A major piece of legislation has been passed affecting homeowners' and condominium associations. One part of the new law eliminates the Sudden Valley court decision, which has prohibited us from changing our annual assessments. This is something we obviously will be considering when we address our budget for 2019. It certainly raises the option of not needing a special assessment each year just to fund our operations, and may well give us a more stable funding mechanism

Port of Everett Agreement

1. We have been in discussion with the Port for some time about our new berthing for the ferry, new parking, load and unload area, etc., plus some newly proposed limitations on our operations, based upon, according to the Port representative, concerns by Anthony's Restaurant.
2. I recently met with Herb Gould, owner of Anthony's, and discussed his concerns. I also had a follow up call with Herb. The discussions went very well. We have worked out a sailing schedule, which changes some times. For example, on our Friday night run we will sail from Everett at 7:00 P.M., instead of 6:00 P.M., and return at 8:00 P.M., instead of 7:00 P.M.. (A little more time to make the dash to the ferry for the weekend). Herb and I agreed to have ongoing discussions, and he said he wants to have a great relationship with Hat Islanders.
3. I also met with the acting CEO/Executive Director for the Port. We went through our concerns with the newly proposed contract, and based upon our discussion I believe we will get an acceptable agreement.
4. We will have a meeting in May to finalize the agreement, and give full report to the Community as soon as we can.
5. It is very important that all ferry passengers are good stewards of Port property in their comings and goings. Follow the signs, use the proper load and unload area, and properly dispose of your garbage. At the present we have a good relationship with the Port, and we want to keep it that way.

Snohomish County P.U.D

The Board and Island Manager very recently participated in an evening meeting with the PUD at the district's headquarters in Everett. A number of PUD personnel were present and addressed various issues affecting Hat Island. All of the issues were presented in a slide format, which will be posted on our website. The following is an overview of the presentation:

1. Our underwater cable is 44 – 43 years old, and based upon the “science” when installed is at the end of average life expectancy. But, there are no indications of failure and no immediate need for replacement. The cable rests on the bottom of the Sound, where it is very cold, and being totally immersed in water it does not have as much risk of corrosion as underground cables.
2. **If** the 2.73 mile cable has to be replaced it would be horrendously expensive. Our cable was installed at a cost of approximately \$350,000. A replacement would cost \$6,000,000 +. At present with considerable permitting challenges. The Hat Island ratepayers are being charged a monthly “surcharge” to fund a cable replacement (currently \$.69/day, increased by 3% annually). The amount in the reserve account is shown on the slides and is currently \$332,000.
3. The existing cable, if an air test shows it is intact, could be injected. Injection is a process, which forms a seal around the electric conductors in the cable and prolongs its life up to 20 years.
4. Cable technology, however, has come up with an alternative to injection. The cable “carries” 12,500 volts of electric power. The PUD plans to use voltage regulators on the “source” side of the cable (Mission Beach) to lower the voltage to approximately 4,000 volts; and then use voltage regulators to increase the voltage back to 12,500 volts on the “service” side of the cable (Hat Island). This will significantly increase the life of the cable, perhaps as much as 40 years. The PUD will conduct the air test at the same time.
5. For those who are interested you can find more about cable injection on a website for **Noviniun**.
6. The **cost** for all of the work to be done by the PUD, including the work discussed above, will be paid from the district's capital budget and **not** from our reserve fund.
7. You may be aware that your monthly bill has been estimated as opposed to being based on a meter reading for several months. The reason is that the PUD's “Turtle,” which reads the meters, died and couldn't be revived. A new “Turtle” has now been installed and future bills will be based on read meters. But, we will all be receiving a “catch up” bill equalizing the

estimates with actual meter readings. Some of you will receive a large bill (\$200 catch up), some a small (\$50 catch up), and some no amount owed at all.

8. Finally, the PUD will be working quite a bit on the Island, burying cables, replacing some underground conductors, etc.

A huge thank you to Sandy for requesting the meeting and arranging the date. It certainly appears that the PUD is treating Hat Island as a priority and wants to promote a much better relationship than we've had in the past.

Submitted by: Scott Holte, Board President

Treasurer's Report 4/21/2018 (Written)

Update on audit: There is a short list of items that we still need to get to them. This list is short answer misc. items such as property tax records, reconciling a credit card account, a management report, and a couple of other items. When those are completed they have listed the schedule below:

After this information is provided, we will finish setting up both years' information and schedule a fieldwork date. Completing the setup will take about 1 week. Fieldwork will be done in one day. After fieldwork, we may have questions, but if all is clear and answered within a few days of fieldwork, the drafted financial statements should be ready in 1 or 2 weeks after fieldwork.

P&L with notes were presented.

Condensed balance sheet with notes: Note – last month I included a balance sheet with total assets. Since this does not vary much from month to month as a lot of this is assets for depreciation and inventory items this month's balance sheet is strictly bank accounts and reserves.

Submitted by: Mike Immel, Board Treasurer

Committee Reports:

Water Update 4-21-18 (Written)

Scott Wilson read the Water report submitted by Chris Inman

Water produced in March:

	March	YTD
Wells	141,394	393,813
RO	88,840	221,980
Totals		615,793

During March the wells and RO performed well.

The production total from this month was similar to March of last year.

On the RO side of things we ran fairly well, the algae is less now, and the cartridge filters are performing normally. We still do not have numbers from Case on the cost comparison of rebuilding the sand filters vs. switching them out to the Aqua Bol system. The wells ran fine and the state tests were all good. The wells Nitrate test was submitted on time and we are waiting for results.

As far as my certification goes I took the WDM1 (Water Distribution Manager 1) class in mid-January. I will schedule my test in May as 1 year of experience is needed prior to taking the test and my 1 year will be up on 4-26-18. After this I will need take the WTPO1 (Water Treatment Plant Operator 1) test. After talking to the teacher of the WDM1 class I'll see if I need the WTPO1 class or not based on how I do on the WDM1 test.

Vessel Report Hat Express 4-21-18 (Written)

Scott Holte read the Vessel report submitted by Udo Gerz.

We set a new record for passengers in March 2018

846 passengers averaging 18 per trip.

The crew spent numerous hours on maintenance items for the vessel.

We are losing coolant and our fear was, that it was going into the oil system, which would have grounded our boat for a while; an oil sample was sent out and it came back that there is no coolant in the oil.

A big relief, but we still need to find the leak; next Monday a company will pressure test the heat exchanger and hopefully we will find the leaking area with that test.

The exhaust system was leaking and after more than 20 work hours, the item was temporarily fixed; the whole exhaust system needs to be replaced from the Mixers to the corroded exhaust exit tubes; cost \$30,000.00. Not immediately required.

Many other items are on our maintenance list, that need to be addressed in the near future; some will be required and others are cosmetic and nice to have.

All those items together would require a total of ~\$135,000.

A lot of money for an aging vessel.

This brings me back to the discussion we had in 2017.

Let's bring the new ferry possibilities back on the table.

Hat Express has served us well, but we are at a point, where we need to stop spending all that money.

Community Input

Zona Wyatt asked what we owe today on the Marina loan? Mike reported that it's approximately \$950K and that this year there is a budgeted paydown of the loan of about \$41k. She also asked if this year is the end of the loan? Mike responded that this year is the end of the marina assessments with the exception of the one large property owner. The loan end pay date is in November 2023.

Additional note from the treasurer: As a follow up to the question I wanted to give an accurate figure. This is as of 4/1/18. The current loan balance is \$1,045,350.

Christine Bennett told the group about a smaller boat taxi they took while on a trip to Bali. The boat held about 40 – 45 people with a smaller profile and two large outboard motors. She mentioned that her husband Rick, took quite a few pictures. Scott Holte asked that she have Rick send those photos to Udo Gerz.

Sharon Meadows asked about the condition of the underwater cable and what the likelihood is that it would fail at the deepest point? Scott Holte said that PUD reported that if there were cable failure it is most likely to occur at each end, Tulalip or Hat Island and PUD would address those issues.

Kurt Kassahn told us about a product from New Zealand that he saw in Maui. An erosion prevention system made of large fabric bags standing approximately six feet tall that they fill with sand. This is something that we might consider using on Hat Island sometime in the future.

Sharon Meadows asked how many are on the list for POE parking and when the notice will be sent out to sign up for additional stalls? Currently there are approximately 21 people with year round parking. POE is giving us up to 45 stalls contingent on a use or lose basis. Sandy said that once the agreement is in place a notice for spots will go out to the community at a cost of \$500.00 per year.

Zona Wyatt asked what percentage of the \$500.00 goes to POE? 100% goes to POE and there is no service fee charged by the HICA Office for setting those up. At this time we have a verbal agreement for that rate to stay at \$500.00 for the next two years.

Bette Near asked about talking with POE regarding security? Scott Holte reported that the POE association of tenants is responsible for their own security and the policy is "park at your own risk." It's possible in the future we could work with the POE tenants and hire a security vendor to do patrolling.

Bill Townsend asked about disrupting the disability parking in the south marina? Scott Holte reported that two disability stalls would have to be moved over in order to provide HICA a drop off location for the new ferry location. POE also still needs to install 50 amp power and provide a garbage service location. Scott Holte and Sandy Bettencourt will be meeting with POE this next week to further discuss accommodations.

Adjournment

With no further business President Scott Holte called for a motion to adjourn to Executive Session to discuss legal and personnel issues and not reconvene into regular session. Scott Wilson so motioned Darla Younce seconded. The motion passed unanimously. The meeting was adjourned at 11:35 a.m.

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

	<u>Total</u>
Income	
Annual Assessments & Fees Income	
4000-AB Annual Assessment Income	133,913.28
4010-AB Annual User Fees Income	708.00
4015-AB Advertising Web Income	250.00
4035-AB Office Publication Income	70.00
4040-AB Late Fees Income	1,557.96
4045-AB Administrative Setup Fee Income	250.00
4055-AB General Registration Vehicle Fee	25.00
4060-AB Misc. General Income	16,060.35
4070-AB Escrow Statement Fee Income	625.00
Total Annual Assessments & Fees Income	\$ 153,459.59
COMMUNITY INCOME	
4600-AB Apartment Rental Income	2,145.00
Total Apartment Rental Income	\$ 2,145.00
Common Area Income	
4700-AB Kayak Storage Rental Income	600.00
Total Common Area Income	\$ 600.00
Ferry Income	
4300-AB Ferry Trip Book Income	4,160.00
4305-AB Ferry Trip Single Pass Income	9,629.75
4310-AB Ferry Concessions Income	141.00
4320-AB Ferry - Cargo	130.00
4325-AB Ferry Trip - Pets	565.00
4330-AB Ferry Misc Income	-10.00
Total Ferry Income	\$ 14,615.75
General Service Barge/Community Income	
4200-AB Barge Service Fee Income	16,806.00
4210-AB Sand/Gravel Income	62.00
4220-AB Gas Sales Income	3,729.89
4225-AB Diesel Sales Income	1,332.49

Total General Service Barge/Community Income	\$	21,930.38
Golf Income		
4400-AB Annual Golf Membership Income		8,500.00
4410-AB Guest Golf Round Income		200.00
4415-AB Golf Coupon Books Income		4,900.00
Total Golf Income	\$	13,600.00
Marina Income		
4500-AB Annual Marina Moorage Income		61,200.17
4510-AB Marina Moorage Daily Usage Income		918.70
4520-AB Marina Moorage Guest Income		1,885.00
4530-AB Marina Dock Power Usage Income		1,756.00
4535-AB Marina Vending Machine Income		57.00
4545-AB Marina Admin Fee		30.00
4550-AB Marina Parking Fee Income		200.00
Total Marina Income	\$	66,046.87
Total COMMUNITY INCOME	\$	118,938.00
Other Operational Income		
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		70.45
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	\$	15,000.76
Services		25.00
SPECIAL ASSESSMENT INCOME		
4100-AB SPA - General OPS		141,422.05
4105-AB SPA - Cash Reserve		539.88
4110-AB SPA - Capital Reserve		55,094.92
4150-AB Transfer to Cash Reserve		-490.00
4160-AB Transfer to Capital Reserve		-31,334.05
Total SPECIAL ASSESSMENT INCOME	\$	165,232.80
Unapplied Cash Payment Income		54,168.51
WATER INCOME		

4800-AB Annual Water Maintenance Income	42,355.97
4805-AB Quarterly Water Usage Income	11,662.18
4810-AB RO Reserve Assessment Income	14,118.62
4850-AB Transfer to RO Reserve	-10,332.83
Total WATER INCOME	\$ 57,803.94
Total Income	\$ 564,834.37
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	5,152.59
Total Cost of Goods Sold	\$ 25,555.52
Gross Profit	\$ 539,278.85
Expenses	
Administration	
5515-AB Board Meeting Expenses	30.00
5525-AB Office Equipment Expenses	324.54
5535-AB Printing Expense	1,686.63
5545-AB Dues & subscriptions Expense	180.40
5550-AB Permits & License Expense	300.00
Total Administration	\$ 2,521.57
Insurance	
5600-AB Insurance-NorthStar	19,698.66
5610-AB Insurance-Beacon	1,020.51
Total Insurance	\$ 20,719.17
Labor	
6000 Salaries & Wages	7,200.00
Total Labor	\$ 7,200.00
PAYROLL	
6300-AB Payroll Service Fees	539.20
Employee Benefits	
6200-AB Benefit - IRA/401k	468.86
6201-AB Benefit - Travel/Milage Reimbursement	26.71
6203-AB Benefit - Employee Expense Reimb.	201.63
Total Employee Benefits	\$ 697.20
Payroll Taxes	
6100-AB Tax - Matching FICA	6,720.24
6101-AB Tax - FUTA	307.88
6102-AB Tax - SUTA	1,221.06
6103-AB Tax - L&I	1,230.59
Total Payroll Taxes	\$ 9,479.77
Salaries & Wages	

Total Salaries & Wages	<u>\$</u>	<u>80,645.03</u>
Total PAYROLL	\$	91,361.20
Professional Services		
6410-AB Bookkeeper Expense		7,650.00
6415-AB Legal Expense		146.67
6425-AB Legal Expense - Billed to Owners		194.99
6430-AB Professional/Contractor Services		4,323.59
Total Professional Services	\$	12,315.25
REPAIRS & MAINTENANCE		
Community Apartment		
6511-AB Supplies Expense		6.24
Total Community Apartment	\$	6.24
Community Office		
6502-AB Gas & Diesel Expense		31.64
Total Community Office	\$	31.64
Community Water		
6520-AB RO Maintenance & Repairs		8,038.78
6522-AB Materials & Supplies Expense		610.75
6523-AB Testing Expense		84.00
6524-AB Gas & Diesel Expense		55.37
Total Community Water	\$	8,788.90
Ferry		
6532-AB Materials & Supplies Expense		935.40
Total Ferry	\$	935.40
General		
6562-AB Materials & Supplies		1,600.40
Total General	\$	1,600.40
Golf		
6541-AB Landscaping Expense		3,442.00
6542-AB Materials & Supplies		2,756.82
6545-AB Gas & Diesel		111.87
Total Golf	\$	6,310.69
Marina		
6552-AB Gas & Diesel Expense		58.99
6553-AB Materials & Supplies		2,381.97
Total Marina	\$	2,440.96
Total REPAIRS & MAINTENANCE	\$	20,114.23
TAX		
6700-AB State Excise Tax		2,619.62
6705-AB Personal Property Tax		233.00
Total TAX	\$	2,852.62
UTILITIES		

Total UTILITIES	<u>\$</u>	<u>7,066.31</u>
Total Expenses	<u>\$</u>	<u>164,150.35</u>
Net Operating Income	<u>\$</u>	<u>375,128.50</u>

Monday, Apr 09, 2018 10:57:36 AM GMT-7 - Cash Basis

Hat Island Community Association Balance Sheet As of March 31, 2018

	<u>Total</u>
ASSETS	
Bank Accounts	
9999 Marina Invoice Clearing	253.89
Operating Cash Accounts	
1100 Cash Petty	231.00
1111 Bank FB Operating Ckg - 41606	<u>631,611.92</u>
Total 1111 Bank FB Operating Ckg - 41606	<u>\$ 631,611.92</u>
1121 CCB Operating Ckg Acct #1744	85,248.21
1122 CCB Receipts Acct# 6064	6,537.59
1125 Merchant Services / Secure Pay	<u>58,305.83</u>
Total Operating Cash Accounts	<u>\$ 781,934.55</u>
1129 CCB DNR Bond Acct# 3316	<u>1,512.01</u>
Total Other Reserves	<u>\$ 1,512.01</u>
PCB - Capt. Res # 5771	241,434.76
PCB - Cash Reserves #5763	227,253.41
1110 Cash Reserve Employee Bonus	<u>3,603.86</u>
Total PCB - Cash Reserves #5763	<u>\$ 230,857.27</u>
PCB - Marina Acct #9741	10,856.53
PCB - ROP Acct # 5797	<u>41,924.61</u>
Total Bank Accounts	<u>\$ 1,308,773.62</u>

Monday, Apr 09, 2018 10:59:55 AM GMT-7 - Cash Basis