

Approved Minutes for the HICA Regular Board of Trustees Meeting on October 20, 2018 held at the Hat Island Yacht Club respectfully submitted by HICA Secretary Tammy Mason

The meeting was called to order by Vice President Darla Younce at 10:30 a.m. Present were Treasurer Kurt Kassahn, Secretary Tammy Mason, Trustee Udo Gerz, Trustee Scott Wilson, and Island Manager Mike McCarthay.

Approval of Minutes

Darla Younce asked for a motion to approve the published minutes from the September 18, 2018 Regular Board Meeting, Scott Wilson moved to accept the minutes, Kurt Kassahn seconded. The motion was approved,

Darla Younce asked for a motion to approve the minutes from the September 29, 2018 Special Board Meeting Udo Gerz so moved Scott Wilson seconded. The motion was approved, Scott Holte and Kevin Smith abstained because they were absent from that meeting.

The Presidents Report (Written) Read by Darla Younce

Dear Hat Island Community,

I regret that I am not able to attend this meeting personally. There is a great deal of work going on by the Board, the Finance Committee, the office and staff, and our new Island Manager. I am extremely grateful for all of the hard work by everyone. The following is a summary of some of the most important issues the Board and the Island Manager are addressing:

1. Update on the transition with Econdoservices:

The Board spent many hours with Econdoservices **before** they proposed a contract for financial management of the HICA. They were provided access to all our financial information, including past budgets, and information about our infrastructure, including a tour of the island. They assured the Board that they could provide an upgrade to our financial management system with a smooth transition. They have been attempting to do so for two and a half months, but we have a number of ongoing problems.

- (a) There have been a number of errors with the payroll to our staff, which has impacted them. Despite repeated requests by Duan, Sandy, and Mike, Econdo has not corrected, or has been slow in correcting these errors. This is simply unacceptable.
- (b) We were initially told that we could not access their books in “real time” to check that they “match” our books. At our second meeting with them that misinformation was corrected.
- (c) We were promised prompt financial reports, including monthly profit and loss statements and balance sheets. We have received one for August, which we cannot verify as accurate, and nothing for September to date.

- (d) There have been a number of “posting errors,” where payments are applied to the wrong accounts and/or categories.
- (e) They provided us with “beginning balances” which they intended to use for billings to owners. Their document was incomplete and had a number of wrong purported balances owed.
- (f) Finally, Econdo’s communications with owners, the Board, and the office have not been timely and/or always responsive.

We have had three meetings with Econdo to discuss all of these matters in detail. Some things have been corrected, but others have not. The office and the Board are working diligently to try to solve these problems; and we will provide the Community with further updates on our progress.

2. Legal Update: There are a number of matters in pending lawsuits which are “coming to a head,” summarized as follows:

- (a) Division H lawsuit against HICA. Both parties sought summary judgments on the “ownership” issue of the “road.” The Snohomish County Superior Court Judge denied both competing motions, finding issues of fact, which are reserved for trial. The Judge’s specific findings present a problematic issue for both sides. We have paid our \$50,000.00 deductible, and our insurance company is now paying all costs and attorney fees. After the Judge’s ruling the Plaintiffs requested mediation of the dispute. Our insurer, who controls the defense of the lawsuit, agrees to mediation. The Board will confer with our attorney on our position, if and when the dispute is scheduled with a mediator.
- (b) Surowiecki lawsuit against HICA.

Judge Lucas has dismissed the Plaintiffs’ “equitable assessment” claims, in addition to dismissal of many other claims. He has reserved ruling on our motion to dismiss by summary judgment the Plaintiffs’ fraud and intentional misrepresentation claims, which includes Matt’s claim that the Association fraudulently enticed him into the marina settlement agreement. Fraud and intentional misrepresentation must be proved by “clear, cogent and convincing” evidence, which is a very difficult burden of proof for the Plaintiffs to meet. If Judge Lucas grants our motion, very little will remain for trial, beginning on 12/5/2018.

Matt has filed three motions for discretionary review in the Court of Appeals, which all will be heard on November 9th. He is seeking to have the Court of Appeals review the dismissal of the assessment claims; review the lifting of

the stay in our foreclosure action against his lots; and grant an emergency review of the trial date, attempting to continue it once again. Whether or not the Court reviews, any or all of these claims, is a matter of discretion. We feel confident, that the decisions by the Snohomish County Superior Court are correct, and that the trial will not be continued.

There is a new issue stemming from Matt Surowiecki Sr. unilaterally recording a purported amendment to the CCRs for Division J. The amendment, if legally enforceable, would result in a re-allocation of assessments, in Division J only, based on a pro-rata share of the cumulative tax assessed values of all lots in that division. We believe there are numerous legal issues that render the amendment void and unenforceable as a matter of law. Our attorney has scheduled a hearing date with Judge Lucas to seek leave/permission to add a counter-claim in Matt's lawsuit for a declaratory judgment that the amendment is void and unenforceable. Matt's attorney would not agree to stipulate to adding the counter-claim so the hearing had to be set, and the earliest date available is in November.

(c) Foreclosure lawsuit by HICA against 38 Surowiecki delinquent lots:

After almost a three-year wait, the Snohomish County Superior Court has lifted the stay on our foreclosure action. Subject to Matt's petition for discretionary review in the Court of Appeals, our attorney will move forward with the case and get the lots to a Sheriff's auction, where Matt will have to pay all amounts owed, or face losing the lots to the Association.

3. Standing Committee Appointments: The appointments to our Standing Committees will be announced at the November Board Meeting. If you **want** to serve on a committee, please contact Tammy Mason, Board Secretary, who will put you in touch with the Board Chairperson for that committee. Volunteers provide countless hours of very important work for Hat Island and make it possible for the rest of us to enjoy all of its benefits.
4. General Comments: As should be apparent your volunteer Board is extremely busy and is still trying to get past playing "whack a mole," attempting to solve ever-increasing problems. This of course takes time, and although part of our job is to respond to the Community's concerns and questions, it becomes more difficult when those concerns are unfounded and/or the result of the rumor mill. So, before reacting to what you've heard, please talk to the Island Manager or a Board member who, hopefully, will correct a misconception.

Finally, there has been a lot of Community frustration with the new ferry berth, revised sailing times, load and unload area, parking and garbage. The contract we have with the

Port of Everett governing all this was the result of many meetings, where we had to fight for a workable berth, dedicated parking, etc. In order to reach an agreement we had to accept some compromises, including some revised sailing times. Those revised sailing times, however, will be subject to ongoing discussions and may be addressed in the next contract. We will continue to work on the load/unload area and the garbage receptacle. But, the contract contains a very favorable cost for a permanent garbage receptacle, with the construction cost amortized over 20 years by monthly payments, **not** as has been rumored with a huge upfront payment. In addition, this contract is for 2018. We will be negotiating a more permanent contract for at least the next three years. As indicated we will continue to work out the bugs, but it is extremely important to maintain the good will we currently have with the Port. Accordingly, we must be good stewards of Port property, which includes properly disposing of garbage.

That concludes the President's report. I appreciate your time and consideration.

Sincerely, Scott Holte, Board President

Island Managers Report 10/20/2018 (Written)

General Office Operations

Since commencing work as the Island Manager on October 1st, HICA staff have been focusing efforts in the following areas:

1. Transition of accounting functions to eCondo Services;
2. Providing information in connection with the pending audit;
3. Annual ferry maintenance and haul-out;
4. Transition of the ferry to its new location on the south dock at POE;
5. Island maintenance.

eCondo Services

Meetings were held on October 5th and again on October 10th with the representatives of eCondo Services in connection with their assumption of responsibility for accounting and management services. A review of eCondo's initial reports issued on September 29th formed the basis for discussions of improvements to their provision of services. The meetings produced action plans that are in the process of implementation.

Information for the Audit

The staff has made it a priority to be responsive to the requests the certified public accountants performing the audit for the Hat Island Community Association. At this point, all requested information has been submitted. We have not yet been informed of a projected audit completion date.

Ferry Haul-out and Maintenance

The Hat Island Express was hauled out on October 1, 2018 and placed back in service on October 11, 2018. The purpose of the haul-out was to conduct annual maintenance. Many areas of the vessel received attention during the haul-out primarily including:

1. Repair of the fuel manifold under the hydraulic tank;
2. Recertification of the life rafts;
3. Replacement of the electro-guard corrosion control system;
4. New bottom paint;
5. Replacement of the leaking glass sight tubes (fuel gauges).

The cost of the haul-out, materials and 3rd party labor totaled \$27,482 (excluding labor provided by the Captain and Crew). Due to delays caused by the inclement weather, approximately \$3500 of work was deferred to a later, as yet undetermined, date.

Transition to the New Ferry Location

The Hat Island Express recently commenced operations from its' new location at the POE. Relocation was mandated by the POE and a new agreement entered into between the POE and HICA. The HICA office has received substantial input from riders due to the change in location. The primary issues are listed below:

1. Garbage Disposal. The agreement with the POE specifies the location of the Hat Island garbage dumpster on the southern boundary of the POE with the Everett Naval Station. Since this is a substantial distance from the point of disembarkation from the ferry, a few riders have left their garbage in, or near, receptacles other than that designated for ferry riders. Crew and staff are considering providing a tote for garbage near the top of the ramp which would be emptied by a crew member;
2. Dock Carts. Currently, dock carts are not readily accessible for Hat Express riders. In the south marina there has long been a shortage of dock carts. Although a "cart corral" has been provided on the south side of the Medical Services building (along side the Everett Naval Station boundary) it is not convenient to riders. Crew and staff are considering this issue and hope to provide some means of transporting luggage and other material to and from the ferry;
3. Loading Zones. Some riders have commented on the lack of an adequate loading zone near the dock. The existing loading zone is small and located in a heavily trafficked area. This is an issue without a readily apparent solution;
4. Thursday - shortened stay in Everett. The time between arrival and departure on Thursday is one hour shorter than previous. This has generated the majority of complaints concerning the new ferry operation;
5. Friday departure at 7 p.m. Departures on Friday now occur at 7 p.m. as required by the POE. This has produced both negative and positive comments from riders.

Island Maintenance

The maintenance personnel have been focusing on drainage issue in preparation for the coming wet season. They have recently made repairs to the water line running to the non-potable. This is particularly important to prevent erosion. They are currently working to finish the repairs to the water line behind the Yacht Club. Other significant work has been performed clearing the side of the roads.

anager

Treasurer's Report:

HICA Financial Report 10/20/18 (Written)

2015/2016 Audit Report Update:

Angelina submitted answers to Carrie's latest questions on 10/11/18. Carrie responded on Wednesday, 10/17/18, with thirteen more questions which Angelina responded to that night. As of 10/19/18 we are awaiting Carrie's latest response. Many of the questions were answered earlier and we repeated but we hope this is winding down soon.

P&L Statement:

We are not reporting the P&L this month as we found a few issues with a few of E-condo's entries. Once they are corrected and verified a report will be issued.

2019 Budget:

The budget process is moving forward steadily. Mike Immel, Mike McCarthy & I worked on our initial budget recommendations during two meetings. It was then presented it to the board for review and discussion at the special meeting last Saturday, 10/13/18.

Next steps:

1. Review the 2019 budget recommendations from the board, look at other savings line by line and finalize the budget for final review. We have a detailed line item template that is working very well.
2. Continue to work with Schwidt & Co. to finish the audit.

Respectfully submitted,

Kurt Kassahn -Treasurer

Committee Reports:

Water Update 10-16-18

Water produced in Sept:

	July	YTD
Wells	236,521	1,780,842
RO	150,800	1,551,150
Totals	387,321	3,331,992

During Sept the wells and RO performed well.

The production from this period is ~20% more than Sept of last year.

On the wells side of things I've noticed that the digital master meter has been showing a steady drift high on the amount of water produced compared to our old analog meter. Last year we swapped out the digital meter with the one from well 3 as it had drifted to read 20% high. I'm not sure of the cause for this drift but it started out around 2% high when first swapped and is now in the 12% range. I'm going to get a new meter and see if I can have this one recalibrated and see if they can determine the cause for this drift.

We got the results back from the RO Nitrate Test and all was in compliance.

On the RO side of things we made it through the high season and the RO performed well. Next up will be working with Case to ensure we can get the Aqua Bol filter installed and functioning properly before next spring.

On the certification front I passed the WDM 1 test so this month I plan on taking the WTPO 1 test and that will get me fully certified.

Additional Information

Kurt Kassahn:

No P&L report will be posted until Hat Island Manager and staff can review and make corrections to eCondo Services report, starting balances are incorrect.

Community Input

Christine Bennett E35

Where is the dumpster for Hat Island? **Mike McCarthy** The dumpster is across the parking lot by the Naval Station at west end by small buildings. The map is posted on the website under Ferry information.

Darla Younce how are we supposed to walk to ferry? **Udo Gerz** we were supposed to have signage provided by the Port of Everett but because they did not provide this we are not enforcing walking path around Anthony's

Udo Gerz Did we get a new map? **Sandy** Yes it was distributed by email. **Christine** Where do you take trash if you do not take ferry? **Mike McCarthy** Where ever you moorage and have trash dumpsters provided. **Christine** why can we not have an earlier ferry run, how are we going to have more runs in summer? **Darla** we will work to address that, for now this is what we have to work with.

Sharron Meadows A24

There are several cars parking in the designated Hat Island parking lot with no passes, and one car using an outdated pass. Which is not fair to those who have paid for current parking passes.

Bill Townsend suggested that the office publish a list of owners that have paid up with make model and license. if it didn't match take a cell phone picture and call the tow company.

Darla stated that this could be a transition issue.

Kim Gleason B47

suggested that HICA purchase folding carts that could be stored on the ferry. There were replies that logistically it would not work and folding carts take up too much cargo space on the ferry.

Adjournment

With no further business Vice President Darla Younce called for a motion to adjourn to Executive Session to discuss legal with no reconvening into regular session. . Udo Gerz so moved, Scott Wilson seconded. Scott Holte and Kevin Smith abstained because they were absent from that meeting. The meeting was adjourned at 11:01 a.m.