

Approved Minutes for the HICA Regular Board of Trustees Meeting on November 17, 2018 held at the Hat Island Yacht Club respectfully submitted by HICA Vice President Darla Younce

The meeting was called to order by President Scott Holte at 10:30 a.m. Present were Vice-President Darla Younce, Treasurer Kurt Kassahn, Trustee Kevin Smith, Island Manager Mike McCarthy, Trustees Udo Gerz & Scott Wilson were on the phone. Absent was Secretary Tammy Mason.

Approval of Minutes

Scott Holte asked for a motion to approve the minutes from the Regular Board Meeting 10/20/2018 and the Special Board Meeting on 11/10/2018. Darla Younce so moved, Kurt Kassahan seconded. The motion was approved with Scott Holte abstaining from the Regular Board Meeting and Kevin Smith abstaining from both meetings because they were absent.

Hat Island Community Association Island Manager Report to the Board of Trustees November 17th, 2018 (Written)

eCondo Services – Contract Termination

Recently, upon recommendation of the Island Manager, the Board of Trustees authorized the termination of the contract with eCondo Services. The recommendation was based upon a determination that eCondo was not able to deliver the level of services specified in the contract, including, but not limited to:

1. Continuing errors in Payroll accounting;
2. Failure to accurately maintain owner's accounts;
3. Delays in providing timely monthly reports;
4. Failure to conduct collection activities;
5. Failure to timely pay obligations;
6. Failure to adequately respond to inquiries or correct errors after notice;
7. Failure to make deposits in a timely fashion.

Notice of termination (sent both by email and certified mail return receipt requested) was provided to eCondo Services on November 1st in compliance with the terms of the contract.

The HICA office is in the process of reassuming the various tasks assumed by eCondo. HICA successfully processed the first payroll of November. The office recently obtained a copy of all checks received by eCondo and all deposits made and is in the process of updating all owner transactions in existing accounting system. The HICA office will send out all the water bills by month end and is preparing to mail out the upcoming budget ballots.

Focus on the future of HICA Accounting

Financial accounting is a "priority task" at the HICA office. Working with Treasurer, Kurt Kashan, we are in the process of evaluating commercially available software programs to replace Quick Books On-line. Those most applicable to the needs of HICA are programs designed for large HOA management. In addition, we are also considering other solutions such as Quick Books Desktop. We have investigated

five or six possibilities so far and expect to continue our evaluation for several more weeks to come. Management's recommendation will be presented to the Board as soon as possible.

Maximizing Clarity to Speed Up the Audit Process

The office has worked diligently to respond to questions raised by the Audit CPA and his staff in connection with the pending 2015/2016 audit. Information requested has required the HICA office to assemble records as far back as 2007. Auditor's past practice of making piecemeal requests has hindered the process. Together with Treasurer Kurt Kassahn, Management held a conference call with the Audit CPAs early this month to request that their written requests be more specific. They agreed to provide a "cookbook" or recipe approach to provide more guidance. This has resulted in more efficient responses to audit questions. We plan to have their current requests answered in the next ten business days. Unfortunately, we cannot predict with confidence as to whether they will require yet more information in the future.

Working with the POE re: Transition to the New Ferry Location

As you know, the Hat Island Express recently commenced operations from its' new location at the POE. Management has been working to develop solutions to problems raised by community members in connection with the new ferry service, and to address a specific financial obligation contained in the contract relating to the unspecified cost of construction of the permanent garbage enclosure. The Island Manager recently met with Terrie Battuello (POE) and Jeff Lindhout (POE) to reconsider POE's position requiring HICA to reimburse POE for the construction of an expensive permanent garbage enclosure. We proposed, and the POE agreed, that a practical (and much less expensive) solution was for HICA to simply pay a monthly fee to the POE which would allow community members to dispose of their garbage in existing POE containers. The funds would be used by the POE for additional dumpster pickups.

This solution will save thousands of dollars compared to the projected cost of building a new permanent garbage enclosure. HICA has asked Rubatino to remove the Hat Island dumpster. Jim Webber (POE) has confirmed the removal of the temporary dumpster enclosure. We are working with Dale Gribble (POE) to agree upon on a reasonable amount to contribute to the POE for the additional dumpster fees allocable to Hat Island owners.

In addition, we have been given the green light to discuss adjustment to the Thursday hours of operation directly with the management of Anthony's Restaurant.

Snohomish County PUD Update

There have been three significant power interruptions to Hat Island in the last several weeks resulting from damage to the main supply cable to the Island. Despite restoration of residential service, three-phase power necessary for the operation of the R.O. Plant has not been restored. Snohomish County PUD has experienced difficulty determining the location of the break. As late as yesterday morning, PUD's best estimate placed the location of the break in deep water - - leading to the conclusion that the cable would require replacement. Late yesterday, PUD determined that their earlier equipment readings were false, and that the location of the break in the cable was likely beneath a concrete anchor visible at low tide. While this has not been confirmed, this location allows practical repair of the cable and will possibly forestall the need for replacement to a later date.

Yesterday, PUD delivered a three-phase generator for operation of the R.O. Plant. The generator will be operational on Monday allowing for the periodic winter operation of the plant necessary to clean the filters. The generator is also sufficient to allow for full time operation during the spring, summer and early fall months in the event that the cable is not repaired.

Island Maintenance

The maintenance personnel recently made repairs restoring water to the “S” and “U” divisions. This week they have been working with PUD to facilitate the installation of the new generator. We have become aware of developing erosion undermining the concrete blocks retaining the bank along the shoreline near Conwell Park. We will be working next week to implement a course of action to address this issue.

Respectfully Submitted,

Mike McCarthy, Island Manager

Presidents Report (Written)

There are two matters to report on:

1. As reported previously, Matt Surowiecki apparently held a meeting with himself as the owner of a majority of the lots in Division J and recorded an amendment to the CC&Rs for Division J. This “amendment” purports to change the assessments for lots in Division J. Specifically, it states that a lot is to be assessed according to the percentage of the “tax assessed” value of the lot compared to the “tax assessed” value of all lots in Division J.

Matt’s actions came to our attention when an owner in Division J discovered that this purported amendment is recorded against the owner’s title. Our legal counsel requested that Matt’s attorney agree to an amendment of our answer in the major lawsuit to bring a counter-claim against Matt to declare the purported amendment is void and unenforceable. Matt refused and further prevented us from moving to amend on our own because of his Petition in the Court of Appeals, staying all actions in the major lawsuit.

Then, while we were prevented from doing anything Matt filed yet another lawsuit against the Association to declare that his purported amendment to the Division J CC&Rs is valid. At this time the lawsuit has been assigned to Judge Lucas, and our counsel intends to move to consolidate it with the major lawsuit, but depending on what Matt intends to do after item number 2 below, we won’t know for certain the status of this new lawsuit.

Regardless of what occurs, we feel our legal position on this purported amendment is good and that it should be dismissed as a matter of law, but nothing is guaranteed. The Association owns lots in Division J, and will try to strike the amendment from the record title for all lots in Division J. If you are an owner in Division J you can certainly bring your own action against Matt, but the Association is **not** encouraging anyone to do so.

Finally, if we are not able to consolidate this new lawsuit with the existing major lawsuit, we will have to pay attorney fees and costs up to our \$50,000 deductible. Accordingly, we have notified our present insurer about the lawsuit.

2. We just learned that Matt's three Petitions for Discretionary Review in the Court of Appeals have all been **denied**. This means that the trial in the major lawsuit will proceed as scheduled on December 3rd; that the dismissal of his "equitable assessment" claims will not be heard on appeal at this time; and that we will proceed with foreclosure on 38 of Matt's lots.

We will keep you advised on all these matters as things progress.

Submitted by: Scott Holte, Board President

Treasurers Report:

There was no P&L or Balance Sheet to present. Instead, Kurt Kassahn presented the 2019 HICA Proposed Budget. The PowerPoint presentation will be sent out with these minutes.

Committee Reports:

There were no committee reports.

Community Input

Lori Christopher D17 – How will we know if there is a problem with our accounts? Mike said that the office is going over each account and any issues will be addressed with each lot owner.

Tom O'Day asked if our software will give us the information we want, or will we get new accounting software? Mike reported that they have currently looked at six (6) different software programs and are optimistic of finding one that will have an "owner dashboard" and up to date information on our budget.

John Holte asked if we are going to keep our accounting services in house? – YES.

Allen Dashen expressed his applause for getting rid of eCondo services, and asked if the audit is by Board choice or law? – It's law, unless it's waved by community vote.

Wendy Wilson E38 expressed her gratitude toward Duan Tinius for all her hard work.

Barb Conwell asked what is left regarding the 2015-2016 audit? Mike reported that there are two outstanding questions which we have already answered. They agreed to provide a "cookbook" or recipe approach to provide more guidance. This has resulted in more efficient responses to audit questions. We hope to have all questions answered within the next ten (10) business days.

Tom O'Day asked if the 50k insurance deductible is included in the proposed budget.

The answer is yes, it is included in the budget for legal fees.

Ross Johnson – N20 asked if the generator will run on a part time basis? Yes, through the winter months. Ross also asked about the assessments for shared lots. How would this new budget affect shared ownership? Currently, the "Main Owner" Pays the assessment and the special assessment, while the "Shared Owners just pay the assessment which in the past was \$472.00 each. Now that this proposed budget is going up to \$1200 would each shared owner

have to pay that amount? Scott Holte said that according to our bylaws yes. If we want to change the shared lot charges it would take a change in our bylaws.

Adjournment

With no further business President Scott Holte called for a motion to adjourn to Executive Session to discuss legal and personnel issues and reconvene at approximately 1:00 to report any action taken. Darla Younce so moved, Kurt Kassahn seconded. The motion passed unanimously. The meeting was adjourned at 11:29 a.m.

Reconvene back to Regular Session

The Board reconvened from Executive Session at 1:00 p.m. to announce actions taken in Executive Session. Present: Scott Holte President, Darla Younce Vice President, Kurt Kassahn Treasurer, Kevin Smith Trustee, Mike McCarthy Island Manager, Trustees: Scott Wilson, and Udo Gerz were on the phone. Tammy Mason Secretary was absent.

Scott Holte announced the Board approved action to purchase a thirteen (13) passenger van that will have a donation box and will bring residents to and from their cabins.

Scott also announced the approval by the board of the budget ballot with minor changes requested by Kevin Smith.

Scott Holte asked for a motion to adjourn, Darla Younce so moved, Kurt Kassahn seconded. The motion was Unanimously approved. The meeting was adjourned at 1:03 p.m.