

**Minutes for the HICA Regular Board of Trustees Meeting on March 3, 2019 held at Hat Island Fire Station respectfully submitted by HICA Secretary Paula Bafaro.**

1. President Pro Tem Darla Younce called the meeting to order at 9:36 AM. Also present were Trustee Scott Wilson, Secretary Paula Bafaro, and Island Manager Michael McCarthy. Trustee Kevin Smith, President Scott Holte and Trustee Udo Gerz were available telephonically. Treasurer Kurt Kassahn was not in attendance.
2. President Pro Tem Darla Younce called for a motion to approve the Minutes from the January 19, 2019 Regular Board of Trustees Meeting. Scott Wilson so moved, Paula Bafaro seconded. The Motion passed unanimously.
3. **Legal Report** – HICA Regular Board Meeting 3/3/2019. Darla Younce read the legal report presented by Scott Holte.

We recently advised the Community via email of two final matters in the Surowiecki, et al lawsuit against the Association.

1. Judge Lucas has signed and entered as a matter of public record an Order granting the motion for attorney fees against the Plaintiffs Surowiecki, Borromeo, and Britten in excess of \$940,000. This amount has been incorporated in a final judgment, which will bear interest in the amount of 12% per year.  
  
*Scott Wilson added that interest started accumulating at 12% approximately two to three weeks ago.*
2. Judge Lucas also signed and entered a Final Judgment, which includes the attorney fees award and sets forth all of the Plaintiffs' claims which have been dismissed.
3. These two documents have been placed on our web site and can be reviewed by anyone who is interested.
4. Plaintiff Surowiecki, who had previously filed an appeal of the dismissal of his claim concerning assessments, has amended his appeal to include the attorney fees award.
5. As has been stated previously all of the attorney fees, except for the \$35,000 deductible paid by the Association, if and when paid will be collected by our insurance company.
6. There is no set timetable for a final determination on appeal, but it will likely be months if not years.
4. **Treasurer's Report** –There is no Treasurer's Report as Kurt Kassahn was absent from the meeting. Mike McCarthy reported he is close to providing a report on the audit. He is on the cusp of generating the information, possibly by the next Board meeting. Interest rate calculations vary and there are more than 10,000 entries to be made, with varying rates.

It is very cumbersome. The new accountant is sorting this out. Mike stressed that we are eager to get this project behind us.

#### **5. Report of the Island Manager – by Mike McCarthy:**

## **SNOHOMISH COUNTY PUD**

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As you know, during the fall the Island experienced power outages that have not been fully resolved. Although residential power was restored, three phase power necessary to the R.O. plant has not been fixed. PUD has experienced persistent problems determining the location of the break (despite bringing a special consultant to the Island). PUD has concluded that a complete failure of the cable is possible but has not indicated the likelihood of a failure. In a recent meeting, PUD's leadership team announced that they support replacing the current underwater cable with a new cable to become operational in 2020. The cost of the new cable would be paid by an increase in the monthly surcharge.

The Island has made no commitments or formulated a position in response to PUD's recommendation. Instead, we are in the information gathering stage and we intend that our options will be fully explored before a position is adopted. The next step is for the Board of Trustees to meet with the PUD leadership team and discuss the concept in detail. This meeting is tentatively anticipated for June, 2019.

*An owner asked how old is the current cable? We estimate it is from the 1960s or 1970s. Repairs will be made to the existing cable after the new cable is in, to avoid a lengthy island-wide power outage. The current cable is damaged, but not severed. The cost of the new cable is an additional ten cents per day, from 70 cents to 80 cents.*

*An owner asked about considering alternative sources of energy, such as solar, wind, or wave, like other islands around the world have done, potentially making money by selling power back. The response from the board was that while this is a great idea, the initial infrastructure and planning would be a heavy immediate burden, while PUD has offered a low interest solution. We can explore this but it may mean a locomotive sized generator buried in the bluff. It is feasible but aggressive. We may explore it but we would have to finance the project and have the infrastructure to proceed.*

*An owner asked if the \$4 million cable project includes infrastructure on the mainland, to bury the cable and avoid future power outages. This is unlikely, as we will rely on substations which can be vulnerable.*

## **EROSION NEAR H-DIVISION – REPAIR PLAN UPDATE**

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As previously reported, in January Chuck Bright was retained by an H-Division property owner to remove slide material from the owner's property. HICA had offered Bright the option to place the material in the area of the erosion at the bottom of the hill. Another H-Division property owner then blocked access to H-Division effectively preventing the removal of slide material or

the filling of the area of erosion. This interruption has delayed scheduling commencement of repairs. Mr. Bright recently received permission to access and remove the slide material which is underway. As soon as he can fit it in his schedule Chuck Bright will commence rebuilding the area of the erosion. We have been using the intervening time to explore means of adding additional structural integrity to the area of the repair.

## **ISLAND MAINTENANCE - UPDATE**

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The recent spate of cold weather has been provided challenges but has been highly instructive for the long run. Our Maintenance Team was generally able to keep the main roads open. The hills to H and N Divisions were deemed to present safety issues to personnel, and were not maintained. The Marina Hill was closed for two days in the interests of safety, but was open most days with traction being enhanced through the use of the bulldozer.

The cold weather also caused persistent issues with water pipe breakage. We believe that all the repairs to the community system have been made with the exception of a very small leak in the water supply to the U-Division.

## **ACCOUNTING**

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Most of the office time is currently allocated to accounting functions in the following areas:

- 1) Litigation Support in connection with foreclosure of Matt Surowiecki associated lots;
- 2) eCondo transition issues;
- 3) restoring Quick Books;
- 4) the remaining issue for the Audit remains a single entry in the balance sheet;
- 5) Caliber Software Integration.

## **HAT ISLAND EXPRESS**

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We meet every Thursday with the Captain and First Mate of the Hat Island Express. Captain Ray Brown reports that the vessel is working better than ever before. Recently, work has been done on the hydraulic system which is now working as designed.

As you know, the biggest challenge related to the Hat Island Express is filling the shoes of Captain Ray Brown who has announced that he will be retiring soon. Recently, the Browns received an acceptable offer on their home and Ray informed us yesterday that his last day of active service will be March 29<sup>th</sup>. We have been working during the last few months to find a suitable replacement Captain and expect to make an announcement within the next ten days. HICA Members are invited to a farewell party for Captain Brown on Saturday, March 23<sup>rd</sup> to be held at the Fire Station (time to be announced).

## **ISLAND TRANSPORTER BUS - UPDATE**

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The Maintenance Crew is fine tuning the operation of the new transporter bus. Minor repairs have been made to the electric door module and the hydraulic lift. This coming week the bus

will be getting new tires on the rear to enhance traction on the hills. We are looking for a mobile phone app to allow Members to make a reservation so that they can be picked up at their homes for transport to the Marina. We expect the bus enter service sometime during the month of April.

*-You can still enter the contest to name the bus. The name announcement will come soon!*

## **GENERAL INTEREST ITEMS AND MATTERS OF CURRENT CONVERSATION**

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One function that the HICA office serves is as a place to raise Island related questions or voice concerns. Some of the topics start to “trend” when they come up repeatedly or ignite general interest. Often these conversations raise matters which do not have an immediate answer but raises our curiosity to find out more. The Island Manager’s report may be the appropriate place to acknowledge these matters to solicit input interested Members of the Community that can be shared with the Board of Trustees for their consideration.

1. There have been several Members who have raised questions related to the balance between their ownership interests in the Island and the ability of others (either individuals or groups) to invite non-member access to Island property. While the ability of Members and their guests to use HICA owned property is clear, this concern is focused on the “grey area” when members of the public are extended an invitation to visit the Island.
2. The winter use of parking at the Marina is pushing the boundaries of available space. Barb Conwell reports that, in the last two years, 67 vehicles have arrived on the Island - - eighteen of them are to owners of undeveloped lots. During that time 24 vehicles have left the Island. More and more often vehicles are parked in areas beyond the normal parking area. One purpose of the bus is to encourage parking at home, but it may be a good idea to re-visit parking charges especially for long term parking use. We have several cars who have parked in excess of one year without moving.
3. As a matter of general interest, Scott Benedict, the owner of Lot F-32, has received approval of his plans by the ACC to build a house on his lot.

*Respectfully submitted,  
Mike McCarthy, Island Manager*

6. **Report on PSYC Agreement** –Scott Holte announced that HICA owns all Hat Island Marina docks. PSYC has an easement to use the slips 1-8. The first easement ends in July 2021. PSYC is required to provide routine maintenance, upkeep and repair on the docks, slips 1-8. HICA is required to maintain docks 9-12. Maintenance required includes retrieving collars on piers from the water. Also necessary is inspection of piers and dredging of the marina. The Marina committee will look into this. PSYC agreed to allow us to remove the sign or change it. Scott Holte suggested something friendlier, such as ‘Welcome to Hat Island –PSYC and all authorized guests’. There may be another naming contest soon!

**Committee Reports –**

**Marketing Committee** - Lori Christopher reported the Marketing Committee has put together a new welcome kit to be presented to new owners, as requested by the board. The Welcome Kit is available for board review now.

## **Community Input**

An owner asked about the status of the shared ferry with Langley. Udo Gerz responded that there has been no progress, but we will try to have a more in depth update at the next board meeting. As it stands, Langley has lost interest in sharing the ferry with Hat Island. Tammy Mason met with the Puget Sound North Alliance and was told the desire to share a ferry with Langley has vanished. One issue with Langley, is they do not have parking available for people who may be interested in taking a ferry to the mainland. The South Whidbey representative has been replaced. As a private island, we are not eligible for government subsidies. Although we would like a new ferry by 2020, the island has to finance this. A Hybrid ferry would be 120-140% more expensive. Norway and Turkey are building much larger hybrid boats, and are not building smaller ferries like we would need; also the USCG needs to be involved in the construction of a ferry. Also, we have been given bids in the past and did not order, so some companies are reluctant to go to the trouble to bid again. We will continue to look at other options, including possibly inviting someone from the Port Angeles builder to discuss the ferry project. It would be nice to have another entity who may be eligible for government subsidies spearhead the project and include us.

A member asked if we can rely on grants that Langley would be eligible for. This owner heard that the Langley mayor is excited about the ferry with Hat Island. Our last conversation with Langley was contrary to this.

An owner mentioned that they read a news report last fall saying that Washington state is trying to put pressure on smaller ferry operations to discourage capital from going into someone else's pocket. Udo Gerz responded that schools, tribes, and public entities (such as Port of Seattle) can get government grants. An owner asked, since we are in the Mukilteo school district (and pay Mukilteo school district property taxes), and we have school aged children on the island, can we build a small school to allow us to become eligible for the ferry grant. There is at least one island family who takes his children daily to school by private boat.

With no further business President Pro Tem Darla Younce called for a Motion to adjourn to Executive Session at 10:20 to discuss legal matters, with a reconvening of the Regular Board meeting at noon. Scott Holte seconded. The Motion passed unanimously. The meeting was adjourned at 10:20 AM. Again, special thanks to Jim DeCicco for the use of his iPhone!

At 12:02 President Pro Tem Darla Younce called the meeting to order, to report the following:

The Board has agreed to take action on some delinquent lots and delinquent accounts as approved by the attorney and Island Manager.

Community input:

A member asked about three quarters of a million dollars missing on the balance sheets. Mike McCarthy explained that the money is not “missing”. Mike McCarthy’s report addressed an overstatement of “liabilities” on the balance sheet and had nothing to do with cash. Marina payments came in and were used to pay down the marina loan, to reduce liabilities. \$750,000 liability is showing on the accounting schedule. The auditor wants the exact number of payments received. There are more than 10,000 entries to account for and this takes time. Look for the updated treasurer’s report soon.

With no further business President Pro-Tem Darla Younce called for a Motion to adjourn the meeting at 12:17 pm. Scott Wilson seconded. The Motion passed unanimously. The meeting was adjourned at 12:17 pm.

\*The HICA minutes are intended to be a reasonable summary of the Board’s deliberations and actions. The minutes are not a verbatim record of everything said at the meeting. The minutes include all actions taken by the Board.