

DRAFT Approved Minutes for the HICA Regular Board of Trustees Meeting on April 20, 2019 held at the Yacht Club Meeting Room, respectfully submitted by HICA Secretary Paula Bafaro.

1. President Scott Holte called the meeting to order at 10:37 A.M. Also present were Vice President Darla Younce, Trustee Scott Wilson, Treasurer Kurt Kassahn, Secretary Paula Bafaro, Island Manager Michael McCarthy, Trustee Udo Gerz. Trustee Kevin Smith was not available.

2. President Scott Holte called for a motion to approve the Minutes from the March 16, 2019 Regular Board of Trustees Meeting. Scott Wilson so moved, and Kurt Kassahn seconded. The Motion passed unanimously..

3. Scott Holte read the President's Report. President's Report:

First I have an announcement:

The Washington State Department of Transportation is holding a Landslide Information Open House on April 30th from 5:30 P.M. to 8:00 P.M. at the Mukilteo City Hall. The announcement reads as follows:

“This is an open house for landowners in Mukilteo and surrounding areas to learn about ways to help their property against landslides. WSDOT is the main host, but will be joined by the City of Mukilteo, Department of Natural Resources and Snohomish County. This is a free public event.”

Hat Island is certainly in “surrounding areas” and we are part of the Mukilteo School District. This open house comes at a critical time for us, especially with the latest slides in Division H. I plan to attend as well as our Island Manager and other Board members. I encourage as many in the Community who can to attend as well.

4. Scott Holte read the Legal Report.

Second, I have a short legal report.

The Division H lawsuit: As reported previously, the mediation was scheduled for 4/30 in Everett. The mediator just cancelled the mediation with no reason given. He plans to reschedule it sometime after mid-May.

Division J lawsuit: The Association's Motion to Dismiss the lawsuit was granted. Our attorney has filed a motion for attorney fees and costs for approximately \$50,000.00, which is the amount we have paid to defend the lawsuit as our deductible. Presumably our attorney will at the same time enter a judgment declaring the purported Amendment to the CCR's null and void as a matter of record title.

The hearing is set for 5/24/2019 at 1:00 P.M. in the Snohomish County Superior Court. We will let you know the courtroom as soon as we know.

The Appeal of the Dismissal of Matt's assessment lawsuit: Matt's attorneys have just moved in the Appeal to Stay our Foreclosure Lawsuit against 38 of his lots. We have opposed the motion. This motion will be ruled upon by a Court Commissioner, not Appellate Judges, and can be determined with or without oral argument. We cannot, however, proceed with the Foreclosure action, until the motion is decided. We will advise the Community of the outcome.

Respectfully submitted,

Scott Holte, Board President

4. Treasurer Report: 4-20-19

Hat Island Team!

A special thanks to the office staff for all their efforts over the past four months. Not only for the normal day to day operation but for the following:

- The transition back to Quick Books Online from E-condo.
- Building our template files needed for Caliber which we hope to go live in two weeks.
- Continued demands of the lawsuit and audit.
- Reconciling bank accounts
- Building/auditing all individual accounts for the Caliber start up.
- Reviewing the balance sheet.

Overview:

The support of the community to fund the HICA with our assessment structure has allowed us not only to run the island but build a healthy balance sheet. In 2015 we were nearly bankrupt but with a funded plan, our balance sheet is now attractive to the banking community.

Our assessments support all infrastructure, common areas & the staff to meet the island's needs. These include the ferry, golf course, RO & water system, roads & marina. Everything but owner's lots.

April Highlights:

A very healthy balance sheet reflects the following:

- Contributions to all reserve accounts.

- All payables are current.
- We are ramping up our receivables.
- Healthy operating cash on hand.
- From near insolvency to what you are seeing today.

5. Island Manager's Report. Mike would like to publically thank Steve Jeffries for the book "10 tricks to Appear Smart at Meetings". ☺

Hat Island Community Association Monthly Report of the Island Manager To the Board of Trustees April 20, 2019

HAT EXPRESS – COST SAVING REPAIRS

On April 15th, Blake Berry (Master) and Ryan Taisey (First Mate/Engineer) began a major hydraulic overhaul project. The purpose of this project was to fix an issue that had caused the Hat Express to lose hydraulic control of its bow thruster.

The scope of this project involved replacing 40 gallons of old hydraulic oil, removal the high-pressure hydraulic filters originally located in the fuel tank compartment, and relocating the filters to the engine compartment closer to the hydraulic pumps.

This project was successfully completed with a cost savings of approximately \$4,000.

Comparison of the new hydraulic system pressures to prior readings showed an increase from 700psi to 2000psi. This repair has significantly improved the performance of the Hat Express' bow thruster and resolved the issue of losing the hydraulic system.

NOTARY SERVICE AVAILABLE

Yesterday, the office had its first notary customer! We want to remind all Members that the office now offers a free notary service. Remember to bring your ID.

RECENT SLIDE ACTIVITY ON THE ISLAND'S SOUTH SIDE –

On April 16th and again on the morning of the 17th, there was slide activity on lots owned by the Association in H Division. The specific area of the slide had been identified by Snohomish County as an area of critical concern. While access has been restored, we need to make it clear that any volunteer roadwork must be coordinated and authorized by the Association prior to commencement. There are

issues related to safety, insurance, and compliance with governmental regulations that have serious consequences to all Members of the Association, which need to be taken into consideration.

DIVERS IN THE MARINA ON MONDAY – APRIL 22ND

We have hired divers to evaluate the underwater condition of the wood pilings in the Marina beginning approximately 9 a.m. Boaters please note that they are scheduled to be in the water on Monday. While they will display their “divers-flag” please take extra precautions to avoid the area in which they are operating.

ISLAND MAINTENANCE - UPDATE

1. Remodel of the Harbor Master shack. This included new (donated) decking, an extended roof as well as complete reroof in metal. Some minor staining will be completed weather permitting.
2. The VFD (Variable Frequency Drive) for the RO came back from repair and has been reinstalled, and the RO system has been recommissioned.
3. Installed underground extension of water, lights and air to the golf maintenance shop.
4. Coming Soon: Adding new casters necessary to rebuild the Hat Express ramp.
5. The bus - - *Rabbit Transit* - - is very close to being ready for service. New traction tires have recently been added to the bus. Both of the door actuation relays have been replaced rendering the passenger door fully operational. The backup camera has been installed for safety purposes. We have investigated the maximum allowable size of the planned luggage rack to be installed on the rear of the bus (limited by the angle of our hills). During a recent Island test ride, the front left brake on the bus overheated. We pulled the wheel and determined that the brakes and drum are fine but had surface rust due to storage of the vehicle.
6. As the weather improves, our main focus will be all of the outbuilding re-roofing projects and pothole repair.
7. Lastly, the high season brings on many repetitive maintenance chores such as running the water truck up and down the marina hill and more frequent scraping of the hill with the backhoe. As the blackberry vines start to grow, the flail mower comes into use to keep the roadsides clear. The plan is to cut back vegetation early.

HAT ISLAND GOLF - UPDATE

Brad completed the assembly of the new 5-gang fairway mower yesterday! Golfers can expect a manicured fairway for years to come.

A reminder: April 27th is the annual "Golf Course Clean-Up Day". Interested Members are invited to help get the golf season off to a good start. Work is scheduled for 9 a.m. to 12:00. A contingent of volunteers under the direction of Larry Bender plan to do some serious trimming of trees between the fifth and second fairways. If you would like to participate on "Team Bender" you can call Larry at 206-412-3890. Others are needed to assist in general clean-up efforts. Work will be followed by a BBQ at the starter shack. Come out and enjoy the fun!

ACCOUNTING UPDATE

I am pleased to report substantial progress in the process of transferring our accounting to the new Caliber Software. Here's a summary of progress to date:

1. All customer accounts have been uploaded;
2. We are validating customer accounts to begin with accurate numbers;
3. The chart of accounts has been revised and delivered for upload;
4. All Vendor accounts for our Accounts Payable have been reviewed and uploaded;
5. Our Accounts Receivable Spreadsheet has been completed (but not yet uploaded into Caliber) and we are running it in conjunction with Quick Books;
6. When Caliber completes upload of the chart of accounts, they will upload the Accounts Receivable and at that point we will update and provide our bank balances and become operational.
7. All bank accounts are reconciled.

The plan is to validate Caliber by running it in parallel with Quick Books for three to four months.

The office is issuing current financial statements using the Quick Book system and plans to continue to provide these on a monthly basis until the reports can be generated from Caliber.

We are transitioning information to the audit firm putting the ball back in their court. We have largely concluded our assignments but anticipate continuing to provide accounting support. In addition, the office continues to be called upon by legal counsel to provide accounting information and supporting declarations in connection with the Surowiecki appeal, Division J lawsuit and the foreclosure litigation.

INSURANCE RENEWAL

In April, the office completed work on our insurance renewal applications. As you are aware, insurance consumes approximately 8.25% of our entire operating budget. We met recently with our insurance representatives and completed our lengthy renewal application (which is a multiday event). We are hopeful that our costs will remain the same as last year.

Respectfully submitted,

Mike McCarthy, Island Manager

6. Committee Reports.

Scott Wilson presented the Water Update. Our R.O., is operating 20% more than this time last year. We appear to be ready for Spring!

Udo Gerz presented the ferry report. The repaired frequency drive has been installed and is working. There will be a ferry meeting in May.

7. Community Input.

Scott Holte mentioned the Long range planning event. The giving tree needs \$5,000 and the balance was zero. The Holte family donated \$500 and encourages others to give to this important event. This is one of the most important things we can do to plan for the future of our island community.

Kristine asked who will be the facilitator this year. Our intent is that it will be the same as last year. The event is scheduled for July 27-28, 2019.

John asked – where is the PUD on our repairs? Mike McCarthy answered that there are no recent updates from the PUD. The generator is still installed but an upgrade is due by the end of the month and the generator will then be returned.

Scott Holte reported that there will be a meeting between the HICA board and the PUD at the end of June where we will be able to ask our questions and report back.

John asked – Do Matt Surowiecki's holdings/assets add up to the \$2 million he owes the island? The answer is likely, yes.

Christine – E35 mentioned that the PUD is having a meeting with all communities about how to use alternative power, such as solar. She asked if we already have fiber optic in place. The PUD cable is a separate and different cable.

Christine said that her and Terry were planning to walk in H division but did not go the day of the slide. They also did not go the second day, when there was a second slide. It could have been very dangerous to have been there during the slides. She noted that there have been logs left on the hillside for two years that should have been removed when the trees came down. She asked that all property owners with bluff lots pay attention to how their water runoff is handled. Could the runoff have contributed to the recent slide? This is a serious situation and all home owners need to work together to save our bluffs.

Oregon has had issues from water runoff from home pavement and now have strict guidelines for runoff. We can look to our state guidelines. Scott Holte encouraged us to attend the slide meeting in Mukilteo. Wendy noted that the Board has already gone to meetings in Everett to find out about landslides in light of the Oso slide.

An owner asked about the motion to Stay -our Foreclosure lawsuit against- Matt Surowiecki. Scott Holte said the Motion is complicated. It is a four year lawsuit that was dismissed and Matt appealed. As a separate matter, HICA has foreclosures on 38 Surowiecki lots. Jeremy is arguing that there is a pattern of conduct by Matt Surowiecki to hinder HICA. A Motion in a court of appeals will be heard by the Court Commissioner. There are no guarantees on the outcome. Nothing is certain in litigation. It may be weeks before we have more news.

An owner noted that it is so unfair that there is nothing community members can do about the lawsuits. Scott Holte commented that that is part of our argument. Matt Surowiecki is abusing the court system. Tom O'Day asked, when this appeal process is complete, can Surowiecki appeal again? Scott Holte said we hope the Court Commissioner will deny the stay, and then we can complete the foreclosure. We need a summary judgement to put lots up for sale. The 38 lots in question owe assessments of approximately \$340,000.

Sharon Meadows asked if we can be proactive toward owners of heavy equipment who are acting like cowboys. There was a big tractor unloaded onto the island at the last barge run. All owners should get permission from the office before any volunteer activities on the island. These are not trained geotechs. Mike McCarthy said we are also concerned and being proactive on this issue.

Sandy addressed Christine to clarify that lumber that was milled above H division laid for a season because Chuck Bright couldn't get to it. The logs have mostly been cleared and H division has enjoyed using the timber. There are some logs that cannot be removed without creating more of an issue. Mike McCarthy can check to see if more can be done.

Many homes above H division have their water redirected so it does not impact H division. Owners are asked to direct any broken line issues to the island manager. Kurt Kassahn noted that a great portion of the uphill bluff runs away from the H Division.

Lori Christopher asked where on H are the greatest slide risks? Mike McCarthy said the areas can be identified. The areas have been of critical concern for decades. Some areas are at higher risk than others. Mike McCarthy can report on the most critical areas. Darla Younce said that we can put this information on our website. Scott Holte added that Matt Surowiecki has had an impact on landslides by removing so many trees over the years. An underground spring or river could also be contributing. As a community we need to do what we can. The July Strategic Planning meeting is a perfect time to work toward resolution on this.

In past Strategic Planning meetings we have set approximately 35 goals which have mostly been completed. When we plan as a group we can get things done!

Wendy asked if we can have a moratorium on tree cutting. Scott Holte said we cannot. The Department of National Resources in the past has red tagged some clear cut logging on the island, including logging in critical habitat areas.

Christine explained that alder trees on the island are almost all dying and need to come down. There are 45 such dead or dying trees behind her in A division. They are hazardous to our roads and carry a fungus under their bark.

With no further business Darla Younce called for a Motion to adjourn , with no reconvening of the Regular Board meeting. Scott Wilson seconded. The Motion passed unanimously. The meeting was adjourned at 11:30am.

*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.