

Minutes for the HICA Regular Board of Trustees Meeting on August 17, 2019, held at the Hat Island Yacht Club meeting room, respectfully submitted by HICA Secretary Paula Bafaro.

1. President Scott Holte called the meeting to order at 10:30 A.M. Also present were Vice President Darla Younce, Trustee Scott Wilson, Secretary Paula Bafaro, Trustee Udo Gerz, Trustee Kevin Smith, Treasurer Kurt Kassahn, and Interim Island Manager Kim Gleason.
2. President Scott Holte called for a motion to approve the Minutes from (a) the July 21, 2019 Regular Board Meeting; and (b) the Special Board Meeting on August 8, 2019. Scott Holte requested amendments to the August 8, 2019 minutes which were approved unanimously.

3. Scott Holte read the Legal Report:

Legal Report

- (a) Surowiecki Assessment Lawsuit Appeal: Surowiecki has appealed the dismissal of his lawsuit to the Court of Appeals. His Appellate Brief and our Respondent's Brief have been filed. The next step will probably be Surowiecki filing a Reply Brief, and perhaps we will file a Rebuttal. Then, the Judges assigned to the Appeal will review the Briefs and set a date for oral argument in Seattle. The oral argument is open to the public, and we will advise the Community of the date for those of you who would like to attend. We will also try to publish our Brief on the website. Finally, the Court of Appeals will publish its Opinion. All of this will probably take one year or more. Meanwhile, any action we take to try to get the money Matt owes the Community is stayed. So, we simply have to wait.
- (b) Surowiecki Division J Lawsuit Appeal: The same process is taking place in this appeal. On Friday (yesterday) our attorney filed our Respondent's Brief. It may be the two appeals will be heard by the same panel of Judges, and that they will be consolidated for oral argument. We will also try to publish our Brief on our website.
- (c) Division H Lawsuit: We believe settlement negotiations are completed. The Board is meeting today in executive session to review a proposed settlement agreement and decide on approval.

Thank you.

4. Kurt Kassahn read the Treasurer's Report.

ADD IN FINANCIAL REPORT

5. Discussion of adding additional ferry runs to September.

Add attachment from 8/26

Upon discussion of Hat Express Schedule Change to either 1) Change the September ferry schedule to reflect the high season schedule, or 2) Change just the ferry schedule on Sunday to have the first run be at 9 am, an owner asked if ridership increased when the schedule moved from Wednesday to Thursday. Our Harbormaster said we cannot compare this because for a portion of the time the boat was out of commission for service.

An owner mentioned that the schedule change would benefit only owners who do not live full time on Hat Island.

It was brought up that the ferry has to comply with wishes of the Everett Marina and Anthony's Restaurant.

Currently the only day island residents can go to the mainland on the ferry for appointments, etc. is on Thursday, and requested to change the September ferry schedule to reflect the high season schedule. Kurt Kassahn noted that it would add extra hours to the motors, which is worrisome.

We decided to go with changing the ferry on Sunday only for now, see how it goes, and revisit it at a later time. Udo Gerz said we can sit with the Port of Everett to renegotiate times.

6. Presentation by Chuck Motson summarizing the Long-Range Planning Retreat and Survey

Add

7. Presentation of a proposal for purchase of a new ferry, as recommended by the Finance Committee and the Board.

Add attachment from 8/26

Udo Gerz discussed the quote for the new ferry saying based on Coast Guard rules, we want to keep the passenger count to under 50. We have the counts of all boat rides from 2014 to the present.

An owner pointed out that when we have a new ferry, we need to have a covered place for bags and luggage. They cannot be out in the open.

Storage is an issue. On September 11, 2019, Udo Gerz is going to look at the boat in question in Port Angeles. We will request overhead bins, and explore space for totes under the seats. We will not have the luxury of 1/5 of the new boat designated as storage. We can take seats out for extra cargo space.

The new boat will cut costs of fuel, wages (as it will require less manpower to operate the runs), and possibly moorage. The new boat is approximately 10 feet shorter than the Hat Express. Insurance may also be less, but we need to check on this.

An owner pointed out that cargo space is important.

An owner said not everyone can lift luggage over their head to place in overhead bins. We are aging, Please make careful consideration of storage.

It was noted that Ray had started a rule allowing people to bring cargo, such as boulders for pathways. This may change. However, the new boat may have lockers for bringing propane. There will also need to be a designated area for animals.

The question was asked of the community if one cooler and one piece of luggage per person is enough for a given ferry run.

Scott Holte pointed out that the capital reserve study shows that the ferry is the largest percent of our usage, and is an aging infrastructure. We can spend the allowable reserve and our savings so there would be **no special assessment** to purchase the new ferry.

The current Hat Express is valued at approximately \$270,000.

Paula Bafaro asked if we used a reservation system for an extra run, would that pay for itself?

An owner asked if with the way our island is growing, will the new ferry be big enough? Our studies show that it should be big enough for at least five years, at which time we could reevaluate swapping for a bigger ferry.

Rental properties are increasing, and this makes it harder to predict usage of the ferry.

An owner said a daily ferry would have a huge impact on growth on the island, as more people could live here full time and commute to work.

If we have a full ferry, we will simply do more runs. Our current ferry is aging and we need a new ferry. It will be smaller, but with the capacity to do more runs.

If in 10 years we have outgrown the new ferry, it will still have 2/3 of its value and we will potentially have more money in reserves to get another.

We should stay committed to keeping money in the capital reserves because of the will of the community and the board.

Kevin Smith said that no special assessments sounds sexy, but there will be a note. If we continue to collect to place in capital reserves, 1/3 of that will cover the note.

Darla Younce said the sale of the current ferry will also bring money that can be applied to the new ferry note.

Currently, given the state of the Hat Express, a smaller ferry seems best. We can get a 15 year loan, and banks will again loan to us. Interest rates are good.

Scott Holte said we must first get the community behind this. It cannot fail. We hope to convince people that it is important to vote. We would like to put this to vote in October. There will be no special assessment, and no raising of special assessments for the new ferry.

An owner mentioned that swapping reserves for a loan gives a tremendous cash flow.

Kurt Kassahn said we are at a magic funding level. We have an extra \$23,000 on the marina loan, and a great payment plan, with a 3% reduction in that loan. The ferry fund will almost make the entire payment and still fund the marina.

An owner asked if there will be a warranty on the new boat. Udo Gerz explained, that yes, there is a warranty of six years on the hull, 2,000 hours on the engine, Udo also said he will look at the boat in person in September. It is hard to imagine it on paper. He will see for himself where the animals, propane, and cargo will go.

8. Kim Gleason read the Island Manager's Report

Hat Island Community Association Monthly Report of the Island Manager To the Board of Trustees August 17, 2019

HAT EXPRESS –

Another successful run to Langley last week despite the rainy start to the day. 32 riders braved the elements and were rewarded with a day of shopping and eating in the lovely town of Langley. Despite a slightly lower number of riders this ferry season the ferry crew has been busy with a larger than average amount of charters. Next up the annual ferry haul out in October.

ISLAND MAINTENANCE – UPDATE

Jeff continues to get our equipment in fine shape and push back the jungle. He's also spent time sprucing up the docks. Have you noticed that there is fresh yellow paint to let boaters know where the safety ladders are? With that he's hung additional safety rings and ladders. Among the wish list for the maintenance department is to extend the shed of the maintenance shack to cover all equipment from the elements during the winter months.

HAT ISLAND GOLF - UPDATE

The golf course is getting plenty of use this summer. Brad is working closely with hole sponsors as they spruce up their areas. Coming in the not to distant future is a new wall around the ladie's tee box on hole number 9.

OFFICE UPDATE

Mike continues to recuperate at his son's home in Bellevue. He recently had some procedures to help his breathing. Along with following a traditional medical approach to his illness he is seeking out alternative methods. He is in good spirits and calls the office regularly to check in and offer advice as we go about handling the day to day business of the island.

Audit- we are anxiously awaiting the auditor's report. If we don't have anything in the next week or so we will reach out again. We do know that the hours of work we put in on the Marina Expansion and Marina Improvement accounts was well received and checked off the biggest item they had been waiting for....so now we wait.

Safety has been the topic of the month in the office. We are working on a way to ensure that all residents and their guests feel welcome on the island while at the same time making sure that there are no uninvited guests roaming around. This is a topic that will be getting much attention moving forward as we try to find a way to manage the growth we are seeing on the island with the safety and security we all desired when we purchased our properties.

Safety, technology and community were big topics at the Strategic Planning Retreat a few weeks back. With that said the office looks forward to working with any new committees that are formed to take on those topics.

As always, we welcome visitors to the office and constructive comments are always welcome.

Respectfully submitted,

Kim Gleason

Interim Island Manager

8. Community input:

Scott Holte said we negotiated with the Port of Everett to get parking spaces when the Port wanted us out. In negotiations there are trade offs. We did get parking.

An owner said the Port of Everett is outside the law by taking away our parking, and this could result in another lawsuit.

It was suggested to try small steps in negotiation first.

We discussed the upcoming meeting with the PUD and an owner asked if Chris Inman can go to the meeting.

Scott Holte explained that we will be discussing the underwater cable that was placed in the 1960s. There are three phases, and one phase failed. This is 1,000 feet of cable at the bottom of the Puget Sound.

An owner said that they had met with the PUD and were informed we pay extra for power. Scott Holte explained that years ago this was implemented, but due to an administrative SNAFU, we stopped being charged the extra amount. Now the PUD is charging us for the new cable, because it is in their power to do so. PUD is buying the new cable.

An owner asked about injecting the cable, and if it fails, the company will pay. PUD failed to inject the cable. We will learn more at the meeting with the PUD.

The office noted they replaced rubber ring bumpers in G. The old bumpers were sharp and poking holes in boats.

An owner mentioned the retreat and enjoyed the random table assignment. She also pointed out that four of our current board members were at the two day retreat, and thanked them for being there.

An owner said as summer progresses, we find fungus and blight attaching the bark of trees. These trees are dead or dying and in some cases in the road or right of way. 90% of the Alders are dead or dying and are a serious fire hazard, as standing deadwood. We don't experience

lightening, but we are still vulnerable to forest fire. The fire department doesn't have the capacity to fight a major fire. We have a responsibility to take trees down and get rid of debris.

An owner said low overhanging trees on the road need to come down before winter.

Kim Gleason said the island staff mark the dead and dangerous trees on community property and if we cannot remove them, we will have a tree service come in to look at it.

There was an announcement that Saturday is Labor Day and there is a concert at the Pavilion with a live band. Tickets are available early.

An owner mentioned that the ballots are arriving too late to vote in some cases. Scott Holte said we are limited by our Bylaws on the timing of ballots, but we can vote by e-mail if we don't mind losing anonymity. Duan said the ballots have been mailed and you should be receiving them.

Scott Holte motioned to adjourn at 11:30 a.m to Candidate's Forum. Darla Younce moved and Kurt Kassahn seconded. The Motion passed unanimously. The meeting was adjourned to Candidate's Forum.

Reconvened HICA Board Meeting from 8/18/2019 Executive Session

Minutes

Scott Holte called the meeting to order at 10:05 am. Present were Vice President Darla Younce, Trustee Scott Wilson, Secretary Paula Bafaro, Trustee Udo Gerz, Treasurer Kurt Kassahn, and Interim Island Manager Kim Gleason. Trustee Kevin Smith was available by phone.

The Board approved a number of actions as follows: Scott Holte, President entertained a Motion to approve them.

1. The Island Manager will develop a list of criteria to use when Owners seek to donate their lots to the Association.
2. The Board directed the Island Manager to pursue payment of assessments owed by multiple owner lots.
3. The Board directed the Island Manager to prohibit encroachment by Owner adjacent to Association property.
4. The Board directed the Island Manager to prepare a draft of a notification system and procedures to ensure that Non-member arrivals on the island, whether by ferry or private boat, are invited guests and/or family.
5. The Board approved the preparation of a written agreement between HICA and Snohomish County Fire District No. 27 to confirm the longstanding prior agreement as follows: (a) to waive

assessments on lot F100 owned by the Fire District; and (b) to continue to allow the Fire District to transport fire equipment to and from the island at no cost.

6. The Board approved taking action against Owners owing delinquent assessments, after notice to them, by filing claims in Small Claims Court, including the costs of a process server.
7. The Board approved hiring Kim Gleeson as our Island Manager, deleting "interim" from her title. The Board will prepare a written contract for Kim's employment as Island Manager.
8. The Board approved hiring Mike McCarthy on a part time basis as a Consultant to the Board and the Island Manager, for an initial period of four months at a salary of \$500.00 per week. The agreement will be reviewed at yearend.

The President called for a Motion to approve all the listed Board actions. Scott Wilson moved and Udo Gerz seconded. The motion passed unanimously.

The Board then, after a change to the language of paragraph 7., and subject to review of Exhibits A and B to the agreement, entertained a motion to approve the CR 2(a) Settlement Agreement in the Division H lawsuit. Paula Bafaro moved to approve the agreement. Kurt Kassahn seconded the motion, which passed unanimously.

The President then called for a motion to adjourn. Scott Wilson moved, Paula Bafaro seconded and the motion passed unanimously.

*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.