

Approved Minutes of the HICA Board Meeting on 10/19/2019

Darla Younce, Board President, called the meeting to order at 10:30 A.M. in the Yacht Club meeting room. Present were Erik Smith, Vice President, Kurt Kassahn, Treasurer, Paula Bafaro, Trustee, and Udo Gerz, Trustee.

Darla asked for a motion to approve the minutes of the Special Board meeting on 9/28/2019. Paula so moved, Eric seconded the motion, which passed unanimously. (Scott Holte, Secretary, joined the meeting.)

The Board Meeting was then interrupted to allow a presentation from the Vessel/Equipment Committee, the Finance Committee, and the Board concerning the proposed purchase of a new ferry. The presentation to the Community included a slide and oral presentation by two representatives from Armstrong Boats, the seller of the proposed ferry purchase, who answered many questions from members of the Community. All of the details about the Armstrong vessel and the financing of the purchase, without a Special Assessment, is on our website. The Board urges everyone to become informed on this issue, because the Board has previously approved a ballot measure for the Community to vote on whether to purchase ferry and sell the Hat Express, or not.

Darla presented her President's Report as follows:

I am happy to inform you that the 2015 audit is complete. Our contracted CPA firm has reported that the financial position of HICA and the review of our operations, cash flows and financial statements as of December 31, 2015 presented fairly and conformed with generally accepted accounting principles. The full report will be placed on our website. The 2016 audit is in the works and we've been told that the ETA is a couple of weeks at most.

I'm looking forward to working with our existing Committees and forming a few more that were recommended at the long-range strategic planning session. Our existing committees are as follows: Equipment and Vessel; Finance; Golf; Governance; Long-Range Planning; Marina; Marketing; and Water/Drainage. Our new Committees will be: Land Use; Safety; Technology; Communications and Social. We must still assign Board Chairs and appoint community chairs and members. If you are interested in volunteering, all committee contact information will be placed on our website.

Legal Report

The following is an update on current lawsuits:

1. Surowiecki, Britten and Borromeo v. HICA: This case filed by Surowiecki and joined by Britten and the Borromeos, comprises multiple allegations including a challenge to the Association's allocation of assessments. All claims were dismissed prior to trial and Defendants, including HICA were awarded a

judgment against Surowiecki, Britten and the Borromeos for fees and costs in excess of \$960,000. All briefing is submitted to the Court of Appeals. The Court will set a hearing date for oral argument. HICA is optimistic that the trial court rulings will be upheld.

2. Surowiecki Family LP v. HICA: This lawsuit resulted from an Amendment to the CCRs for Division J, which was unilaterally recorded by Matt Surowiecki. If enforced the Amendment would have required HICA to assess members who own lots in Division J differently from all other HICA members. The lawsuit, dismissed by the trial court, was appealed by Surowiecki. Our appellate brief has been filed and Surowiecki's Reply Brief is due October 16th. Once the briefing is completed, the Court will set a hearing date for oral argument. HICA is confident that the Amendment recorded by Surowiecki is void and unenforceable.
3. Trautman et al v. HICA: This case was filed by several Division H owners. The recent trial date was stricken by mutual agreement. The parties have engaged in voluntary mediation and the Board hopes to resolve the issue by agreement. No other comments will be made at this time out of respect for the mediation process and the requirements that those discussions remain confidential.
4. HICA v. Surowiecki Family LP II: This is a foreclosure case filed by HICA against multiple lots owned by Surowiecki Family LP. The case is currently stayed over the objection of HICA. The Board intends to proceed with foreclosure to include additional lots.

Kim and I met with the Port of Everett on October 11th to discuss and review our existing "temporary parking agreement." This negotiation continues as a work in progress to resolve differences from our existing agreement. The Port informed us that the 72-hour parking stalls will be decreased; to what extent remains to be seen. The Port is also looking into an area of pay parking at a small fee per day. And, they are becoming more flexible with our sailing times, however, Anthony's will still have input. We'll keep you posted on the negotiations.

Finally, Mike McCarthy has accepted a temporary contract position to work with Kim and the office staff. He is in constant contact with the office. He is continuing his battle against his serious health condition. Please keep Mike and Pam in your thoughts and good wishes.

Kim presented her Island Manager's Report as follows:

Staffing Report:

I am pleased to announce that we have promoted Kyle Opstad from Deck Hand to First Mate and as a member of our Island Maintenance Team. Kyle is a full-time resident on Hat Island and a volunteer firefighter. Kyle is completing his obligation to Boeing and

will be fulltime starting in November. We are very happy to have Kyle join the Hat Island staff.

Maintenance Report:

Trees, roads and winter projects are on the calendar for the maintenance team during the winter months. The team has marked and identified community trees that are in danger of falling during the stormy season. We will be working to take these down before the onslaught of high winds falls upon us. A couple of trees that were marked fell within days of being identified as possible hazards and the joke in the office was that the red paint was just too much for the tree to handle! We are also looking at ways to keep our roads from becoming crater-full hazards during the winter. We will be bringing in some heavier stone for the bottom of the potholes in hopes that it won't wash out in the heavier rains. We will also be doing our best when grading the roads to maintain drainage as much as possible.

Marina Report:

Seals, seals, seals - 21 on the north docks the other morning alone! Jeff and Barb have made it a priority to make sure when you arrive on the ferry or your boat you can depart your vessel without having to navigate the mounds of seal poop, they so graciously deposit on the docks every morning. The docks are looking great after the Marina Committee's dock clean up day! Thanks again to all of the volunteers. The Committee is working on some changes to the Marina Rules for 2020. Once approved by the Board of Trustees, we will communicate the changes to the Community. One important change is a clearer explanation of the type of insurance document we need from boat owners.

Office Report:

While the island settles in for a long winter nap the office is busy as ever. We are working with the auditor to complete the 2016 audit and hope to see a draft on or before the 28th of this month. We are actively seeking a new bookkeeper and accountant to assist in maintaining the island's books. We will continue to work with owners, whose accounts are in arrears, to bring their accounts current. Thinking forward, the staff is looking to long-term solutions for the beach erosion at the bottom of Conwell Park, and developing a drainage plan based off the study, which took place a few years ago. We look forward to working with the newly developed Technology Committee to improve our communication with owners and to make our website easier to navigate. We also will be implementing a new payment system for owners to make it easier for them to pay their assessments via credit card, while decreasing the percentage in processing fees. We expect the new credit card service will cut our costs in half.

Phew – so, as I said, we are busier than ever! We always love to see owners in the office. If you are on the island, please stop in and say hi!

Committee Reports

Golf Committee:

Bruce Kolpack, Community Chair of the Committee, said that the Committee is focusing on tree trimming this winter. He has sent a letter to the Board, requesting that the Golf Course and its maintenance be a line item in the Proposed Budget for 2020.

Marina Committee:

Dennis Dearing, Community Chair, reported that the Committee is currently working on 5 projects: 1. Winter Moorage. 2. Marina Parking: Specifically, ways to improve the congestion, including a 30/60/90 day proposal. 3. Disabled Vessels: the Committee has obtained WA state regulations and insurance requirements. 4. The insurance documentation previously mentioned. And 5. Boat Ramp improvement, eg. for barge runs into the marina.

Ferry/Equipment Committee:

Udo Gerz, Board Chair of the Committee, reported on his recent attendance at a meeting of the “North Puget Sound Transportation Alliance.” The meeting included representatives from Snohomish County and Island County, Langley and the Port of South Whidbey. The discussion started with the disastrous financial condition of the WA State Ferry fleet. It is very old and starting to fall apart, with no money to correct the problem. One solution to this issue is the revival of the “Mosquito Fleet,” a network of passenger ferries in the North Puget Sound region. The discussion was serious and contemplated the beginning of service in a couple of years. Our ferry service was of particular interest, especially to the City of Langley (again). We will keep you posted on any further developments.

Water Committee Report:

Chris Inman submitted a written report as follows: Water Update 10/16/19.

Water produced in September by gallons:

	<u>September</u>	<u>Year To Date</u>
Wells	286,895	3,270,005
R/O	201,520	591,560
Totals	488,415	3,861,565

During September the Wells performed well. The production from this period was 25% more than from September of last year. The water mix was 58% wells and 42% R/O.

The main reason for the 25% increase over last year was that we used 48,000 gallons of water to have both our M and G tanks cleaned and inspected. This is done every 5 years. The good news is that both of our tanks are in good shape.

We also had our state site survey done on September 5th. This is done every 3 to 5 years. We had no major deficiencies and the final report should be coming in the next 2 weeks.

We are still waiting for the PUD to give a firmer timeline for the full cable replacement so we can discontinue the generator use.

Treasurer's Report

Kurt Kassahn, Treasurer, reported that we've made it through one audit, and we are close on the second, but the time involved for the office continues to affect our ability to get our new financial system fully operating, independently, and generating financial reports.

He and the office have completed the review of 2018 to get things in shape for 2019 and the full implementation of the Caliper system. He asks that the Community bear with us. We will get there.

They have completed a draft of a four page Financial Accounting Controls document, recommended by the audit.

As of the present, the Association has Operating Cash in the amount of \$558,649.73 and Reserves in the total amount of \$809,254.00. So, we continue to maintain our healthy finances.

Community Input

A Community member asked questions about the "new guest rules": Who made them? Don't they put too much of a burden on our Ferry Captain?

Kim and the Board answered: The Board approved the policy on a temporary basis, until the newly formed Safety Committee works with the Island Manager to propose a permanent solution. To date, we have received a lot of positive feedback from guests and members, with many who have said they feel safer and more secure. The policy does not put an additional burden on our Captain. He will not prevent entry to our vessel, per maritime rules, but we will not allow unauthorized individuals to disembark at Hat.

A Board member cited a recent incident where an unauthorized individual, not a member or a guest, spent the night banging on doors and acting irrationally. There have been other incidents as well, which have prompted the Board to adopt the policy.

A Community member asked whether and when the Board reviews staff salaries?

The Island Manager answered that salary review is made yearly. The Finance Committee includes a review as part of the budget process, and recommends any increases and/or additional staff benefits in the budget submitted to the Board.

As part of a general discussion about rentals, including AIRB&Bs, a member asked about higher ferry fares for “paying guests.” The Board responded that the rental issue will be an ongoing discussion, including the higher fare idea.

Christine Bennett ended the Community Input with praise for all the work done by volunteers on the Vessel and Finance Committees in putting forth the recommendation for the purchase of a new ferry. She said all the effort exemplifies the Community spirit on Hat Island, which benefits us all.

Adjournment

There being no further business before the Board, President, Darla Younce called for a motion to adjourn, and to convene in Executive Session, without reconvening to Regular Session. Kurt so moved, Paula seconded the motion, which passed unanimously. The meeting was adjourned at 12:36 P.M.

Submitted,

Scott Holte, Secretary*

*These minutes are a summary of the discussions at the Board meeting, and not intended to be an exact recitation of all said, but do include all of the actions taken by the Board.