

## **Minutes of the HICA Board of Trustees Meeting on 12/21/2019**

Board President, Darla Younce, called the meeting to order in the Yacht Club meeting room at 10:30 A.M. Members present were Erik Smith, Vice President, Kurt Kassahn, Treasurer, Scott Holte, Secretary, Paula Bafaro, Kevin Smith, and Udo Gerz, Trustees. Also present was Kim Gleason, Island Manager.

Darla called for approval of the Draft minutes of the Regular Board meeting held on 11/16/2019. Scott moved to approve the minutes, Paula seconded the motion, which was approved unanimously.

The meeting was then interrupted to announce the results of the Association's vote on the proposed HICA 2020 Budget, and the approval of a review and waiver of an audit for 2019. The votes were tallied as follows:

Approval of the HICA 2020 Budget: Yes: 134; No: 15.

Approval of 2019 Review and Waiver of an audit: Yes: 119; No: 31 (79% approval).

The Budget passed overwhelmingly as did the audit waiver, exceeding the statutory requirement of 67%.

### **President's Report**

Darla announced that Kim and she continue to negotiate with the Port of Everett over the cost of the Association's reserved parking stalls. The representative of the Port has finally allowed us to finalize our ferry sailing schedule for 2020. The schedule will remain the same, except for the Thursday morning run from Everett leaving at 8:00 A.M. At this point the return time will remain the same.

Darla then announced that we have finalized two loans: One refinancing the Marina loan, and the second financing the ferry purchase. Darla reminded the Board about previous Board approval for Darla, as President, and Kurt, as Treasurer, to sign the necessary bank documents for the loans on behalf of the Association. Kurt will provide the details in his Treasurer's report.

Blake was able to captain the "twin" of our new ferry off of Port Angeles. There was some strong winter weather and the ferry handled it "perfectly" according to Blake, who stated that the ferry was much more stable than the Hat Express, and that it has a number of great features:

- A large cargo space on the back deck;
- Heated bathroom;
- Heated back deck;
- Storage under the seats;
- Overhead storage;
- Double door entry from both stern and bow;
- And, much more.

Legal update: There is not much new to report.

In the Division H lawsuit settlement discussions continue. While there is reason for optimism, there are important issues that need to be resolved. The mediation agreement requires

confidentiality for both parties while settlement discussions continue, so we can't provide more detail at this time.

The lawsuit brought by Surowiecki, Britten and the Borromeos; and the Division J Covenant lawsuit filed by Surowiecki are both still pending in the Court of Appeals. All briefs have been filed, with the latest reply brief filed in the Division J case at the end of September. It appears that a hearing date could be set approximately 7 months after that date, which would be in the March to April time frame 2020. There is no guaranteed method of predicting when the hearing will take place, however.

Darla announced that she has sent the current charters for the Board Committees to the Board and community chairs of the Committees, including the newly formed committees recommended by the Long Range Planning Retreat this past summer. The chairs have been asked to review the current charters and goals, and get them updated so that we can publish them on our website. It is hoped that Community review of the information will lead to more volunteers where needed to support those committees.

### **Island Manger Report**

Kim reported as follow: Although the island has entered winter time quiet, the office and staff have been very busy.

The maintenance team continues to try and keep the multiple potholes in our roads filled. As mentioned last month, the January barge run will include some larger diameter rock for the potholes. Until then we are just trying to keep the roads somewhat manageable.

The ferry crew had a successful holiday run to Langley on December 27th. 27 riders enjoyed the day in Langley, despite a rainy start. We are actively looking for another relief captain and deck hand as our current relief Captain, Shawn, will be leaving in March to fish the Bering Sea; and we are still short a deck hand.

The Office continues at a busy pace. We have hired an outside bookkeeping company and CPA for added oversight, consistent with the recommendations from our completed audit. They will be responsible for reconciling our financial statements, creating financial reports for the Board of Trustees and the Community, filing taxes, and assisting with future audits. In addition Mike McCarthy has been developing an accounting oversight document recommended by the auditor.

New coupon books for 2020 have been ordered for assessment payments; and we have been working to put together new golf tags in just one color for ease of monitoring; and we have ordered more ferry and golf coupon books, although we might redo existing coupon books from past years to save some money. We are introducing a new ferry concession coupon book: 20 one dollar coupons for \$20.00 so you can drink coffee and snack to your heart's content while riding from and to the island on the Hat Express.

As mentioned at the last meeting we have been working on collecting past due assessments from delinquent Owners. I am happy to report that to date we have collected \$19,428.00. These funds were collected through emails, phone calls, and certified letters. Those Owners who have not responded, or who have moved and left no forwarding address, or who just plainly refuse to pay what they owe, will face further measures. I am currently employing those further measures to obtain delinquent assessments.

Finally, thank you to all who donated to the Holiday Bonus fund for the staff. They asked me to relay to you all that they were truly surprised by the generosity of our Community and very much appreciate it.

Community member, Sandy Bettencourt, asked if members could still contribute to the Bonus fund and Kim responded yes, and that any additional contributions will be distributed in the final paychecks for 2019.

### **Treasurer's Report**

Kurt reported on excellent progress on a number of financial fronts:

1. Our new CPA firm, **Your Balance Sheet**, has been working with our office to review our records from 2017 to present. Once 2018 is reconciled they will forward with 2019 month to month. The next steps will include finalizing our tax returns through 2019, the 2017 audit, and the two reviews for 2018 & 2019. Kim and I are very happy with the decision to hire **YBS** to oversee our bookkeeping, prepare our P&L and Balance Sheets, as well as taking the lead on our taxes, revenues and audits.
2. Our financial situation is still strong, with our Balance Sheet including \$457,446.57 in our operating account; and cash reserves fully funded for 2020. The balance owed on our Marina Loan is now down to \$765,208.08. Recall that just a few years ago the balance owed was approximately \$1 million, with the prospect of a huge balloon payment.
3. The most thrilling news as mentioned by Darla is the refinancing of our Marina Loan, and the financing of the purchase of our new ferry. Heritage Bank has approved both the marina loan refinance and the new ferry purchase. The marina loan is for four years with an interest rate of 3.78%, which is a huge reduction from the 7.05% we are currently paying. As a consequence we will be able pay the marina loan in full in four years, the same time frame as the original loan, but without any balloon payment at the end of the four years. Further, Heritage Bank has agreed to make the loan solely based upon our financial position, and without any security interest in the Association's common assets. The ferry loan is for fifteen years, with an interest rate for the first 10 years of 4.17%, to be reviewed after 10 years for any adjustment for the final 5 years. The bank has not required any additional paper work, other than a security interest in the ferry itself. The loan is for interest only while the ferry is built and converts to 4.17% after we take delivery of the vessel. A Board member pointed out that the loan term could be significantly reduced by the sale proceeds of the Hat Express.

Darla then called for any Committee reports. Kurt submitted the following Water Committee report on behalf of Chris Inman:

### **Water Update 12/19/2019**

Water produced as of the end of November (gallons):

	November	YTD
Wells:	226,470	3,773,890

RO:	84,740	757,460
Totals:	311,210	4,531,350

During November the wells performed well.

The production from this period was 6% more than from November of last year. The water mix was 70% wells and 30% RO.

The performance of the wells was as expected and the mix of wells to RO is in line for the low season as we run the RO less in the winter months.

With the year wrapping up Chris will be working on the year end summary so we can compare this year to previous years as far as water produced, water sold, and water lost.

On the RO side of things we are still using the generator. The PUD is saying we are still on track to have power cable replacement in 2020. Also, Case is working to get an engineer to the island to finalize the plans for the aqua boll filter installation.

### **Golf Committee Report**

Bruce Kolpack, Community Chair reported that he will organize and confirm the golf committee members after the winter. He is currently working with Kim and Kurt for the funding to pay for necessary tree trimming and the \$500 per hole request.

Darla then called for Community Input. There was none, so Darla called for a motion to adjourn to Executive Session to discuss legal and personnel matters, with no reconvening into regular session. Scott so moved, and Paula seconded the motion, which was unanimously approved.

The meeting was adjourned at 10:55 A.M.

At 12:49 P.M. the Board reconvened to announce actions approved in Executive Session.

Scott moved to approve the conveyance of lot P007 from an elderly Owner to the Association, in accordance with the previously approved policy and as recommended by the Island Manager. Kurt seconded the motion, which passed unanimously.

Kurt moved to approve the revised Marina Rules and Regulations, as amended by the Board. Paula seconded the motion, which passed unanimously.

Scott moved to adjourn the meeting. Erik seconded the motion, which passed unanimously,

The meeting was adjourned at 12:50 P.M.

\*Draft Minutes submitted by,  
Scott Holte, Secretary.

\*These minutes are intended to represent the content of the Board of Trustees' meeting, but are not a verbatim transcript of the meeting. All Board actions are included in the minutes.