

Agenda

Hat Island Board of Trustees Meeting
Working Session
3616 Colby Ave PMB 335
Everett, WA 98201
(360) 444-6611

Wednesday Oct 12, 2022

6:30pm via ZOOM

Attendees:

Erik Smith - President	Virtual
Ray Stephanson- Vice Pres	unavailable
Don Stark- Treasure	Virtual
Kelly Dukes- Secretary	Virtual
Aimee Caccavale- Trustee	Virtual
Dan Jensen- Trustee	Virtual
Roelof Burger- Trustee	Virtual
Kim Gleason- Island Manager	Virtual

Agenda:

Working Session HICA 2023 Budget

Erik: It is 6:31pm on Oct 12, 2022, called the meeting to order.

Erik: Called for motion to discuss the 2023 budget

Dan: Motions

Don: Seconds

Vote:

Erik Smith - President	Yes
Ray Stephanson- Vice Pres	unavailable
Don Stark- Treasurer	Yes
Kelly Dukes- Secretary	Yes
Aimee Caccavale- Trustee	Yes
Dan Jensen- Trustee	Yes
Roelof Burger- Trustee	Yes

Erik: The motion passes

Erik: 2023 budget is tonight's topic. The last working meeting was Oct 3, 2022 which provided the first look at the proposed budget. Following the Oct 3, 2022 meeting any updates have been incorporated for consideration tonight.

Dan: Highlight changes in the last week:

Reserves: The Oct 3, version we were in the \$400,000-\$500,000 ballpark. We made some adjustments and as of today we are back up to ~\$750,000 in projected reserves by the end of 2023. That is the results of a couple things, including the \$183,000 from the court settlement from Matt Surowiecki. We couple counted a couple line items and corrected it. Additionally, some of the contingencies on equipment purchases may be pulled out, which could be delayed. For instance, Roelof's suggestion to grind the cement tripping hazard in the commons and postpone replacing it for a couple years. Safety equipment, will continue to discuss on a case-by-case basis. We also included a 7% COLA (was 5%) for wages also changed expenses COLA to 8% (was 5%)

Don: The Finance Committee met last night. Making priorities of highest to lowest. Safety, infrastructure and people highest priority. And some the nice to have were postponed or eliminated.

Dan: Finance Committee had a couple discussion on the golf fees. They were pretty adamant on the changes.

Kelly: At one of our marathon 4 hour meetings the golf committee had a recommendation that was never heard as they agreed to not present in the interest of time. They had a number of motions regarding course rules and fees. They had the idea for the all day one fee structure. It is concerning that the Finance Committee has taken this and revised it without the Board input. The golf coupon book, there is a time value of money. There is benefit to having the funds in our account and we should consider keeping the discount.

Dan: There will be time to get input. Here will likely be consternation from the marina committee because of the \$3.00 a foot fee increase. We are still in a net loss on an operational basis. The marina loan balance is only \$79k. Ginger pointed about by resolution that any past assessment fees that are past due goes to pay off the marina loan. The balance will go into our coffers.

Erik: What do you need from the Board?

Dan: Look through the PowerPoint good summary
Look at the tabs, and the equipment purchases and make sure you provide feedback

Discussion: Thanks to Dan for the summary- very helpful.

Dan: Kelly you and Ray had a slide for the employee compensation input.

Kelly: We have it ready

Dan:

Key issues facing us, including inflation, increased activity on the island change in community expectations. Volunteering hours are not sufficient to do the work that we used to be able to do by volunteers. We may need to pay for that type of work going forward. We had the big unexpected repairs and permits, delayed purchases and underpaid staff and heavy workload. Major lot owner not paying is a huge impact. The financials have gotten worse with his default on the marina loan.

Key changes: Raise assessments, increase marina and golf and maintain the ferry surcharge due to fuel prices. Increased staff salaries and 7% COLA and additional staff and assumed 8% inflation for next year.

Marina Loan was \$15k month will not have to pay that next year (paid off) just will have the ferry to pay on. Good news.

The marina repair of \$200k and the \$100k that Matt Surowiecki is not paying on has had a major impact to our budget.

The PPP loans were unexpected cash infusion as was the \$183k from the court ruling. Those helped our budget, but none of those are in our future again.

Matt Surowiecki, unknown how the foreclosure mediation activity will go. He owes us \$4.6M and growing. Because we don't know what will happen with that, it is not in the budget.

Inflation, we don't know where it is going. It is hard to predict. New legal fees, maintenance, pressure from growth, infrastructure, employee morale and attrition are all pressures.

Reviewed revenue flows.

Assessments will need to be approved by a vote of the community. The fees increases will have to be a motion from the Board.

\$200 increase is what we talked about. It is what is needed to get our reserves balance healthy.

The RCW's encourage HOA's to look at infrastructure and replacement costs. Remember that condo that collapsed in Florida. They kept ignoring what their replacement costs were, and then it became too much and disaster happened. Look head and make sure you have enough in the kitty to ensure that you anticipate future expenditures.

Finance Committee discussed building reserves. For every \$100 in assessments, we increase our bottom line by \$60k.

I have a slide that include expenses, a slide for employee compensation, a slide for impacts 2022 and 2023, slide for recommended purchases (please look at and make recommendations) some being pushed to 2024.

Dan: Trying to cover all contingencies

Discussion: Ideas of what we can do to make savings.

Kim: Roelof's idea on grinding the cement which allows us to postpone expenditures is great. We need more ideas like that.

Discussion: The ferry has a solid depreciation rate. Depreciation calculated on the marina as an expense and then brought across the balance sheet. We did not used to thing about depreciation here. It is worth about \$5M, as you can see with the repair, there is a life to the marina. Burden in the marina is about \$200k year.

Loan payments for the ferry for 2023 will be \$70k.

Erik: For Saturday do you want to open it up to the community?

Dan: Ideally, we would have open sessions to the public to allow them to ask questions.

Discussion: Meeting and Board discussion and community input. Encourage committee reps to join Saturday's meeting. We have a bylaw once it is approved that is our budget and we need to stick to it. Really need community input.

Kim: Encouraged to see how many people joined tonight.

Dan: Polished version by Thursday, to present by Saturday

Don: Take peoples input and make adjustments to bring forward in Nov

Dan: The great debate do the services pay for themselves?

Dan: Motion to adjourn

Don: Seconds

Erik Smith - President	Yes
Ray Stephanson- Vice Pres	Unavailable
Don Stark- Treasure	Yes
Kelly Dukes- Secretary	Yes
Aimee Caccavale- Trustee	Yes
Dan Jensen- Trustee	Yes
Roelof Burger- Trustee	Yes

Motion passes it is 7:30pm meeting is adjourned

Rules of Conduct

1. This is a meeting of the Board of Trustees, not a community meeting.
2. Community comments are welcome during the Community Input portion of the meeting and/or as called for by the presiding officer. The presiding officer will announce when comments will be heard. Please be patient.
3. Any community member wishing to speak must obtain permission to do so from the presiding officer.
4. Please give your name and lot number before speaking.
5. All remarks must be addressed to the presiding officer.
6. Comments shall be limited to three minutes or less for each person on any given subject.
7. Any derogatory remarks will not be tolerated.