

**ANNUAL MEMBERSHIP MEETING
HMC MANAGEMENT
June 9, 2012**

Call to Order: Mark Anderson called the meeting to order at 12:00 noon.

Board of Directors Roll Call: Mark Anderson, President; Gary Wanzong, Vice-President; Dianne DeGood, Secretary; Judy Greinke, Treasurer; Pat Zazzo, Member at Large and Claudia Ellsworth, Island Manager.

Mark Anderson announced that this would be the last opportunity for Members to submit their Ballots to vote for the New Board of Directors. He also asked for six volunteers to help count the ballots and two volunteers to validate the Ballots received.

Previous Annual Meeting Minutes: Mark Anderson moved to approve the minutes of the June 11, 2011 Annual Membership Meeting minutes. Motion carried.

Opening Remarks from the President:

The Island is a mess and the Island is also in great shape. With the money we have, we have been able to do great things and with the community we have, we have also been able to do great things. We are seeing a 2.5 million dollar water project go in. Every Island Member has had a say and has stepped up to the plate on deciding on the Water System. We own our Island and by replacing the water system we are making it a better place to live. We have seen more involvement with new Committee Members volunteering for the different committees. We now have a safer North Beach because of the new pilings. All of this is positive. We continually receive comments from Members and some are critical. We take all of those comments objectively and evaluate their merits and all the factors involved in making the decisions we do.

We now have aging Ferry Engines and Transmission that will have to be replaced soon because the parts are not available. There will have to be a Special Assessment, since they will cost over \$100,000 to replace them. The tsunami in Japan wiped out the manufacturing of them. But the new engines will reduce the maintenance costs, they will have lower emission standards and reduce the noise. Then we can be good neighbors to the people on the Mainland. We are very well poised to go into the next year.

We have an outstanding Island Manager. With her help we have accomplished so much and she has helped us with the ability to get things done. She represents our Island to outside agencies, and has many contacts that can help us. We are very proud of her.

We always welcome criticism as long as it is constructive and you want to help us improve things. Collectively, with everyone's help, we can do even better than we have.

Correspondence: Through the last year Mark stated that he counted over 4,300 email messages on only one of his computers, which shows there has been a lot of correspondence coming to us.

Island Manager Review:

The Island is operated as a business and she and Carolyn Snyder work very hard to keep the office organized and going. It has been extremely helpful to keep files by Member, but with the new Water Project it was important to set up files by Property. The Property files will be helpful when trying to retrace what has actually happened with the Property over the past years. One prime example is going back and finding out if there were donations made to benefit to the Nature Park, and if there were any type of agreements made with Pierce County.

Volunteerism has been great and there are many people who are willing to help.

The new Water System has taken up a lot of office time during the past year, but we are almost at the end of the Construction phase of it.

The IM thanked Gary Wanzong and Judy Greinke, for all of their work as Members of the Board of Directors. Judy has been working extremely hard on the new Water System and Gary has worked on the budget. Gary has been extremely helpful in explaining the nuts and bolts of all the mechanical things and facilities.

Special Presentation by Dana Gruber, Resident Inspector:

Dana reported on the progress of the water project. She showed the six inch poly pipe that they are using for the water lines, demonstrating how the joints are sealed together. Since the water will be coming from the well house at 60 psi it should give significant water pressure at every house. The assemblies are also important. The new

valves have an incredible coating and will not rust for at least 50 years. There will be fire hydrant every 600 to 700 feet, and some at 400 feet. They also have a copper wire wrapped around the pipe or along the pipe so that the water pipes can be located if there is a water break. She explained how they will have an "air vac" at the top of the hill and any time the water is shut off, the air will be released before it gets to your home. You won't have the air coming out of your faucet right after you turn it on. She also thanked the Board for upgrading to 250 psi pipe.

The Resident Inspectors keep incredible logs and document every piece of pipe in the ground. This tells the engineer how much they have done each day and keeps the contractor from charging for additional pipe. Once the pipe is placed in the ground they make sure there is soft sandy loam on the bottom and on the top, and no sharp rocks in the space. Mike Shettlesworth, another Resident Inspector, showed how the compacting machine is used to compact the dirt around the pipe.

The Resident Inspectors reminded Members that there are cones in the middle of the roads. They are important so please do not run over them. They encouraged Members to drive in the center of the road. The sides of the roads will be soft until they get the full compaction completed. If they are working along your roadway, take some extra time to get to work and if you know they are going to be there, move your car down the street ahead of time.

Dana Gruber also reported that the crew is outstanding. They enjoy being here and love to come to the Island and we will have an incredible water system when they are done.

Judy Greinke showed the Radio Meters that would be installed at each location. The water usage will be read electronically and the information will be downloaded into the computer to generate the bills.

Finance:

Judy Greinke presented the proposed budget to the Membership. Gary Wanzong has done a five year analysis and took an average of what was spent in the last five years. The Medical Insurance costs have gone up and the Liability Insurance costs have gone down because of the new Docks. The Liability Insurance covers the Ferry, Buildings and the Docks. The Legal fees were less this last year, so they are only budgeting \$20,000 for next year. The Budget also included added Reserves for the Docks and Dolphins. Next year we have to do a Reserve Study and the cost has been included in the Budget. Inspections of the Docks only take place every two years.

This year the Budget included separate line items for each Department, giving us a better idea of where this money is spent. One of the big items that is coming up is an engine overhaul in 2013. Because transmission parts are not available, it has been decided to get new engines and transmissions. With the new engines, the ferry will run more economically, we will save money in fuel, and the ferry will not have to be refueled as often. Each time they add fuel to the Ferry, we have to pay a \$950 standby service in case of a spill happening. We will save some of this cost when we don't have to refuel as often.

At the current time we have 18 delinquencies.

The Ballots for the Budget approval will be sent out to the Membership within the next two weeks and we will have a continuation of this Special Membership meeting next month to count the Ballots. In addition to the Ballots there will also be a current Fee Schedule included. Most of the fees have not changed, however some extra fees have been added for the Water Department.

Unfinished business: Fred Fath asked about the Ballot for a Special Assessment for the Ferry Engine replacement. He noted that there are a series of issues about delaying this too long. It would be very critical if the transmissions were to go out and take six months to a year to repair. Mark stated that the Special Assessment Ballot would be included with the Budget Ballot, because it is a matter of insurance and it is viable for our island, knowing that we can keep the Ferry running. John Farris reported that every day that goes by and nothing happens to the transmissions, he feels lucky. If something should happen, he wouldn't be able to get the parts very rapidly, if at all. The rebuild for the Ferry engines and transmissions is scheduled for the fall of 2013 and the current engines were rebuilds when the boat was built. The transmissions will be 12 years old in September. When you look at the initial layout which could be up to \$200,000 you will recover your costs and fuel savings and recoup your investment within 6 to 6 ½ years. Gary Wanzong reported that the Finance Committee had figured the Special assessment would be about \$330 per Assessable Unit. The \$30,000 in reserves for the rebuild would go toward the new replacement. The actual costs for overhaul would be about \$50,000 and we would have to spend it either way. So this will help to reduce the overall cost. The Ferry is scheduled to go into the shipyard this September for the dry dock inspections. They will get quotes and have a better idea of how much the replacement Engines and Transmission will actually be.

Ballots before the Membership:

There are three open Board Positions.

Ballot Counting Committee: Fred Fath, Debra Kraft, Tamara Norman, Ed Hovde, Joe Furio, Pat Francis, Frank Van Ravenswaay, Kathy Deuster and Jean Mellor.

In order to ensure the integrity of the ballot counting process, Carolyn Snyder (HMC Office Secretary) requested the assistance of two random Members to validate the total ballot count and the final tally. Leslie Sanderson and Barbara Haskins volunteered to provide the assistance for all ballots received through Friday, June 8, 2012. Kathy Deuster and Vicky Drury validated the Ballots which were received on Saturday, June 9, 2012.

Mark Anderson called for a recess of the meeting in order to count the Ballots:

When the meeting resumed the final ballot count and vote tally were announced. The results were as follows:

Election Results.....Votes

Mark Anderson.....183
Sherri Anderson.....119
Lita Monaghan111
Janet Podell.....142

Write-Ins:

Sam Argo 8
William Chapman 1
Kathy Deuster 3
Mike Gage 2
Lyle Herman..... 2
Linda Kelly 3
John F. Kennedy..... 2
Steve Kramer 2
Dick Kusander..... 2
Gary Soriano 1
Reed West 3
Shirley Wilkes..... 1

<u>Ballot Count:</u>
Total Number of Single Vote Ballots: ... 181
No signatures (not valid)..... 5
Countable Single Ballots..... 176
Total number of Multiple vote Ballots 34
Total Countable Votes..... 210

The new Board met in Executive Session to choose officers. The Board appointed the following officers: Mark Anderson - President, Janet Podell - Vice-President, Dianne DeGood - Secretary, Pat Zazzo - Treasurer and Sherri Anderson - Member at Large.

Adjournment: Mark Anderson moved to adjourn this meeting until next month. Motion carried.

Respectfully submitted,

Dianne DeGood

Secretary