

**ANNUAL MEMBERSHIP MEETING
HMC MANAGEMENT
June 8, 2013**

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

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

Previous Annual Meeting Minutes: Mark Anderson moved to approve the minutes of the June 9, 2012 Annual Membership Meeting minutes. Motion carried.

We don't approve the minutes until a year later, but every year we have a continuation of the Membership meeting in July. Mark Anderson proposed that the secretary have those minutes ready to be approved in July.

Opening Remarks from the President:

It has been a great year. We have new pilings at North Beach, the roads will be fixed and back to where we want them very soon. The Water truck is back in service to keep the road dust down. We have had exposure to our friends on the mainland and the new Ferry engines and transmission will help the noise go down. They should be sensitive to the changes as we modernize our fleet. We now have our own new Water System and thanks to those who worked so hard in getting this completed. The Sports Court is almost complete and hopefully will be ready for the summer. And the Island Rules have been revised. We just have a lot going on. And the more people involved the better. The fact that you are coming to meetings and raising your hand is important. It is nice to see everyone. I have learned to know many of you because you are participating in the activities and meetings of the Island.

We are still alive, paying our bills on time and have quality people working for us. The Board Members and the employees with whom I have served with these past four years have been outstanding. The Island couldn't have asked for better service from Carolyn and Claudia. They are there to support us and get things accomplished. The Ferry crew is very competent and make sure that we get off and on the Island safely. They are the first people you see whenever you or your guests come to the Island. They give us the first impression and in the usual case, you want to be on that Ferry, because they are treating you well. They are like the Title Page to Herron Island.

The bottom line in the last couple of President's Message in the Beachcomber has been that "on Herron Island, we have it good." He thanked everyone for their support and wanted everyone to know how much he appreciated each and everyone.

Correspondence: There was no correspondence to report.

Island Manager Review:

The Water System is complete. The project went too long, but the interest rate went down. We have satisfied everything needed for the Federal Audit. We have had the outstanding service of Charles Smith in keeping the new system going and addressing any issues not found during construction. The Water Committee at the leadership of Judy Greinke has been working on the Water Department Administrative and Operating Rules and the Water Policy.

The new Roads Committee is headed by Jack Wells, along with Dana Gruber, Judy Greinke, Steve Kramer and many others. They have quite a job in front of them, getting the roads back in shape and working on some drainage issues. But they are making a positive start.

The records retention policy is getting enforced in that over 2,000 useless records were taken out and shredded leaving more room for those important records that have to be retained forever. They have revised the background check for new hires and are working with the Board of Directors to change the policies on the delinquencies, since many are for the Water System only. Volunteers have come in to help with filing the property records. We have continued to get rid of derelict vehicles and junk. In general, more trash is going off the Island than on.

The Blast email list has over 300 contacts, so three-fourths of the Members can be notified instantly through email when something does occur on the Island.

The Island Manager thanked Mark Anderson for his leadership on the Board. He has spent many hours editing Land Use issues, Island Policies and the Rules.

Roads report: Jack Wells reported that a load of gravel would be barged in early next week and the money for this was coming out of the current Roads Reserve funds. A lot of work is planned for the roads to get them back to the shape that they were in before the Water Construction. Casco will also be coming out to help with this repair. One of the Roads that is in the worst shape is the Single lane road. When it gets muddy it becomes impassible. There is also a plan to repair the culvert on South Herron.

Parks report:

After many years of service to the Parks, Dick Mowry has retired and they had to find another way to put in the Boat Docks in April. The new process went smoothly and should be easier in the fall when they take them out. They thanked Dick and Jack Wells for their many years of service to the Parks and welcomed Andy Anderson as the new Parks Maintenance person. It has been noted that several pile stumps were left along the east side of the docks and the Island Manager is working with the contractor to get them removed. Please be aware of them when maneuvering boats on the east side. Last winter's high tides caused severe erosion and have escalated the need to address the deteriorating bulkhead along the south end of the North Beach boundary to the shore. The issue has been referred to the Board for direction.

Work is progressing on the Sports Court, but they still have the hoops and landscaping to complete. The swings were vandalized and options to repair or replace them are being investigated. Several Members have stated they would be willing to donate to a fund for this. Any donations can be sent to the office with a note indicating their use.

Thank you to everyone who has volunteered to help with the Parks. If you see something out of place or wrong, please contact someone on the Parks committee.

Finance:

Pat Zazzo presented the 2013-2014 Proposed Budget that was presented to the Board of Directors earlier today. The Board is having some disagreements with the Finance Committee and the Budget was not approved at the regular Board meeting.

The **Total Income of \$909,556** of which \$689,486 would come from Assessments, \$175,000 from Ferry Fees (which is a \$10,000 increase based on last year), \$25,000 from Reserves (to cover the ramp cables) and \$20,070 from Other sources.

The **Total Expenses of \$909,556** would include:

- **Administration expenses projected at \$184,420** includes the Reserve Study, a new recurring expense. An on-site visit is required every third year with updates the other two years. The Liability Insurance has gone down with the improvements at North Beach, but the Medical Insurance has gone up based on this year's cost plus 8%. Office Equipment should be lower since the printers and computers have been upgraded. The Utilities expense will be down due to better insulation of the new garage doors and the Facilities and Grounds Maintenance is a new line item. Previously this was included in the Parks, but a lot of the actual work done also included the Community Building and Road work. The billing for mowing and other facility work will be tracked separately and accounted appropriately.
- **Piles, Dolphins and Ramps expenses projected at \$52,020** include insurance increases of \$2,845 and the Cable Replacement Project that has been moved up as we have a cable in need of replacement sooner than expected. The costs are estimated at \$25,000. Mobilization costs are very high (\$3,000) and by doing all the cables together it is more cost effective as the 5-year rotation will minimize these mobilization costs.
- **Ferry costs projected at \$488,319** include an insurance increase of \$500 and the Crew's medical insurance has increased by \$1,200. The fuel expenses are expected to decrease due to the installation of the new engines. The shipyard normal rotation is September of 2014, but it will be going in September of 2013 for engines and transmissions. The bill will be paid in October.
- **Parks expenses projected at \$11,450**. The Small Boat Dock Floats must be removed and installed with rented equipment at additional costs of \$2,000.
- **Roads expenses projected at \$28,347**. The road maintenance costs have increased \$2,000 and the water truck maintenance and fuel are \$800. The Road and Ditch materials and supplies did not increase from the current budget.

The Total Reserves contribution of \$145,000 is an increase of \$38,500 from the previous year which is just under 16% of our income. Washington regulations recommend that Reserves be funded at 10% of the budget. The Finance Committee has recommended that our priorities for 2013-2014 are the Roads and Ramp Painting scheduled for 2016. The Reserves are currently funded at the following:

- **HMC Operations reserve stands at of \$35,550** of which the Legal Reserve is at \$34,550, so we won't be adding any additional to it. The Community Building is a new line item and the new budget is adding \$1,500 to the \$1,000 already allocated..
- **Piles, Dolphins and Ferry Ramps Reserve stands at \$138,478..** The new budget adds \$9,000 to the balance of \$108,478 for the Ferry Dolphin Replacement. We will need to focus heavily on building these funds going forward since the Ferry Dolphin Replacement work is scheduled for 2020. We are also adding substantially to the Ramp Painting Reserves to have adequate funds available in 2015 so that we can begin the permitting process which is expected to be expensive and time consuming. The initial estimate for the work was \$212,000. The balance is now at

\$19,000 and the new budget is adding an additional \$33,500. We are required by Pierce County to have the Ramps inspected every other year and the balance in Reserves is \$6,000 for this inspection and the new budget is adding \$3,000. The Ramp Cable work will be done in 2013-2014 therefore the new budget is adding \$20,000 to cover the cost. This occurs on a 5-year rotation so for the next 5 years \$5,000 should be contributed for this reserve.

- **Ferry Reserves are at \$177,000** with the Shipyard balance at \$46,000. Since the Ferry goes into the Shipyard every other year we split the expense over the two years. So \$49,000 will be going into the Reserves in the new Budget. The Engine Overhaul and Replacement will be done in September. This Reserve Balance will be \$130,000 once the Special Membership Assessment has been collected. The prior funds were used to cover the down payment of the engines. The new budget is adding \$9,000 to this reserve. The Ferry Replacement Reserve is a new item established last year. The balance in that account is \$1,000 and the new budget adds \$1,000.
- **The Parks Reserves are at \$30,700** and the new Budget adds \$2,000. The new Sports Court has been constructed and those bills will be paid soon. This project is coming in under budget and sufficient funds are available for replacement of the mover in the next few years. .
- **The Roads has a Reserve of \$35,740** and in the Roads General Reserve there is a balance of \$35,240. A barge of gravel has been ordered which will draw down the Reserves significantly. The new budget adds \$14,000 as more gravel may be necessary in 2013-2014. The Water Truck was a new Reserve last year with a balance of \$500 and the new budget is adding \$3,000.

Mark Anderson gave a summary of what happened earlier at the regular meeting announcing that the Board did not approve the recommended Proposal for the 2013-2014 Budget. Because of this the Board is meeting with the Finance Committee during the recess when the ballots are being counted. Further work needs to be done, in order for the Board to accept the budget.

Water Budget:

Judy Greinke presented the Proposed Budget for the Water Department. She reported that some of the costs have gone up and some have gone down. 20% of Claudia Ellsworth's and Carolyn Synder's wages were moved over to the Administration part of the water system, since they will be reading the meters, generating the bills and taking the initial calls. More is going into the Reserves. Once the system is set up and we are reading the meters and billing for usage hopefully some of the costs will go down. For the next year we will still charge the base fee which will go up \$1 to \$21 until we know the overall usage and can set a rate schedule.

We are leaving Washington Water and moving to Northwest Water Systems for our offsite help to keep the costs lower. Northwest Water designed our system and knows it very well. We have money in Reserves for emergencies and as far as operations costs, we are required by the USDA loan to have enough in Reserves to cover one year's expenses. It took a good amount of money in the beginning, but now we are in a position to save for the future. The Reserves will grow gradually. The Water Department is in good shape.

Capital Improvements:

Gary Wanzong worked on a chart going out 50 years, showing the big capital improvement items that would be needed in that time period. He requested that this be published with the list of when the reserves would be accumulated and how the plan was accepted to address the capital expenditures.

In August of 2011, the Membership voted to pay for Capital Expenditures with a combination of Special Assessments and Reserves. If the Members aren't saving for these Special Assessments, it is better to add a little more to the Reserves each year than to have a high Special Assessment.

Unfinished business: Island Rules.

Earlier today at the Regular HMC Board meeting, the HMC Board of Directors approved the Rules that affect all Members as they were presented and adopted them as of June, 2013. The next step is to send the Rules that affect individual rights and Members conduct out to the Membership for a vote. This is required by our bylaws. The big change is the inclusion of the new rules that pertain to the Water System. This Ballot will be included with the Budget Ballot

New business:

A Member asked about the Attorney's fees in the proposed budget. It looks like we are budgeting to spend \$17,000 to collect \$10,000. Mark explained that not all expenditures are to collect delinquencies.

Ballots before the Membership:

There are three open Board Positions.

Ballot Counting Committee: Jim Davies, Mike Thynes, Linda Crowe, Paula Trent, Reed West and Lauren West.

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. Carol Ann and Frank Russell volunteered to provide the assistance for all ballots received through Friday, June 7, 2013. Rondi Akers and Carolyn Snyder validated the Ballots which were received on Saturday, June 8, 2013.

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

After reconvening the meeting, Mark Anderson announced that the goal for the recess was to count the ballots, but another goal was for the Board to meet with the Finance Committee to come up with a plan to find a reasonable number for the assessments so that all could agree on the Budget Proposal.

Pat Zazzo reported that after much discussion a compromise was reached. The proposed General Assessments is now \$1,758. This was accomplished by cutting \$1,500 for the Dust Control Truck, cutting the Parks Reserves by \$500 and the Roads Reserves by \$4,000. There is work to be done on the Roads, but there should be sufficient funds available to complete this project. Everyone understands there is a risk associated with this plan. The Water budget stands as proposed.

Mark moved to accept the Revised Proposed Budget for 2013-2014, and as presented by Pat Zazzo, Treasurer after discussion with Members of the Finance Committee to come up with a compromise. For the purpose of recording, Mark Anderson, Janet Podell, Pat Zazzo and Sherri Anderson voted to accept the Revised Proposed Budget and Dianne DeGood was opposed. The motion passed.

Mark moved to accept the Water Budget for 2013-2014 as presented by the Water Committee. Motion carried.

The Ballots for the Budget approval and Rule changes 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.

Ballot Results:

The final ballot count and vote tally were announced. The results were as follows:

Election Results Votes

Sam Argo84
Dianne DeGood 135
Jonas Ray22
Tom Ritchie43
Gary Wanzong 131
Pat Zazzo..... 152

Write-Ins:

Tony Gorette1
Lita Monaghan1
Scott Schultz3
Fictional Names6

<u>Ballot Count:</u>
Total Number of Single Vote Ballots: ... 170
No signatures (not valid)..... 1
Deliquent (not valid)..... 1
Countable Single Ballots 168
Total number of Multiple vote Ballots 35
Total Countable Votes 203

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

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

Respectfully submitted,

Dianne DeGood

Secretary