

HMC Management Board Meeting Minutes **July 9, 2011**

Call to Order: Mark Anderson called the meeting to order at 10:00 AM.

Roll Call: Mark Anderson, President; Gary Wanzong, Vice President/Asst. Treasurer; Dianne DeGood, Secretary; Judy Greinke, Treasurer; Pat Zazzo, Member At Large; Claudia Ellsworth, Island Manager (IM).

Doyle Parnell and Dianne DeGood announced they would be recording the meeting.

Previous Board Meeting Minutes: Mark Anderson moved to accept the June 11th meeting minutes. Motion carried.

Correspondence: There were seven items of correspondence received during the month:

- Copier contract renewal from Custom Copy Systems
- Letter from Daniel Hannula, an attorney who lives on the mainland, concerning the Ferry noise on the mainland
- Information & Pricing on a Konica Copier from Custom Copy Systems
- Letter on behalf of J. Bradford and R. Oehler concerning trees
- Email from Member expressing the importance of North Beach Marina Ballot and asking Board members to honor the results of this ballot
- Email from Member on the importance of having American Disposal pick up the trash and trying to work out something about the driver possibly speeding

These were addressed as the subject matter came up over the course of the meeting.

Finance:

- Judy Greinke presented the bills to be paid and added that the supplies for the paint and repair of the water department buildings were not included. This was an additional \$463.56 expense. **Mark Anderson moved to accept the bills as presented. Motion carried.**
- Judy also reported that we keep a buffer of over \$30,000 a month in the bank. Our bills run about \$50,000 a month and we have a reserve of \$190,000 in cash with only a few months left of the fiscal year. She reported that with this reserve, we are doing pretty well with our finances this year.
- She also reported that the Ferry Revenue was down about \$50,000 from our anticipated budget, but also added that we still have two of the busiest months of the summer, which has always produced more revenue to bring us to budget or above. Compared to same time last year our revenue is up. We count on our last few months for heavy usage adding to add to the Ferry Revenue. Fuel costs are up and we went over the budget for Ferry Fuel. When this happens the money is taken out of areas which are below budget and don't use the amount allotted to them. Because of this, the Finance Committee added \$30,000 to the budget for Ferry Fuel for the next year.
- The Finance Committee met at the end of June. A lot of things came up, particularly that we are now into the 50 year cycle that the founders talked about when they incorporated in 1958. Back then they talked about a 50 year cycle for the water and the pilings. We have always had reserves for maintenance and then did a study to set a life span. We don't put reserves in for replacement, as much as we do for maintenance. We want to plan for the future and not get caught up in a stressful thing or special assessments. The committee looked at where to cut costs and did a study on trip costs, going through a financial analysis to save more money in office time.

- Fred Fath started a Financial Reserve study in about 1995, and that was primarily for maintenance. Gary Wanzong has done a current financial study and put together a spreadsheet on how we will fund future infrastructure expenses. It shows what would happen if we financed with primarily increases to the reserve accounts, or primarily through increases in special assessments or a combination of assessments and reserves. The committee thought the combination was the best way to go, but we want member input.
- The Finance Committee would like to make a recommendation that we put out a ballot for the Trip Ticket Plan and a ballot on how the members want us to set up the finances for the next 30 years. Basically we want the members to let us know what they want.
- Dana Gruber asked about reserves for the building structures, basically the physical assets whose reserves are not necessary for now. She mentioned the Boosters have done major painting and renovation on these structures, but there are other assets we must think about. Some of HMC's assets are valued at the lowest possible values, but we need to make sure that all are down to the lowest fair market value, so that we aren't over taxed for these properties. Another question she asked was about the depreciation of the pilings. Is it in a 50 yr cycle or longer? Are we replacing with creosote, steel, or composite? What are the requirements? Gary Wanzong stated that creosote can no longer be used in the Puget "Sound" and the ones we are looking at are steel. The composites were more expensive and there is no long term data studies on it to know how long it would last.
- Dana Gruber also commented on how our community is growing, which is a good thing. But what about our septic systems; is there anything in the future about having a common septic treatment system? We never thought we would have to have water meters and we are there now. Our future is critical for the needs of the island and what we need to do to live here. Mark Anderson commented on how right now we can only do the best to project ahead. It doesn't mean that in 50 yrs everything might be different.
- Dallas Amidon then asked how many people will be here in 50 years. He asked about the current fuel prices. We all know that the prices aren't coming down. Do we use enough fuel to lock in a fuel price, rather than following the price up and down?
- Al Moren commented on no matter how big you are or who you are, it is hard to lock in a price. We are given the "rack" price and a margin. And without prepaying you cannot lock in the price. It is almost impossible for someone our size to have enough impact on locking in the price.
- Mike Shettlesworth commented that he used to buy fuel for his business and he would have to prepay quarterly to lock in the price. Judy Greinke stated that when we went with APP they were the most reasonable and they service this area. They were one of the few who would come to the boat to refuel.
- **Getting us back on track, Mark Anderson stated that we have two ballot propositions we would like to send out, one for the Trip Ticket Plan and one for how we want to set up our finances for the next 30 years, with special assessments, adding to the reserves or a combination.** Looking back, if any of these assets would have had a little money going in all the time, we might not be in the situation we are in.
- Dallas Amidon stated that on top of water costs and special assessments, from a real estate standpoint, people are uncomfortable with these unknowns and have walked away from possible sales. He has experienced two incidents in the last

couple of weeks. If this continues, we won't have opportunities for those who have to sell and those who want to buy. We can't correct the shortfalls in a short period of time. It takes a long time to correct this and it will take the finance committee to be pro-active in getting it corrected. If we don't change or have new opportunities for people who have to sell, we are going to put a real block on the sales on the island. We have seen the foreclosures coming on

- Gary Wanzong pointed out that by keeping the assessments low, after 50 years, things are catching up and we can't borrow from the future. The future is here now and we have some big bills coming up, almost to the tune of \$1 million and the finance committee is asking the membership how they want to pay for these major expenditures. We are running out of time to plan the financing of these items. Judy Greinke commented that the finance committee took the 10 year study on the dolphins and tried to look at the worse case scenario rather than doing a 15 year study. Just so they were aware of what it would take to continue. Everyone pays assessments, so the finance committee wanted to have a good plan.
- Claudia Ellsworth stated that many items haven't been looked at in several years. For example, the generators for the water system haven't been serviced since 2005. The docks and ramps should be inspected every two years and they hadn't been looked at from 2005 to 2010. The water truck needs a major maintenance plan. This financial plan is the beginning of getting those maintenance and replacements in place. There was a bill passed by the State Legislature requiring a financial reserve study to be done. Since we have significant assets, we are required to do it, otherwise it only has to be done by condominiums. This study has to be available to potential buyers as a part of the documents that the new buyer receives.
- Dallas Amidon stated that potential buyers have a right to listen to every recorded meeting and view the website to see what is going on here on the island. Buyers want to know what kind of situation they are buying into.
- Dana Gruber commented on how the island loses revenue from the people who have multiple lots, but pay only one assessment, since their lots are contiguous. This may be the time for those people to step up and pay assessments on each lot. This may be a fairer system.
- Kathy Deuster suggested that maybe this is the time to stop contiguous lots. Grandfather the current ones in, but don't allow any more.
- Al Moren stated that a study had been done on this. What you really pay for is the assets of the island. The tax man takes care of your property. It has nothing to do with how much property you have. There are huge lots and small lots. The bottom line is: what are you paying for when you live on Herron Island? The current Ferry Fees were put into place, because those who live here use it more than those who don't. You could combine some small lots and it wouldn't be as big as the big lots. What we need to do is share the costs of the assets. What assets do you get when you buy into the island? He believes we are right on track with a long term plan.
- Jack Wells commented on how for the resale values of our properties, we have to take care of our infrastructure. If we don't take care of our assets, our property values would go down. That's what happening to the whole United States.
- Mark Anderson stated that our bylaws state that we have the responsibility to take care of our assets. It doesn't mean we have to develop those assets, but we have to take care of what we have.
- John Kalmbach asked how much time would it take to look into other types of communities such as applying for "2nd class" city status where we would have

revenue sharing capabilities. If you would add up all of the property taxes we pay here and then look at the services we get, we basically get nothing. We have no police, no school and no road maintenance. What are we getting from Pierce County? It would appear that we would have a good case going to the state legislature and asking for a different city status.

- Claudia Ellsworth added that she has personally been involved in setting up two newly incorporated cities. She has first-hand knowledge of what was required. There are usually three legs: one is you have to provide public works, second you have to develop a comprehensive plan that is approved by the state and third, you must provide your own public safety. She really doubts if we could generate enough revenue to have these services. Shared revenues are drastically declining and some of the cities that have done this have curtailed services and laid off employees.
- Gary Wanzong commented that Claudia Ellsworth is actively looking for Grants to replace the dolphins because it is part of the transportation system. But we all know what the state budget looks like.
- Tracy Anspach asked if we turn the Island into a city, would we be open to the public? If that is the case he wouldn't want that. Al Moren agreed and stated the island is a private entity and that is why the county doesn't come over here. There are many rules required to turn us into a city, and our population is not stable enough. We have full time residents and weekenders. But both Tracy Anspach and Al Moren agreed, they did not want to be open to the public.
- **Mark Anderson moved to propose a ballot to the HMC membership to get approval for the Ferry Ticket Plan and a vote on how to go ahead with the future financial plan.** Then he opened it up for more discussion:
- Linda Moren stated that she was at the meeting last time, but didn't know if she understood what Fred Fath was trying to tell us. She took it as a loss of revenue when you can buy tickets for your kids at your discount price. Yet, doing away with the senior citizens pass, it looked like he was looking for a personal gain for himself. Mark explained that it did not initiate with Fred Fath. The primary purpose was to streamline getting people on and off the Ferry and reduce the number of options for people paying. This would also reduce office time to reconcile those tickets and improve the efficiency and accuracy of collecting those fees. It would also reduce the opportunity to reduce errors in accounting which results in lost revenue as well. And most importantly it would allow the office more time to do other things and spend less time on administration, and maybe put that extra time into the new water system. With regard to revenue, the cost savings for time would also be significant.
- Frank VanRavenswaay said that he noticed a lot of children coming on over the 4th of July. The children tickets for 5-12 are now \$1.00. Why don't we make that \$2.00? This would generate more revenue without harming most of us. It would help with keeping up with the parks, which are primarily used by the children.
- Mark Anderson explained that it is not only the rate structure but also the method of which trips are paid for. If we continue with the \$1.00 per child, then after a year we would have a better idea as to how many cars, how many adults and how many children are coming over. At that time we would be in a better position to know whether it would be beneficial to bump it up to \$2.00.
- Judy Greinke stated that they found out that the senior pass is at a 25% discount. We want to encourage more people to prepay with the discounted tickets. When you get to the Ferry you either give a ticket or pay cash. If you pay cash, you pay full price. If we encourage people to prepay, then at \$6.70 they would be getting

an 18% discount. We have always been able to pay for guests with tickets, so this really isn't anything new.

- Mark Anderson suggested that maybe we could make it a separate item on the ballot just to get a feel for what people think about it.
- Judy Greinke said that the big problem with the Senior passes is the tracking. They don't expire, so sometimes aren't used up for a long time. Our auditors require that we identify every single ride and it must be reconciled with the money taken in. Sometimes this is hard for the office to track when we have different prices, and the Senior passes aren't turned in for months.
- Al Moren asked about bar coding. Gary Wanzong stated that this is the goal, but there is a cost issue for the electronics. We will need to look at hardware and must have a good computer. There is also a weather issue when the Ferry Crew is outside scanning tickets the scanner has to be something that will hold up in severe weather conditions. Linda Moren asked about the scanners the UPS and FEDEX uses. Gary Wanzong commented that scanners can be very small, but not only will we need scanners, but we also need the software to compile and sort this information. As Fred Fath is working on something, we will continue to plan to be automated in the future.
- Mark Anderson stated that there is currently a motion before the board which is to propose a ballot for the Ferry Trip Ticket Plan. This would eliminate the commuter pass.
- Linda Moren asked how much would a family a five have to pay? If we continue to raise the fees, we are going to get more expensive than the State Ferry system. One family said they had paid over \$30 for their 10 minute ride to Herron Island and she pays \$30 to go to Edmonds in a motor home that is over height and over width and she rides it for 30 minutes. Mark commented that it was probably only one way and Linda agreed. Mark then said that it looked like the more you pack in a car, the more you are going to pay.
- Sue Pottorff questioned whether the guests would use one ticket or 2 tickets. It was explained that guests would still have to pay with 2 tickets, or pay \$16.00 cash. With the tickets at \$6.70, each it would cost \$13.40 for a guest.
- Dallas Amidon said that they go off the island 5 days a week, which for them is 10 trips. Their cost per month is over \$200 and they just recognize it as the fare and another monthly living expense. In their case they just budget for it. People who pay full price could save if they bought the tickets in advance.
- Judy Greinke also commented on the Disable and Senior tickets. The office has to keep track of who they are and some are disabled permanently while others are temporarily disabled. That adds another issue to reconciling the passes.
- Frank VanRavenswaay asked why we would have books of 10 or books of 20. Wouldn't that just add to the confusion in the office? Mark explained that a standard book would be a book of 10 tickets and if you wanted 20 then you would simply buy 2 books.
- The tickets would not expire and if we needed a rate increase, members would have a grace period where they could trade them in for new tickets. This would also prevent them from buying to far out. Frank VanRavenswaay then related it to the airlines. He commented that if you buy an airline ticket for \$1,000 but the rate goes up before you use it, would the airline ticket be useless? He wondered whether we should honor those tickets sold even if the rate goes up. Mark stated that you would have 3 months to exchange tickets for the higher rate if that becomes necessary.

- **Mark Anderson again stated that there was a motion on the floor. He asked for a vote. Motion carried.**
- **Mark Anderson moved that we consider adding a question to the ballot as to whether we should raise the children's tickets for ages 5 to 11 from \$1.00 to \$2.00. Motion carried.**
- **Mark Anderson moved to also send out another ballot for the future financing of the island to determine whether the membership wants to fund the future with special assessments, increases to reserves or a combination of both.** There will be examples included on the website and these examples are just dealing with the docks and dolphins. But it shows a good example of the ramps and inspections of the small boat docks and the ferry docks. The finance committee wants to get a vote from the membership on how to pay for future expenses.
- **After discussion, motion carried.**
- Tracy Anspach stated that as far as the argument going around about the pilings, there is documentation on June 10th, 2008 where the board clearly states that the reserves were to be used to replace the pilings for the small boat dock. He was just clarifying that if anyone argues that we stole the money, there is documentation. Al Moren commented that the question isn't need, it is priorities.

Administration: See the Island Manager's report for miscellaneous Administration issues not directly mentioned here.

- Claudia Ellsworth commented on getting a replacement printer from HP at no cost. The first one had problems and after talking to customer support they agreed to send a new printer.
- The Island Manager recognized and thanked those who volunteered during the last month and has the names listed in the IM's report. She is compiling a list of other volunteer opportunities for the summer.
- The 4th of July weekend went well and Mark Anderson commented on how we owe a great deal of thanks to the Sanders family. Everyone who participated that night had a lot of fun. It was so nice to hear members commenting on how all five board members were present. It was a wonderful event for all. The fireworks went well and it seemed that those who gave directions at the beach kept it going in an orderly manner.
- Speeding on the Island – there is some concern about speeding on the island. Everyone should be reminded that the speed limit is 15 MPH. The best way to stop it is to file a rules complaint or just get their license number and the office can call them and remind them of the speed limit.
- There was a report of vandalism on the mainland parking lot. In this case they took the entire exhaust system.
- Copier – the current copier has outlasted its time. It always breaks down right before board meetings or when there is a high volume of copying to be done. Mark Anderson has done some research on replacing it. Konica has a refurbished one for \$4,400. He also found a Canon Copier for \$2,900 plus tax. It has 65,000 copies on it which makes it fairly young compared to what we have now, which has over a million copies on it. **Mark Anderson moved to purchase the Canon Copier for approximately \$2,900. Motion carried.**
- There has been a request that the previous ballots be easier to find on the website, so Pat Zazzo is compiling the ballots and getting them ready to publish on the website under Island Documents.

- We are still working on getting the pop-up trailer removed from the old store. Horseshoe Towing has been paid, but haven't made it over to tow it away. They are also working to get other properties on the island cleaned up.

Water System Project:

- No report, but Steve Chapin will be scheduling a meeting later this month for the water committee. They want to find out from the board what the future role of the water project committee will be. Al Moren stated that codes are have changed on the fire hydrant flows in other states and we need to make sure that the 6 inch line will support the new code requirements. Steve McNair expressed concern about a fire hydrant on the south beach and as a result of that another note was sent to Jester to add another hydrant along the South Beach trail.
- Dallas Amidon commented on how he had gone to the Pierce County Planning Department and the person who represented the Fire Dept there had looked at his plans and the square footage and then when she found out he lived on Herron Island, she told him that she couldn't sign off on his permit application until she is aware that we have started construction of the new water system. She had been working with Fire District 16 and knew that we were planning on a new system. So those who are planning on building may have the same problem. If you don't have a fire code in place then you may not gain occupancy of the building.
- Claudia Ellsworth reported that we are a little ahead of schedule in the water system planning.
- Al Moren commented that he requests the water data every month. It costs him 20 cents a copy and Carolyn has to stop and write him a receipt each time for the 20 cents. Karl uses that data to show the daily usage, the monthly usage and the 5 year usage to produce a report. He wanted to know if just from an administrative issue and a time savings effort for Carolyn, would he be able to get the report free? If 20 cents is an issue he will continue to pay it, but feels like you get a good product, probably more comprehensive than Washington Water provides for your money. The total amount is only \$2.40 a year, but it is the time it takes Carolyn each month to write a 20 cent receipt.

Fire Department Liaison: We are trying to get the Fire Department out here to recertify our Ferry Crew in CPR and possibly open it up to others on the island. When it becomes available, the information will be on the website.

Land use - The Gages are building a new home along the beach at the north end of the island next to the old Kennison property. They need access to their property along the beach so construction workers will be going across where the boats are, southeast of the pavilion. We have allowed them this access, so if you see activity down there it is ok.

Legal: Our current delinquency rate is 1.8%. We currently have eight delinquencies and only one is with the lawyers and one is less than \$100. Of the previous ones, two have paid in full.

Parks:

- Tracy Anspach thanked Jack Wells for doing an awesome job on the park and the ball fields. They held up real well during the holiday. The Parks committee will have a party in August to plan for the Fall pickup and other than that, everything seems to be in order. The Parks department does have an email address: HMCparks@herronisland.org

- Claudia Ellsworth gave a special thanks to Anita Bray and George Newcomb for the photos of the small boat docks in the 1950's. This really helped with the North Beach permitting process showing that they were in place prior to 1971.
- Dallas Amidon commented on how great the baseball field was and probably in the best shape for a very long time. He said that he got an email from a mother of an 8 year old son who played in the ball games over the 4th. She said that he was so excited and they had a wonderful time. Dallas said that things like this is what makes living on the island so special!.

Roads: Al Moren reported the truck has been fixed and some of the street signs have been stolen or misplaced. Judy Greinke has a router and now has the templates back to make the new signs. We are still looking for volunteer drivers to drive the water truck and if anyone is interested they should contact the office because they do need a little bit of personal information for insurance purposes.

Rules committee: There is no report, but we are looking for volunteers to serve as a Chairman and a Secretary on the Committee. Both Max Hochenadel and Merry Kogut have resigned from the committee. Merry Kogut has agreed to train anyone who is interested in being the secretary.

Emergency Preparedness: There is no report, but we are looking for a Chairman for this committee. The chairman of a committee must be an HMC member in good standing. Members of the committee can be HMC members or HMC residents.

Back to Roads:

- Pat Zazzo wanted to know if we could back up a little and discuss the email we had during the week about the garbage truck going way to fast. She thought that under roads, it would a good time to discuss how we can handle this. She has agreed to put a small article in the Beachcomber about how it takes extra time for the man to take off the bungee cords and if members would take them off first thing in the morning, it would help him. If you take them off the night before, the raccoons knock it over and it takes the driver extra time to pick it all up. There are new cans on the market that twist, so you wouldn't have to have bungee cords.
- Mark Anderson said it may also be the perception. You see a large truck, lots of dust, lots of noise, so it may look like it is going faster than it is. He suggested that maybe we contact American Disposal and ask if they have any suggestions. Maybe they could come another day of the week.
- Claudia Ellsworth commented that when the ferry crew noticed the speeding it was a substitute driver. She has called them and they are very nice and want to work us.
- Jack Wells commented that we have an extra 9:30 ferry run in place on Mondays to give them a little extra time. Dana Gruber commented on how the Garbage truck was the only service truck coming on the island on the 4th of July. During that time, he had to wait longer in line because of the shuttling. And maybe if the ferry crew could have seen him down the way, they could have let him go ahead.
- Pat Zazzo agreed to call American Disposal and follow up on this issue.

Claudia Ellsworth also commented on Coast Exteriors doing a wonderful job of putting the roofs on the mainland shed and the shed down by the ferry. The value of their donation was about \$1,500. But their advertising sign is a little big. When she discussed this with them before they installed it, she had asked for something discreet. She will contact them and see if they have a solution.

Boosters:

- Judy commented that the Boosters were on the agenda again tonight. There will be a short meeting, a potluck and then a movie. The movie featured is “Hook”. It is for general audiences, both adults and children. So bring your chairs and participate.
- Beth Wanzong said that it was mentioned that possibly we could ask for donations to buy a couple of tables so that we don’t have to move them out of the building. Judy Greinke added that it could be a booster event to raise money for the tables.

Beachcomber:

- All items are to be sent electronically to the Editor at beachcomber@herronisland.org no later than 5:00 pm on Wednesday, July 13, 2011. This would be for the July issue.
- Judy Greinke stated that the board got a letter from Anita and Paul Bray who want to form a Historical committee to publish Historical articles in the Beachcomber. They are not concerned as to whether it is a formal committee with a Charter, but only want a “green light” from the board to do this. They have no problems sending the articles to the board for approval before publishing.
- Dallas Amidon commented on how the members are very receptive to this type of information being available.
- **Dianne moved that we allow Anita and Paul Bray to put the Herron Island History in the Beachcomber as long as it goes through the Board and is approved by the Board. No discussion. Motion carried.**

Rumor Control/ Member Issues: Nothing heard.

Unfinished business: Mark Anderson moved that we remove Fred Fath as the Plan Trustee for American Century and add Judy Greinke as the Plan Trustee since she is now the Treasurer. Motion carried

New Business: Gary Wanzong made a motion to add the Finance Committee minutes to the end of the regular monthly minutes. Mark Anderson commented that it would analogous to having the Island Managers report included. Motion carried.

Mark Anderson announced that following this meeting, at noon, we will have a continuation of the Membership Meeting from last month. We will need at least six volunteers to count ballots.

With no further business, Mark Anderson moved that we adjourn the meeting. Motion carried.

Respectfully Submitted,

Dianne DeGood,
Recording Secretary

Following are the minutes of the Finance Committee Meeting:.