

HMC Management Board Meeting Minutes
March 10, 2012

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

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

Mark announced that Board Members would be recording the meeting for the purpose of completing the minutes.

Mark explained the Bylaws require that all the committees' reports be together, so the "Order of the Agenda" for this meeting has been changed.

Previous HMC Board Meeting Minutes: Mark Anderson moved to approve the minutes of the February 11, 2012 "HMC Board of Director's Meeting." Motion carried.

Mark also moved to approve the minutes of the February 11, 2012 "Herron Island Water Utility" meeting. Motion Carried.

Correspondence: There was one item of correspondence:

- A letter from the Pierce County Boundary Review Board discussing a proposal for the formation of a Countywide Flood Control Zone District. All concerns should be sent to them by April 9, 2012.

Finance: Judy reported that HMC Management seems to be doing very well with the budget. The Ferry Fees are running as expected and we now have less in bank fees since we changed the bank account for "HMC Management" and the "Water Utility" to a "Rewards" account. We will be paying the property taxes this month for the real property that HMC Management owns.

The cost of ferry fuel is down a bit, but medical insurance costs have increased. This will come out of general budget and the new budget will have to show the increase in insurance. The Small Boat Dock costs will be paid for out of the reserves, but we have more than enough to pay for it.

Judy presented the general bills to be paid and moved that we pay the general bills as presented. With no further discussion the motion carried.

Judy then presented the water-related bills to be paid. We have incurred legal and permitting costs to start work on the water system, and these costs will be paid out of the Water Reserves. The good thing is that we have Water Reserves that we can work with. We will need to increase our reserve contributions for 2013 to meet State requirements. All of the other miscellaneous bills presented were legitimate costs as well.

Judy moved that we pay the water-related bills as presented. Motion carried.

Administration: See the Island Manager's report for the full report of Administration issues.

- We had a lot of volunteers to thank after the ice storm. Dick Mowry helped with a small burn that was limited to storm debris on HMC property.
- Approximately 60 people attended the "Water Ground Breaking Ceremony" on Friday, March 2nd, which was organized by Judy Greinke and the BOOSTERS. Invitations were sent to Key Bank, Northwest Water, Massana Construction, USDA, and our Members. The State Director of USDA made a very nice presentation with a check signed by President Barack Obama for \$2,300,000. We also want to thank Neal Richardson for getting us three cases of Mountain Mist Water using our own private "Herron Island Water" label. The contractor made a small presentation, asking everyone for patience and that Members not distract the workers to ask questions. He hopes to have all the trenches dug around the Island by Memorial Day. The plan is to do it in three laps: lay the pipe first, set the fire hydrants, and then do the final hook-ups. Gary Wanzong thanked Dick Mowry for providing the pile of dirt for the ceremony, and Gary was thanked for providing the golden shovel. The BOOSTERS provided the cake and refreshments.
- On the 27th of February, 20 people attended a pre-construction meeting at the island attorney's office to coordinate the respective responsibilities of HMC, the contractor, USDA, and KeyBank, and to sign some of the paperwork needed for getting the permits and the construction started. The filing permits are still open, but we expect to get them by March 13th, allowing the construction to start on March 19th. The contractor will have two crews on the Island and will start with two loops (south loop and north loop). The contractor met on Thursday, March 8th with the IM, Board Members, Northwest Water, and the Resident Inspectors to go over the final plans. They still want to walk the Island to see if anything in specific needs to be surveyed.

- We will use the email notification list, the web site, and the white boards to notify Members of where the construction is taking place.
- The Board has five loan documents and one “Notice to Proceed” to sign at today’s meeting. Mark explained that the loan documents include a Certified Resolution of the Board of Directors of HMC Management authorizing the execution of the loan documents. We had already approved taking the steps to obtain the loan and to execute loan documents. The other documents we will be signing include a Non-Revolver Promissory Note, which is our obligation to repay any money advanced by KeyBank for the Water Project (the interim loan), a Credit Agreement between HMC Management and Key Bank, which specifies our obligation to repay KeyBank for the interim loan, a Security Agreement, which allows KeyBank to use HMC properties (mainly the new water system and improvements) as collateral for the loan. The KeyBank loan is a short term loan and, once the Water system is complete and certified, USDA will come in with the long term loan. The last document to sign today is the Disbursement of Fee Statement, which specifies the overall loan amount and fee schedule, which will become effective Monday, March 12th.
- Next week, our attorney should be issuing an “Opinion of Counsel” certifying that these documents have been signed correctly by all parties involved.
- A Member asked if it wouldn’t be to our advantage to have the Members pay the upfront capital costs now so that we don’t have to borrow all of the money. It was explained that we can’t set the amount of the capital costs until the project is finished. Initially it was thought that this cost would be about \$6,000 per Assessable Unit. But with the bid coming in lower than the Engineer’s estimate, this cost should also be lower. Once the amount is set, Members will have a 30 day window to pay the full costs upfront before we need to confirm the amount to be borrowed from USDA.
- **With no further discussion, Mark moved that we resolve to enter into a loan agreement with KeyBank, as stated in the Certified Resolution of the HMC Management Board of Directors. Motion carried.**
- The “Notice to Proceed” will be signed and issued to direct the contractor to proceed with the contract.
- The Water Project Committee proposed last month that a Water Advisory Committee should be formed to replace the Water Project Committee and carry on some of the functions of the Water Project Committee. The overall mission of the new committee would be to advise and make recommendations to the Island Manager and the Board regarding operation and maintenance of the water system. The new committee could be composed of the same members, but new members are invited to join. **Mark moved that we authorize the formation and constitution of the “Water Advisory Committee” to replace the Water Project Committee. Motion carried.**

Legal Liaison: We have nine delinquencies and six of these are with the Island attorney.

Transportation: A new standby captain has completed training and is training as a standby deckhand. Sargent Engineers has not scheduled an inspection of the Ferry Ramps.

Committees:

Water /Water Project: There was no further discussion.

Finance Committee: The Finance Committee met early in February to work on setting up the list of our expenses similar to how Carolyn does it in the office. Gary Wanzong went back five years and documented what we had actually spent. He has been working on a projected budget averaging the five years and then adjusting for an inflation rate. The Committee is getting closer to having some figures available. The proposed budget will be published in the May Beachcomber. One of the big costs that continue to go up is medical insurance.

After we get the ramps inspected we can better quote what is needed there. Many of the facilities on the Island have a 50 year life span, so we may need to increase the reserves to cover necessary repairs and/or replacement. We will also need to have an outside reserve study done to fulfill State requirements.

A Member asked about the Ferry engines. It was noted, while researching the possibility of new engines, the company that made our transmissions no longer exists, so parts will be very hard to find, expensive, or not available at all. At this time the transmissions are not giving us any trouble. Since our budget, through reserves, allows for an engine overhaul every three years and the next overhaul is scheduled for 2013, the cost for replacing both engines and transmissions is being researched.

Emergency Preparedness: Mike Shettlesworth reported that we had a representative of PCNet to help us go through a wish list of items that we might need in an emergency. Right now, we have a small budget and what we get will depend on how much the Island population at large wants to be involved. Once we know how much

needs to be funded, then it will have to be taken to a Member vote. The Finance Committee will also need to know what will be needed. There is another EP meeting scheduled today at 12:30. All are invited to attend.

The Island Manager reported that we completed a Natural Hazard Mitigation Plan and it is in place with FEMA. Mitigation money has become available and, when our plan fits into the funding that is available, we can apply for these funds. We are not sure whether replacement of the Ferry engines can be funded through this, but there has been some discussion about working with Fire District 16 about getting money for a rescue boat.

Rules Committee: A meeting is scheduled for this afternoon at 2:00 pm. It will be an orientation for the new members and to discuss plans for any future amendments to the Rules and how they would affect us.

Land Use Committee: The Land Use Committee is working on a revised Policy for the sale of the HMC-owned lots and expects to present a draft of that Policy soon.

Parks: The Parks Committee is scheduled to meet on March 24th at 9:30 am. A Parks Appreciation Day Work Party is scheduled for April 28th. With the new pilings, several adjustments need to be made to the docks before the work day, which include widening the smaller connecting docks and adding additional material to accommodate the new attachments. Mike Shettlesworth reported that he had a list of parts needed. There was a concern about Mike working as a resident inspector and that may not be available to work on the docks. If we need to get it hired out, we need to evaluate how much this will affect our budget. Mark suggested that the money should be taken out of the budget for the piling replacement. If we hire someone and pay them for the work they must be licensed, bonded, and insured. If we have a volunteer, this isn't required. Mike said that if we get the material for welding, he can do it at home. But once they go down to the beach, he will have to borrow a portable welder to do it. He suggested that if we get him some welding rod, he could start on it right away. Time isn't an issue and once they are fabricated he can get them installed. With the new pilings, the brackets are on the edge of the floats and they are sticking out 3 ½ inches. But he indicated that it would be an easy fix with a few wooden screws.

Roads: The new Roads Committee has met and worked on a Charter and Mission Statement. Jim Davies and Jack Wells have agreed to lead the Committee. Jim thanked Judy Greinke and Merry Kogut for working on the Charter. Mark stated that he has proposed revisions to include rights of way and the general responsibilities already identified. Mark stated that his goal is to use the same format as the other Charters and Mission Statements. Dick Mowry talked about the budgeting aspect of the roads. A budget should be established for everything including improved road service, undeveloped roads, and other duties. Dick also announced that he will continue to work for the Island until 2013, when he is planning to retire. In the meantime, we will need to be looking for a replacement. Mark thanked him for all of his service and stated that we will never find someone as valuable as he has been.

B.O.O.S.T.E.R.S. The BOOSTERS are meeting later today from 4:00 to 5:30 pm and having a potluck at 6:00 pm. Everyone is encouraged to come to the meeting, where they will talk about the events for next year and start a membership drive. They are also going to talk about options for spending the money from the past BOOSTERS to donate something to benefit the Island. Everyone is invited to attend and bring a covered dish.

Mark thanked the BOOSTERS for their help with the Groundbreaking Ceremony last Friday.

Beachcomber: All items should be sent no later than 5:00 pm on Wednesday, March 14th.

Rumor Control/Membership Questions:

- A Member commented on the web site and stated that some of the information is old and needs to be revised.
- Another Member commented on the storm debris that is still around the Island. If the debris is on HMC right of way, HMC will take care of it. If it is on a private individual's property, the individual will be responsible for taking care of it.
- It was also suggested that, as the new water systems progresses and the placement of the meters and pipes are complete, we should re-evaluate what Washington Water is charging for services. There was a concern about overcharging. It was suggested that we take bids for these services and look for the benefit of the Membership. Judy Greinke explained that 3 management companies were interviewed a few years ago. Washington Water was clearly the lowest price with the highest number of certified personnel on staff. Someone recommended that this is something the Water Advisory Committee could look at. Another Member asked how hard it would be to get a water connection later on a second lot within an Assessable Unit. It was explained that every Assessable Unit will have one hookup and that there will be some additional costs to add another connection later, but this is clearly defined in the Water Financial Policy online.

- There was a comment about losing the swim float after the piling replacement project. Everyone was assured that the swim float will go in, but with a different system.
- Mark reported that the piling replacement was done at the right time and way under budget. The old pilings had very little, if no life left to them. The contractor reported that they may not have lasted through the summer and we could have lost some of the pilings and maybe even the docks.
- Dallas Amidon wanted to remind the Board that the HMC credit card does have a maximum. The folks that are living here on limited incomes are very concerned about the monthly costs. We have to keep this in mind when we are evaluating upgrades and repairs to the current infrastructure. Mark noted that every major expenditure (over \$10,000) has to go out for a Membership vote. But we are always looking out for every Member's interests. The economy has helped us get better bids on projects and we are saving money by getting it done now.
- Someone asked about a boat length limit of 32 feet at the small boat docks. They were wondering with the new pilings if the length would be increased. It was explained that there is an active Rule concerning this in the Island Rules and, to change it, we would have to have a Membership vote.

Unfinished Business: Sherri Anderson reported that several Members met and discussed the security on the mainland. They are getting bids from several companies and will come back to the Board with a report. Someone suggested that we need restrictions on who can park in the mainland parking lot. It is private property and there should be no commercial vehicles. It was suggested that we have more signage, indicating that it is private property.

Another Member asked why we have to change the restroom in the community building. Mark explained that with the USDA loan we have to have our facilities ADA compliant.

New Business: Dallas announced that there will be a Sunrise Service on the 2nd Sunday of April, which is Easter Sunday. More details will be in the Beachcomber. There will be a special Ferry run at 7:00 a.m. that day.

Frank Vanravenswaay reported that there is a big branch on top of a power line, located at the intersection of Yew and Madrona. He said that Penlight has been called and they did not indicate when they would be out. But there is another tree on West Herron Boulevard that is about ready to come down on a power line and, with any winds, it will come down. We need to push to get PenLight out sooner.

Since there was no further business, Mark Anderson moved that we adjourn the meeting. Motion carried.

Respectfully submitted,

Dianne DeGood, Recording Secretary