Hat Island Board Meeting May 20, 2023

In attendance in person: Ray Stephanson (VP) Don Stark (Treasurer) Roelof Burger (Trustee) Aimee Caccavale (Trustee) Dan Jensen (Trustee)

Via Zoom: Kelly Dukes

Absent: Erik Smith (President)

Call the Meeting to Order Ray Stephanson at 10:30

Approval of Draft Minutes for 3/18/2023 Aimee motion to approve, Don Stark second

April 15 Aimee motion to approve, Don Stark seconds all approve

Legal Report, Ray Stephanson:

The only remaining pending litigation with Matt Surowiecki are the foreclosure action. The parties filed a joint status report last week, informing the court that the parties expect to complete discovery and have the case ready for trial by Nov/Dec. The foreclosure suits were filed well before the Supreme Court decision and Matt's attorney has stated that they will provide a draft amended answer by the end of next week.

Many HICA members have received a flyer from Mr. Surowiecki and the Gedney Island Property Owners Assoc. Please know that this entity is in no way affiliated with Hat Island Community Association and has no authority with respect to Hat Island finances or governance.

Island Manager's report:

Just a quick brief reminder as we enter high season!

Please make yourself familiar with the guest guidelines posted on the Hat Island website. During high season guest boats are limited to three per weekend and they

must be pre-arranged with the Harbor Master. In addition, there are NO guest boats on holiday weekends. For the purpose of Memorial Day weekend, we are

including Thursday, May 25th. Not only will owners be arriving for the holiday weekend, but it is also the first day of shrimping season which typically fills the marina

with owner's vessels.

Safety reminders as more and more owners return.

C1 - Internal use

The only fires allowed on the island are small recreational fires. Any fire used for yard clean up must have a burn permit issued. The burning rules are posted on

the Hat Island website and we recommend all owners familiarize themselves with them. All fires should be extinguished completely when walking away from

them. Would you put your hand into the ash? If not, then it is not completely extinguished. A fire pit should be cool to the touch. When extinguishing the fire

make sure to stir the ash with a shovel and extinguish the embers hiding below. There is a significant fine should you not fully extinguish the fire and SCFD 24 has

to be dispatched to put the fire out. Fire is the most dangerous event that could happen to Hat Island. We say it repeatedly but DO NOT BE THE ONE TO BURN

HAT ISLAND DOWN. Reminder that once there is a fire ban, no fires are allowed.

Water is a precious commodity on Hat Island. Please make sure to have conservation in mind when using water. There is non potable water available near the RO

plant in the marina. Feel free to load up containers of water to use for outdoor watering, etc.

Drive slowly. There will be a lot of owners out and about enjoying walks as well as children out riding bikes. Don't forget the dust factor. If you are driving and can see dust in your rearview mirror you need to slow down. The island is not that big that slowing down a bit is going to delay you to your destination.

And most important have fun! Be kind to your neighbors and fellow owners. We continue to get new owners who may not know all the rules we have to keep the

island safe and working smoothly. Let us all work to make this the most safe and fun summer to date on Hat Island!

Treasurer's Report, Don Stark

All payables are current and our reserves & operating income, as of 4/30/2023 are as follows:

Capital Reserve: $360,098

Cash Reserve: $258,739

Marina Reserve: $9,634

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RO Reserve: $114,886

CCB DNR Bond: $1509

Operating Income: $660,113

Detailed P&L and Balance Sheets will be posted on-line for your review.

Old Business:

New Business:

Proposed Investment Policy from the Finance Committee- Don Start, Treasurer

Water Leak Policy Amendment- Kim Gleason, Island Manager

Committee Reports:

Golf Committee-Bruce Kolpack, Committee Chair

Parks and Rec Committee- Aimee Caccavale, Board Chair

Water Committee, Roelof Burger

The Hat Island Finance Committee is recommending passage of an Investment Policy:

HAT ISLAND COMMUNITY ASSOCIATION (HICA)

C1 - Internal use

INVESTMENT POLICY

Goals & Objectives:

The community's cash assets shall be invested to achieve these three objectives in this order of priority:

Safety of principal.

Liquidity of principal (to ensure that adequate liquid funds will be available for coming year(s) reserve needs).

Return on investment (to achieve long-term investment performance without sacrificing safety and liquidity).

Definitions:

Don: The finance committee has been working on a policy for our cash. There is cash that could be invested and being conservative we need to be careful with that. Larry Christensen is on the committee and found another example of another homeowners assoc. This must be approved by the board. We are estimating what is needed for cash to keep us entirely liquid and what is available for investment. FDIC insured or guaranteed investments, nothing in stock or high risks areas. Being very conservative and keep track of cash needed and watch the investments carefully. How would we get that? The finance committee would explore a financial certified consultant and that recommendation would come to the board and the board would have final approval. The portfolio would be reviewed by finance committee and information provided to the board. We think this is conservative, prudent and given interest rates this would provide us with return on our cash at hand and provide money for island.

Dan: Makes a lot of sense given the interest rates. There are some super safe investments that would work for the island. I think this is great idea.

Roelof: I think this is a great idea

Dan makes a motion to move forward and Don seconds. All approved

Ray this would then come to the board

Don: Yes

Dan: We would avoid CD's so that we would be liquid. We are still looking into

Don: Do people have comments

Duan: I fully support this and treasury bonds.

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Ginger: Has anyone looked into the cost of something like this

Don: We don't but are looking into this still

Finance Committee—HICA committee that is co-chaired by one community member appointed by the HICA Board President and one HICA board

member elected by the HICA board

Consultant—Certified investment consultant/institution selected by the Finance Committee to advise on management of HICA cash assets

Investment Strategy:

Base Liquid Funds - On an annual basis following the adoption of the coming year budget, the Finance Committee will review the reserve schedule for the upcoming

year to determine anticipated funds required for expected expenditures and thereby determine the percentage of liquid funds that must be maintained for operations.

The HICA board shall be informed of this determination and will have 30 days in which to consider the recommendation. If no objection is raised, the

recommendation shall be deemed approved. This amount constitutes the "Base Liquid Funds."

B. Investment Funds - Funds over and above the Base Liquid Funds will be invested as follows:

Laddering Strategy-- Invest in federally insured accounts and/or securities that have maturities of three months or more. If funds permit, buy securities with varying

maturity dates (laddering strategy) rather than invest a lump sum in one security with one maturity date. (Laddering allows securities to mature at various times so

some funds come available periodically without invoking early termination penalties.). If interest yields are relatively low, the Finance Committee can direct the

consultant to invest for shorter terms with the anticipation that rates will rise in the coming months. If rates are relatively high, the Board can invest for longer terms

to take advantage of the higher yields.

New Funds-- Liquid portion of the reserve assets grow from interest earnings as well as from reserve contributions and become investable if they are in excess of

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the Base Liquid Funds. These funds can be combined with proceeds from laddered securities as they mature to purchase new laddered securities.

Approved Investment for Investment Funds:

Federal Deposit Insurance Corporation (FDIC) accounts

FDIC insured bank certificates of deposit

U.S. Government Treasury issued debt obligations

Review & Control:

Consultant selection process shall be conducted by the Finance Committee co-chairs with final approval by the HICA board.

All investments will be purchased in the name of HICA.

The signatures of the Finance Committee co-chairs are required for withdrawals or transfers of reserve funds.

The Finance Committee will review financial statements quarterly and adjust as needed to ensure investment goals & objectives are being met.

The HICA board shall receive quarterly reports on the performance of the cash investments.

This document reflects the policy of the Hat Island Community Association (HICA) Board of Trustees and is binding on all HICA financial transactions and can be modified

only by action of this board.

Current Water Leak Policy:

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Leak Adjustment Policy:

Potable water on Hat Island is a precious commodity and all residents are encouraged to conserve water throughout the year. It is strongly recommended that water be turned off at the

meter every time you leave the island, reducing the chance of leakage at a house.

If a resident leaves the island and does not turn off the water at the meter, the resident can call the HI office and ask to have the water turned off. There is no charge for this service if this

service is not abused. Repeat offenders may incur a $50 fee at the Island Manager's discretion.

Except for High Season, for abnormal usage due to a leak, the total bill will be reduced by applying the middle tier water rate to all excess water, rather than the maximum rates, up to $500

maximum benefit. However, such an exception will only be allowed one time per owner and is not retroactive to past bills.

During High Season, residents are responsible for paying all water bills as shown on their meter. Except for High Season, for abnormal usage due to a leak, the total bill will be reduced by

applying the middle tier water rate to all excess water, rather than the maximum rates, up to $500 maximum benefit. However, such an exception will only be allowed one time per owner

and is not retroactive to past bills.

During High Season, residents are responsible for paying all water bills as shown on their meter.

Ginger moved the new rate and policy be approved. Mike seconded. There was a further clarification made that lots that have water to them, but have not yet been hooked up and metered, can choose to pay the $5,000 installation fee or the equivalent of past annual and quarterly fees from the time water was brought to their lot, whichever is less, at the time that they hook up and meter. If they have been paying annual and quarterly fees all along, there is no new installation fee at time of metering.

With this new clarification, the board approved the proposed rate structure and policy. This will go into effect July 1, 2011.

Leak Adjustment Policy

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Potable water on Hat Island is a precious commodity and all residents are encouraged to conserve water throughout the year. It is strongly recommended that water be turned off at the meter every time you leave the island, reducing the chance of leakage at a house.

If a resident leaves the island and does not turn off the water at the meter, the resident can call the HI Office and ask to have the water turned off. There is no charge for this service if this service is not abused. Repeat offenders may incur a $50 fee at the Island Manager's discretion.

For abnormal usage due to a slow leak or line break to a residence, the bill will be reduced by applying the middle tier water rate to all excess water above the first-tier billing rate. However, such exception will only be allowed one time per owner and is not retroactive to past bills. The Island Manager/Board of Trustees may deny a request for reduced rates if the leak was ignored or caused by tampering with the water system.

The Island Manager may offer residents a payment plan as long as the owner is in good standing and continues to make all other payments on time.

Reasoning for suggested policy change:

Most leaks are accidental. Yes, there are some that are worsened by leaving water on, however more recent examples are due to wear that is not detectable by the owner.

This relief is for a one-time reduction of the billing rate per owner. Most bills are in the thousands of dollars.

This provides good will to our owners. They already have a sting to pay back with the second-tier billing.

Example: Person in U division turned off all of the water, however someone else had run a line to their home

Note: People with unexpected high-water bills due to their general water use, will not be

Fire email from Kim***

Kelly: I have read the report and have seen the pictures and this was an illegal burn. This was clearly an illegal burn and the fines should stand.

Ray: Fire chief agrees that fine should stand

Dan: I think it should stand

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Duan M30: It was Mothers Day and this was an illegal burn and the 2nd time. We had to bring in heavy equipment. We had to spread the garbage throughout the property. There is no question this is an illegal burn. I am grateful that Chris was there cause he could get the backhoe. Fortunately it did not spread

Steve Jeffries B27: I was on the fire and the report and pictures were after the fire was out. This person knew and they did put it out. If this is the 2nd time we should have a written warning or record of the first time. The consequence is we are to fine this person, we have lost any sort of good will with this person. We have lost a firefighter now and created ill will with this person

Dan: This is not like water, a fire gets out of control during the summer. This person on the fire department and didn't get a permit. I don't know how we get people to do

Toni B27: He claims he did not start the fire.

Don: I need to say something. This is not a mistake, this was a willful dodging of rules. In the face of a very dangerous consequence. This is a serious issue, we need to have punishments

Sharon Townsend: I agree with you and we have struggled with cost of fines. There is no excuse for this behavior. I think this person should pay. Talking to them doesn't seem to work

Dan: What if we have a published policy. We have to stop this.

Kim: This has happened more than once, the first level fine was issued, but not the second

Kelly: We did discuss the fines, we can't force people to attend meetings or read the notes, but we can have notices posted to show the risk.

Kurt Kassahn: He definitely didn't extinguish properly. The idea of second chances troubles me. I am a bit leery of that, we need to enforce.

Bill Townsend: Posting rules and sending out emails.

Ginger: If it was posted and shown the same

Steve: We have had fires in the past and fines were not imposed

Kim: That is because we did not have those fines in place. We started these last year via the Governance committee and we then enacted it.

Ray: the purpose of this is he wants forgiveness

Dan: A few years ago, we had a method of mediation to try and keep things of being escalated.

Motion: Don moved and Kelly seconds. Board affirms the action of the island manager and fines that were applied, and he has opportunity to mediation.

Motion to approve to this change Aimee, Second Roelof and all approved

Water Update 5-16-23

Water produced in Apr:

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Apr YTD

Wells 354,095 1,066,695

RO 14,355 358,235

Totals 368,450 1,424,930

During Apr the Wells performed as expected and the RO production was 14,355 lower than normal but we were

installing the new controller.

Kim: this is done and it is now working. Chris now has an air canister and can fill up your tires.

The production from this period was 3% less than Apr of last year. The water mix was 96% wells and 4% RO.

The YTD produced is 4% more than the last 2 years avg of their YTD amount.

Bruce Kolpak: Golf Committee

increased the fees this year, but we need to be aware of increasing the fees too much that decrease golf use. We can have advertising and fundraising. We have had some volunteering that has assisted as well. We are adding Disc golf and encouraging new golfers. To try and kick that off on June 24, open to all community members hopefully to get more members. We can make this a free tournament, if the board could give 8 coupon books to assist with prizes so we can make this happen.

Dan: How much is a coupon book

Bruce: 170.00

Don: I understand what you are doing and I appreciate this. How would you use the books

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Bruce: In the tournament we require green fees, we are looking to get new golfers. We would like to get the younger groups involved. I win and I get free golf games

Kelly: this is a great idea and a great way to get more people involved.

Dan: By promoting this type of user

Kelly motions the golf committee is given 8 coupon books to assist with their tournament, Aimee Seconds. All approve.

Another community golf tournament for August 26th in the evening.

Golf course fundraising. We just completed our 2023 advertising, we raised 5600. We still have 3 left to sell and we are working on some restaurants for 2024. The revenue was used for new signage, tee markers and we spent 3300. The remainder will be used to help with the maintenance and assistance with disc golf. We are starting a campaign for the caddy shed and goal is 20k. We are looking for donations to assist with this and hope to sell merchandise and logo wear

April 15th successful clean up event

Disc golf will be ready in the next few weeks with baskets on the course. Material to put them up has been ordered and then we will begin installing. Our plan is to have a free seminar and more info on disc golf.

Dan: I would like to congratulate you Bruce and your committee

Aimee: Parks and Rec: We will be doing an intro to Pickleball on the Friday and Saturday of Memorial weekend, all levels welcomed

Community Input:

Bradley and Duan Tinius

PO Box 1463

Everett WA 98206

M30, Hat Island

Hat Island Board of Trustees

3616 Colby Ave #335

Everett WA 98201

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Re: Absentee Moorage

Duan Tinius: I assume that the board has received my email and this is a fine not a fee.

We are in receipt of your email regarding absentee moorage.

We would like to bring to your attention the effect of the 30 day absentee moorage rule has on permanent residents. We are not describing people who reside on Hat Island 8, 9 or even 10 months out of the year. Full time residents are those whose primary home is occupied for 11 or 12 months out of the year. People who spend 3 or 4 months away from their homes are not full-time residents. This rule does not affect anyone else other than full time residents.

Is it this board's desire to discriminate against full time residents? RCW 64.38.028 states that any covenant, condition or restriction that is discriminatory against any group of people is void. "Upon the board's receipt of a written request by a member of the association that the board exercise its amending authority granted under subsection, the board must, within a reasonable time, amend the governing documents, as provided under this section.

Notes:

Finding-Intent-2006 c 58: The legislature finds that some homeowners' associations have governing covenants, conditions, or restrictions is contrary to public policy and repugnant to many property owners. It is the intent of chapter 58, Laws of 2006 to allow homeowners' associations to remove all remnants of discrimination from their governing documents." To tell us that we cannot go on a 5 week vacation in the middle of winter, is severely restricting our freedom of movement. Because we have already exceeded our "30 days", I suppose we will be fined if we want to see the grandchildren in Oregon for 3 days. We will be fined if we want to go away for a 3-day weekend in the mountains. Does anyone else have these restrictions? Other residents can go away as many times and for as long as they want without having to pay a fine. The current rules regarding absentee moorage are discriminatory towards full time permanent residents with boats too large to trailer.

If the definition of "absentee moorage" includes the days the owner is not on the island, what is the definition of "day"? If you look at our invoice, it includes 4 days when we were on the island for the majority of the day. Management included January 30th, March 6th, April 21st and April 24th. On each of those days, we were on the island for the majority of the day. If this is the rule, then can we expect to be charged each day we go into town for shopping, medical appointments, etc.? Does this really make sense?

3. The Hat Island Marina is virtually empty during the "low" season. I believe you are in receipt of data to show that at no time while we were gone that the slip where Chencharu is located was needed for another boat. The board is also in receipt of a petition signed by over 100 residents that would like to see an expansion of this rule to 60 days instead of 30 days. Unlike accommodations made for other island residents (extra ferry runs), this accommodation does not cost the community anything.

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We find your email to be really nasty and bullying. It is really disturbing to be treated like we are criminals. As to your threats of attorneys fees, we would remind you that in Small Claims court, attorneys are not allowed on either side. We have a right to be heard by an impartial party. I would hope that this board would give us a chance to speak without restrictions. It seems that some people wanting to speak get cut off while others are allowed to go on much longer.

Kelly: I would like to respond. There is a lot covered, as we discussed previously the board has exhausted hours and this is not the first time we have addressed. 1. The idea that annual moorage is 365 days of the year, I disagree and if I wanted to attend I had to pay additional. 2. I don't believe there is anything preventing anyone from leaving the island, what it does do is request that vessels are not left and this increases the risks of things happen to their vessels and risks that may come with this. This affects the safety of everyone involved. If a boat owner has a vessel that is larger and that is choice they made. There is nothing that prevents anyone from leaving the island. 3. The idea that this is discriminatory. There is nothing discriminating about this. You have 2 boats in the marina, you are the one who has a large boat in the marina

Dan: Couple of points. Our marina fees are ridiculously low and I pay at Dagmar's. I pay the same amount for 2 mos. at Dagmar's. Everyone who pays dues on this island is paying for part of this marina. Just because a slip is empty does not mean it is free. When we put the fees together it has restrictions. We have more people with boats than we have slips. We have gone over this and run it thru committees, the people who are using the marina are getting a good deal and there are people who are not using the Marina are also paying for it.

Duan: What do you define as a day?

Dan: We can discuss the day and time gone. I know you want to call it a fine, but it is a fee and it

Sharon: Everyone uses the marina, that should be subsidized by all. We all pay for golf, but not everyone uses it. Our boat was left for 17 and we did not take one vacation. Our boat cannot be trailered out. We also can't compare what we pay versus Everett, we don't have gas, pump out, etc. I think 60 days would be fair. In the past we were ran into this and we were fined. We have no place else to place our boat.

Bill: I think that the 2 board members are way off base. The marina does make money. This is discriminatory of full-time residents. I think the board should revisit this. There is the RCW that addresses discriminatory. This marina is a safer marina than Everett. Lets look at full time owners and what they are entitled to with RCW's.

Dan: Depreciation is an expense, and the marina takes a huge depreciation. I don't believe it is discriminatory to full time residents, it applies to all but it depends how you use it. We are looking at the whole community.

Kurt: I am sympathetic. If it is an individual basis and a challenge with days that is different. Our lawyer felt that it was discriminatory the other way. We have reduced the fees and we are not counting day trips off the island, and we have to look at that. You are paying 1/6 of what you pay at Everett. I think

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this is reasonable. I feel this is discriminating the other way. This is not a permanent marina this is transitory.

Roelof: The marina is for short term use only. It is affordable and we reduced the fee's for when you go away, you are still paying a lot less than what you would pay in Everett. If you need the flexibility

Kelly: Can Kim clarify how we calculate

Toni B27: We can't trailer our boat, this policy discriminates against people who cannot. The previous policy said consecutive 30 days. It has been changed and someone took advantage of that. To fine us and tell us we can't go visit our grandkids. We have that policy that favors others. All we ask is that you amend the policy. It is not enough, and it is punitive. 30 days is not enough, and we aren't asking for 60 days cumulative.

Ginger: No one is saying you can't leave the island you have to pay the fee

Ray: We are going to conclude the discussion on this. I have seen this play out and the Marina committee weighed in on this. I am not in favor of taking any motion to change anything.

Kelly: I am not in favor

Aimee: I am not either

Barb Gerz:

We want to give a big thank you to everyone who helped with Udo's

emergency.

Lori, Don for getting us over to Everett, Craig and Barb Harris for getting

into our house for the Cpap and meds, the ferry crew, Shawn and Rachel

for transporting, and Kim for arranging everything. Also, for Darla Younce

for sitting with me during surgery.

I also want to use this as a reminder to everyone, to listen to your gut and

don't hesitate to call 911, no matter the time. Strokes don't always

present the usual symptoms.

This was a dark spot in one eye that we thought was caused by something

getting in his eye from weed eating .

This truly shows we all have a wonderful tribe here.

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Steve Jeffries: I want to address the whole topic of community. We have 7 folks who volunteer to be on the board. We should be thankful. We have firefighters who have saved lives and put fires out. We are struggling to get young people to participate. We are legalizing it. We aren't talking about the marina. We have folks that don't talk to each other and is that what we want. Do we really want the island manager to spend time discussing rules and then ask for volunteers. We are squabbling about little things and we have big problems. My suggestion is that we are turning people off and it is time for a reboot. What is the impact of what you are deciding. I do appreciate all of you.

Motion to adjourn to executive session Don motions, Aimee seconds. All in favor

Ray Back with nothing new to report

Dan moves to adjourn and Don seconds. All in favor

C1 - Internal use