

Agenda

Hat Island Community Association
Board of Trustees Meeting
Working Session- 2024 Budget
3616 Colby Ave PMB 335
Everett, WA 98201
(360) 444-6611

Wednesday Aug 30, 2023

6:00pm via ZOOM

Attendees:

Erik Smith- President	Virtual
Ray Stephanson – VP	Virtual
Don Stark- Treasurer	Virtual
Kelly Dukes- Secretary	Virtual
Aimee Caccavale- Trustee	Virtual
Dan Jensen- Trustee	Virtual
Roelof Burger- Trustee	Virtual
Kim Gleason- Island Manager	Virtual

Agenda:

- Call meeting the meeting to order

Erik: Called this working session to order at 6:00pm

All Board members are present via zoom. This meeting to review the Finance Committees recommendation for the 2024 budget. Expect that this will have multiple iterations

Dan: First pass at the proposed 2024 Budget. Dan is sitting in for Dan Christianson who will taking over on this topic going forward.

Discussion: How we intend to include the community involvement. The Committees have al provided input. (Vessel, Marina, Social, Golf etc.) How are we doing and do we need to include any adjustments. The Board Chairs will pulse the Committees for further feedback. Feedback will be incorporated into a final version that will be brought forward to the community for a vote late this year.

Dan: Explained the budget spreadsheet and how to compare the various year's budget.

There is no increased assessment proposed for 2024.

Revenue highlights: The ferry revenue has an increase of approximately \$25,000 based on the continued growth on the island and increased ridership. Cost of goods solid has increased, we have used an inflation factor of 3%.

Expenses: Professional services have increased due to legal activities due to major lot owner. Payroll Expense, based on ferry crew requirements, because the island is growing and the ferry crew needs relief. The Board had a meeting, and has made recommendations to the Finance Committee on adjustments to staffing.

Kelly: The Board is familiar with this topic, but for those who are listening a quick summary of the situation. The results of the Long- Range Planning Committee Strategic Planning Retreat clear that the community they are looking for increased services/access to the island. We also have experienced continued growth on the island, which has led to increased ferry ridership. The crew is working long hours to accommodate getting owners and guests back and forth from the island, as well as cargo runs and charters. Owners have a right to access the island, either by ferry or private boat and the marina is limited in size. We have made a recommendation to increase the ferry staff. This allows ferry crew to have dependable days off, where the crew won't have to work every single holiday, and every weekend. We found a way to do this without increasing assessments.

Dan: Will do some further refinement of the projected income for Tuesdays.

Kelly: History has told us that once there are dependable service runs, the island uses it, Monday and Thursday runs are packed. Saturdays, Sundays and Fridays are full as well. It might be slow to start, but expect it will follow suit.

Aimee: I think this is great work. This enables us to hire and retain good employees. We need stability and a group of employees who are happy in their jobs

Kelly: We have a great crew, for anyone who manages people, when you have good people, you want to make sure they are happy. We have a great ferry crew. The proposal provides increased ferry service and provides a solution to enable our crew to have dependable days off.

Ray: Where are the fuel costs, have been changing, we will need to watch that in the event that we need to make adjustments.

Discussion: Fuel costs are shifting-need to watch and make sure the fuel surcharge covers it.

Dan: We will monitor the fuel costs. The ferry and marina do continue to be subsidized by the assessments. We will monitor if any fees need to be adjusted (ferry ticket price and marina moorage).

Total expense overall increase about \$154k. Our revenue is comparatively flat. Our ordinary net income without EBITA is 536k. Other income, (collecting payables. Marina assessment) that adds about 100k. Other expenses are interests and depreciation. Total net income is \$301k. We got \$250k in settlement in the lawsuits which helped out bottom line. There are a couple of items of additional income on the horizon for 2023/2024; including the COVID grant, once our income taxes are complete, we would receive an \$150k grant.

We are also looking at FDIC investments which would allow us to take advantage of healthy interest rates. We set aside \$500,000 for short term investments. This would allow us to generate \$10-\$20k in interest revenue for 2024 which would be a nice injection into the budget. It is not included in the budget, if it is realized, it would be a

cash infusion. We have not included either of these in the budget, they will just be extra cash when realized.

Dan: Move that we give the Finance Committee, Treasure and Community chair execute this agreement. You voted on the policy; this is just the execution of the policy.

Don: Second

Erik: Motioned to table this discussion and allow everyone to review. Till everyone has a chance to review and approve.

No objections to tabling the discussion until the Board has a chance to review/read it and review at next Tuesday's meeting.

Don: There is not another Board meeting till October

Discussion that the Board can review the proposal and there would be another open session next week that we could then vote on.

Don: There is an open motion on the floor, I will retract my second.

Discussion: Agreement to table the motion until next week.

Back to 2024 budget- Reserves tab

It is the reserves and the bottom line. Included in the net income is what Matt Surowiecki owes us. You have to take that out, that leaves \$144k, and then add back in depreciation which is \$270k. If we get the windfalls we expect, that will get us back up to ~\$300k available cash. Discussed equipment purchases, some of which are deferred. That leaves us with a healthy level of \$1M in reserves.

Discussion on the Matt Surowiecki, he will still owe \$446k in 2024. The money that we got from the Supreme Court judgment, \$113k when toward his marina the balance of the \$250k was paid against our legal fees and our insurance company.

With the audit we are just successfully completed the reserve funds are only for the repair and replacement of existing equipment. Operating expenses is for running the operation side of the business.

The third tab is for money that we set aside for anticipated new purchases. The Finance Committee and Long-Range Planning Committee will be making a 5-year plan for those purchases. This may include things that have been discussed such as a grader or a second boat. There may be possibility to finance a larger expense as we have zero debt and are in a strong financial position.

2024 Reserve Purchase required in 2024. If we don't purchase the sweeper, the golf course will not be playable. Drainage plans are in the reserves. The dump truck and marina shower has been deferred as not needed at this time. Captain Sparrow made a strong recommendation to purchase a spare engine to enable a quick repair. Having it on-hand would enable a quick return to service, supply chain concerns could impact our ability to quickly get a replacement or repair to an engine.

Kim: We can have the spare engine on hand and even use it for spare parts if needed. We already had an issue earlier this year and thanks to Captain Sparrow we were able

to resolve it. In 2010 the ferry went down for several months and the financial impact for finding a replacement service was a significant financial hit to the island, it almost bankrupted the island. We are trying to be proactive and ensure that we will continue to have the ferry service to the island that our by-laws require that we provide.

Office computers and tennis court resurfacing is budgeted for 2024.

Executive summary is only a compilation of net income.

2024 new purchases

Last year we did remove some items for 2023, Board will need to look at those items and see if they want to add back.

Dust mitigation will take time. \$20,000 will buy 8,00 feet of dust suppression (1.5 miles) It will last 3-4 years. It will take care of the heaviest used roads.

The biggest discretionary dollars are the purchases tab.

1M reserve is our target, it makes us comfortable financially. With the new investments plan we can put that to work and generate income.

Don: the other thing that you can do it retire all our debt, but that is not really necessary the best use of these funds and is very conservative.

Discussion managing the growth on the island with the funds we have.

Dan: That is all. We will continue to refine the budget as we discuss it.

Ray: Have we placed additional expense money for fiber optic cable placement starting in 2024?

Dan: We already have budget money allocated to drainage activities already, we may be able to take advantage of the open trenches.

Ray: If the Whidby Telecom contractor damages our water pipes when laying fiberoptic cables we want a interlocal agreement in place that Whidbey Island telecom is responsible for the damage.

Dan: Provide a broad assessment of what that might look like before our next meeting and we will include it.

Discussion: Board Chairs should check with the Committees to see if any further input. Thanked Kim for all her hard work on this budget.

Dan: Motions to adjourn

Kelly: Seconds

Vote:

Erik Smith- President	Yes
Ray Stephanson – VP	Yes

Don Stark- Treasure	Yes
Kelly Dukes- Secretary	Yes
Aimee Caccavale- Trustee	Yes
Dan Jensen- Trustee	Yes
Roelof Burger- Trustee	Yes

Motion to adjourn approved at 7:14 pm