

Where are we now and why do we need a vote now?

- We now have a Water System Plan that has been approved by the Washington Department of Health. We have increased our water service connections to 525, which allows for maximum build-out of our water system on Herron Island.
- HMC Members have a limited time opportunity to take advantage of a low cost loan available through USDA/RD at 3.25 – 4.25 % annual interest, payable over 40 years. USDA/RD is going to obligate its funds on a first come first serve basis. We will be able to take advantage of this program only if we are able to complete and submit a final application for consideration by the USDA/RD as soon as possible. To do so requires both time and money. These issues are being brought to a vote now to permit a timely application and the means to make it.
- Our Island Manager, Claudia Ellsworth, has already assembled the basic application materials for our USDA/RD application (with no outside costs to HMC), which has resulted in HMC being *pre-qualified* for USDA/RD funding. But there remains additional engineering and other work to be done to make that application complete and ready to submit.

Time is of the essence. If we don't at least make this application now, we will likely lose this opportunity altogether.

What Voting YES on Ballot Issue No. 1 Would Mean. . .

We will be permitted to continue the process for a much-needed replacement and upgrade of our aging water system, regardless of what the Members ultimately decide regarding ownership of the system and how the replacement and upgrade is to be financed. A YES vote on Ballot Issue No. 1 is needed to allow continued work on this important investment in the future of Herron Island.

What Voting NO on Ballot Issue No. 1 Would Mean. . .

We would need to stop our efforts to replace and upgrade our water system. Maintenance issues for our existing water system would continue to increase. It would be increasingly difficult to ensure the quality of the water provided to HMC Members. In the relatively near future, our water system would likely fail to meet the minimum requirements for water quality, at a time when water system replacement and upgrade will cost more and probably be more disruptive to our island way of life. And, the significant work done by many involved HMC Members will have been for naught. A NO vote on Ballot Issue No. 1 would stop needed progress on Herron Island and merely postpone what many see as the inevitable.

What Voting YES on Ballot Issue No. 2 Would Mean. . .

The authority for the expenditure of funds on engineering and consulting services would permit continued progress on engineering and other aspects of the development process that can be applied to and incorporated into the remaining steps for replacement and upgrade, regardless of the choice of contractor or the outcome of a future vote of the HMC Membership to retain or transfer ownership of the water system. Funding would come from budget reserves that HMC has been building up, in great part, for this very purpose. All expenses incurred could likely be rolled into a construction loan for the water system project, allowing us to replenish the reserves. We will also be able to preserve a favorable financing opportunity for a loan through the US Department of Agriculture, Rural Development (USDA/RD). Approval of Ballot Issue No. 2 will not require that we ultimately obtain a loan from the USDA/RD, but will keep that financing opportunity open as an option for a *future* vote of the HMC Membership. A YES vote on Ballot Issue No. 2 would mean we are actually making progress toward our goal of improving the quality of life on Herron Island through the improvement of our water system.

What Voting YES on Ballot Issue No. 2 Would Not Mean. . .

- A YES vote would not obligate HMC Members to retain ownership and operation of the water system.
- A YES vote would not decide who will be running the water system in the future.
- A YES vote would not decide who will own the water system in the future.
- A YES vote would not take away any option to have PenLight (or any other third party) take over ownership, operation, maintenance and administration of our water system.

None of these decisions would be made by this Ballot Issue, but would be the subject of a future vote of all HMC Members.

What Voting NO on Ballot Issue No. 2 Would Mean. . .

A NO vote would mean that HMC Members would be left with fewer choices about how to finance the project, and would force us to seek commercial financing at significantly higher rates. (We have been quoted 6.35% or higher.) A NO vote on Ballot Issue No. 2 would limit the freedom of choice that HMC Members deserve for how to finance the water system replacement and upgrade.

What Voting YES on Ballot Issue No. 3 Would Mean. . .

HMC Members would once again have the specific defined powers that were set forth in the original 1958 Articles of Incorporation, but were left out of the 2004 Articles of Amendment update. Among others, these specific powers would include the authority to operate and maintain a water system for HMC Members. Approval of Ballot Issue No. 3 would not *require* that HMC continue to own and operate the water system, but would *authorize* us to continue to do so as we do now. A YES vote on Ballot Issue No. 3 would restore our rights regardless of the method we choose to upgrade our water system.

What Voting YES on Ballot Issue No. 3 Would Not Mean. . .

- A YES vote would not create any requirement or mandate that HMC Members retain ownership of the water system or that HMC continue to operate, maintain and administer that system.
- A YES vote would not grant more powers to HMC Members than they are already exercising but, instead, clearly identifying those powers.
- A YES vote would not limit the power of HMC Members to act.

What Voting NO on Ballot Issue No. 3 Would Mean. . .

The authority of HMC Members to own, operate and maintain its existing water system and any future water system would remain uncertain. Also, HMC would not be eligible for the financing available through the USDA/RD loan program, once again denying HMC Members the opportunity to vote on a valuable option for a source of funding for its water system replacement and upgrade. A NO vote on Ballot Issue No. 3 would keep our Articles of Incorporation problematically vague and subject to possible legal action in the future over decisions involving the authority of HMC Members to govern their own island community.