

**Ballot Measure**

**July 13, 2013**

## **NOTICE OF SPECIAL MEMBERSHIP MEETING OF HMC MANAGEMENT**

**Notice is hereby given pursuant to Article 4 of the Bylaws of HMC Management that a Special Meeting of the Membership will be held on Saturday, July 13, 2013 at 12:00 Noon at the HMC Community Center on Herron Island. At the Special Meeting, the Membership will vote on Two (2) Ballot Propositions that are presented by the HMC Board of Directors as described below.**

**Members may vote in person at the Meeting or by mailing or delivering the enclosed Ballot forms to the HMC Office so that they are received prior to the time of the Meeting. *Note: Your Ballot will not be counted if you do not put both your name and your signature on the large envelope.***

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### **BALLOT PROPOSITIONS**

- 1. Shall HMC Management ratify the proposed HMC Management General and Water Budgets for Fiscal Year 2013/2014 as presented to the Membership at the June 8, 2013 Annual Meeting?**
- 2. Shall HMC Management adopt Excerpted Rules requiring Membership approval?**

## **BALLOT EXPLANATION FOR PROPOSITION NO. 1**

### **HMC Management General and Water Budgets for Fiscal Year 2013/2014**

Pursuant to Article 9 of the Bylaws of HMC Management, the HMC Board of Directors has adopted the HMC Management General and Water Budgets for Fiscal Year 2013/2014 (the “General and Water Budgets”). The HMC Board of Directors now presents the proposed General and Water Budgets to the Membership for ratification.

A copy of the proposed General and Water Budgets including proposed changes to the Fee Schedule are attached to this Ballot. These documents were published on the HMC website in May and presented at the HMC Annual Meeting held on June 8, 2013. A more detailed explanation of these proposed Budgets is published in the June 2013 Beachcomber. Also included is an Assessment and Reserve Funding Disclosure Summary prepared by Association Reserves.

Under the proposed General and Water Budgets, annual assessments would change to \$1,758 per assessable unit for the Fiscal Year starting October 1, 2013. Water Assessments would be \$21 per month (billed quarterly) per water Connection.

The HMC Board of Directors recommends ratification of these General and Water Budgets to continue supporting our Island operations.

## **BALLOT EXPLANATION FOR PROPOSITION NO. 2**

### **Adoption of Excerpted Rules Requiring Membership Approval**

Along with our Bylaws HMC Management is governed by established Rules created for the benefit and safety of the Membership. Certain excerpted Rules govern activities that pertain specifically to actions conducted on private property. The excerpted Rules are intended to provide for the well being of the entire membership when an action, while conducted on a Member’s private property may extend beyond the borders of that property. The excerpted Rules must be approved by the Membership and are contained in the attached document entitled: “Excerpted Rules Requiring Membership Approval” dated June 2013.

The HMC Board of Directors recommends ratification of these Excerpted Rules.

# HMC Management Profit & Loss Budget October 2013 through September 2014

	Oct '12 - Sep 13	Oct '13 - Sep 14
<b>Assessable Units</b>	394	394
<b>Units minus delinquents</b>	389	388
Total Income minus Assessments	277,278	219,570
Total Expenses and Reserves	927,686	901,609
Assessment per member	1,672	1,758
Total Assessments	650,408	682,039
	<b>Current Budget</b>	<b>Proposed Budget</b>
<b>Ordinary Income/Expense</b>		
Income		
Assessments	650,408	682,039
Ferry Fees	165,000	175,000
Other Income		
Beachcomber Ads	600	600
Renter's Fees, Copy, Fax and Notary	2,000	2,000
Nsf Fees	200	200
Postage	20	20
Property Transfer fee	1,000	1,000
Research Office Time Fees	500	250
Interest & Handling (Delinquent Accounts)	4,558	4,500
Member Credit Card Fees	1,000	1,000
Attorney Collections (see note 5)	10,000	10,000
Total Other Income	19,878	19,570
Reserve Transfer		
Ramp Cable Replacement - every 5 years	-	25,000
Shipyard (2 Years on even years)	92,000	-
Total Reserve Transfer	92,000	25,000
Interest Earned		
HMC Management Reserves	180	-
General Fund	220	-
Total Interest Earned	400	-
Total Income	927,686	901,609
<b>Expense</b>		
HMC Regular Operations		
Accountant/Auditor	6,000	5,000
Reserve Analysis	2,000	1,300
Bad Debt Write Off	-	2,000
Bank Fees	350	300
Community Building Maintenance	1,000	1,000
Community Asso. Institute	150	150
Contract Svcs for Junk Removal	500	150
Credit Card Fees - Member Payments	1,000	1,000
Emergency Preparedness	500	500
State and County Taxes	6,500	6,000
HMC Property Pre-Sale Expense	200	200
Removal of unsafe trees	2,500	5,000
Insurance (see Note 4)		
Directors/Officers Ins	2,700	2,785
Crime (Break-ins and Theft)	460	460
5 Million Excess Liability	10,500	10,300
14 Million Excess Liability	9,500	9,270
Total Insurance	23,160	22,815
Legal Fees (see note 5)		
Collection Costs	18,000	18,000
General	12,000	12,000

# HMC Management

## Profit & Loss Budget

October 2013 through September 2014

	Current Budget	Proposed Budget
<b>Total Legal Fees</b>	30,000	30,000
<b>Office Equipment</b>	1,500	1,000
<b>Other</b>		
Education and Training	100	150
CrystalTech-Web hosting	100	100
Mileage	200	250
Background Checks	200	200
Miscellaneous & copier contract	500	500
<b>Total Other</b>	1,100	1,200
<b>Payroll Expenses</b>	1,000	1,000
<b>Pension Administration Ferry Crew</b>	550	600
<b>Postage</b>		
Box Fee	80	80
Stamps & Postage	2,500	2,500
<b>Total Postage</b>	2,580	2,580
<b>Printing</b>	1,000	1,000
<b>Admin Salaries</b>		
Medical Insurance	10,000	10,300
Retirement	2,105	2,070
Gross Wages	67,051	69,230
Payroll Taxes	6,173	6,378
<b>Total Admin Salaries</b>	85,329	87,978
<b>Island Security Costs</b>	500	1,200
<b>Office Supplies</b>	1,200	1,200
<b>Telephone/Fax</b>	2,500	2,500
<b>Utilities/Electric</b>	2,000	1,500
<b>Facilities and Grounds Maintenance</b>		
Gross Wages	2,250	5,500
Payroll Taxes	300	800
<b>Total HMC Regular Operations</b>	175,669	183,473
<b>Piles, Dolphins and Ferry Ramps</b>		
Garbage - Ferry	225	250
Insurance - Docks and Piers (see note 4)	13,200	16,045
Ferry Ramp Generator Maintenance and Fuel	1,000	600
<b>Other</b>		
Annual DNR Lease	500	225
Parts and Supplies	1,000	1,000
Other/Inspection	1,000	1,000
<b>Total Other</b>	2,500	2,225
<b>Repairs/Maintenance</b>	3,000	3,000
<b>Sanikans</b>	3,000	3,000
<b>Utilities</b>	1,900	1,900
<b>Cable Replacement</b>	-	25,000
<b>Total Ferry Docks and Ramps</b>	24,825	52,020
<b>Ferry</b>		
Equipment	2,500	2,500
Fuel	90,000	85,500
<b>Insurance (see note 4)</b>		
Marine Package	19,000	19,160
Vessel Pollution Liability	1,100	1,130
Commercial Package	6,500	6,810
<b>Total Insurance</b>	26,600	27,100
Repairs	6,000	6,000

# HMC Management

## Profit & Loss Budget

October 2013 through September 2014

	Current Budget	Proposed Budget
<b>Other</b>		
Rentals for fill in Captains/Deck Hands	500	500
Sheds (waiting, oil and school)	300	300
Cellphone	600	600
Drug Testing	600	300
Inspections and Licensing	2,300	1,500
Miscellaneous	2,000	2,000
Tickets & Passes & Stickers	1,100	1,500
Uniforms	1,200	1,300
Legal Fees - IBU Attorney	500	500
<b>Total Other</b>	<b>9,100</b>	<b>8,500</b>
<b>Passenger Vessel Asso.</b>	<b>450</b>	<b>450</b>
<b>Routine Maintenance &amp; Supplies</b>	<b>5,500</b>	<b>6,000</b>
<b>Ferry Salaries &amp; Benefits</b>		
Medical Insurance	40,000	41,200
Retirement-Employer	15,545	15,648
Payroll Taxes	23,721	23,584
Gross Wages	267,168	267,087
<b>Total Ferry Salaries &amp; Benefits</b>	<b>346,434</b>	<b>347,519</b>
<b>Ship Yard</b>	<b>92,000</b>	<b>-</b>
<b>Supplies, Paper Products, Water</b>	<b>2,000</b>	<b>2,150</b>
<b>Personal Property &amp; Excise</b>	<b>3,000</b>	<b>2,600</b>
<b>Total Ferry</b>	<b>583,584</b>	<b>488,319</b>
<b>Parks</b>		
<b>Maintenance</b>		
Lawn Equipment	200	200
General upkeep including park parking	2,800	2,800
<b>Total Maintenance</b>	<b>3,000</b>	<b>3,000</b>
<b>Other</b>		
Garbage Pick Up	600	600
Misc.	-	100
Sanikans	3,600	3,300
<b>Total Other</b>	<b>4,200</b>	<b>4,000</b>
<b>Small Boat Dock Floats</b>		
equipment	1,000	2,000
Maint & Improvements	750	750
<b>Total Small Boat Dock</b>	<b>1,750</b>	<b>2,750</b>
<b>Supplies &amp; Equipment Repairs</b>	<b>1,000</b>	<b>1,000</b>
<b>Utilities</b>	<b>900</b>	<b>700</b>
<b>Total Parks</b>	<b>10,850</b>	<b>11,450</b>
<b>Roads (ferry island/mainland lots)</b>		
Auto Insurance (water truck)	850	847
Dust Control Truck	1,700	1,000
Road Maintenance (Contract Costs)	15,000	17,000
Road & Ditch Materials & Supplies	8,000	8,000
<b>Salaries</b>		
Payroll taxes	108	-
Tansy	600	-
<b>Total Salaries</b>	<b>708</b>	<b>-</b>
<b>Total Roads</b>	<b>26,258</b>	<b>26,847</b>
<b>Total Expense</b>	<b>821,186</b>	<b>762,109</b>

# HMC Management Profit & Loss Budget October 2013 through September 2014

## RESERVE FUND BUDGET Note 3

### HMC REGULAR OPERATIONS AREA

Reserve - Legal (Cap is \$35,000 - Balance is \$34,550)

- -

Reserve - Community Building & Sheds and Septic (Cap is \$20,000 - Balance is \$1,000)

1,000 1,500

Total HMC Regular Operations Reserve Fund Budget

1,000 1,500

### PILES, DOLPHINS AND FERRY RAMPS

Dock Piles and Ferry Dolphins (Cap is \$768,000 - Balance is \$108,478)

9,000 9,000

Ramp Painting (Cap is \$212,000 - Balance is \$19,000)

19,000 33,500

Reserve - Inspection of Ramps (Cap is \$12,000 - Balance is \$6,000.00)  
Required by Pierce County.

6,000 3,000

Reserve - Ramp Cable Replacement (Cap is \$25,000 - Balance is \$5,000.00)  
Recurring 5 year expense cycle previously not budgeted.

5,000 20,000

Total Piles, Dolphins and Ferry Ramps Reserve Fund Budget

39,000 65,500

### FERRY

Reserve - Shipyard (Cap is \$95,000 - Balance is \$46,000) Note 1

46,000 49,000

Reserve - Engine Overhaul/Replacement (Cap is \$200,000 - Balance is \$0)  
Note 2

12,000 9,000

Reserve - Ferry Replacement (Cap is 1,000,000 - Balance is \$1,000)

1,000 1,000

Total Ferry Reserve Fund Budget

59,000 59,000

### PARKS

Reserves - Parks (Cap is \$36,000 - Balance is \$30,700) For items such as  
Lawn mower, weed eater, playground equipment. Note 6

4,000 500

### ROADS (FERRY ISLAND/MAINLAND LOTS)

Reserves - Roads General (Cap is \$50,000 - Balance is \$35,240) Note 7

3,000 10,000

Reserves - Water Truck (Cap is \$30,000 - Balance is \$500.00)

500 3,000

Total Roads Reserve Fund Budget

3,500 13,000

## TOTAL RESERVE FUND BUDGET

106,500 139,500

## TOTAL EXPENSES AND RESERVES

927,686 901,609

General note: This budget was generated based on analysis of the last five years of actually expenses. This budget follows the accounting requirements and format used by HMC.

Note 1: Ferry goes into dry dock every two years on the even year

Note 2: New engines and transmissions will be completed in Sept 2013 which will deplete the reserves. Next yard service estimated in 2016.

Note 3: Reserve accounts are recommended to total 10% of operating budget for HOA's. Refer to Annual Reserve Fund Budget Disclosure.

Note 4: Insurance was broken down per actual policy and allocated to appropriate departments for the 2013-2014 budget cycle.

Note 5: Legal fee expense is partially off set by legal fee income. This allows for accounting requirements.

Note 6: The Parks Reserve will be reduced by actual cost of the Basketball Court once that project has been completed.

Note 7: It is expected most of the Roads Reserve will be utilized in the 2012/2013 FY for purchase of rock and restoration of roads.

# HMC WATER

## Assessable Connections

### Connections minus delinquents

Base Fee per Connection
Reserve Fee per Connection
Assessment per Connection - Annual
Assessment per Connection - Monthly
Total Assessments - All Connections

Current Budget	Proposed Budget
Oct '12 - Sep 13	Oct 13 - Sep 14
399	397
394	390
156	154
84	98
240	252
20	21
94,276	98,300

## Water

### Ordinary Income/Expense

Base Fees	61,276	60,250
Reserves	33,000	38,050
New Water Connection	-	2,000
USDA Water Special Assessment	-	53,278
Total Income	94,276	153,578

### Expense

Accountant/Auditor	1,000	1,000
Bad Check	200	200
Bank Fee	50	50
Contract Manager	15,000	12,000
Insurance	1,800	1,800
Legal	1,700	1,500
Mailings	1,000	1,500
Membership Fees	200	200
Mileage Reimbursement	100	400
Other Expenses		
Excise Tax	1,000	2,100
Miscellaneous	400	500
Permits & License	1,000	500
Water Samples	500	500
Total Other Expenses	2,900	3,600
Repairs - Parts	2,000	2,000
Supplies & Repairs - Contractors	3,000	2,000
Utilities	3,000	3,000
Wages - Administrative and Meter Reading	24,400	27,800
Taxes	2,420	2,600
Insurance	1,980	-
New Water Connection	-	2,000
Pension	526	600
USDA Water Special Assessment	-	53,278
Total Expense	61,276	115,528
To Water Reserve (Cap is \$1,800,000.00 - Balance is \$110,123)	33,000	38,050
Total Expense and Reserve	94,276	153,578



## Proposed 2013/2014 HMC Fee Schedule

### Monthly Handling Fee for Delinquent Accounts:

For balances of \$60.00 or less	\$ 15.00
For balances of \$60.01 or more	\$ 30.00

Interest	1% Monthly or 12% per Annum
Non-Sufficient Funds (NSF)	\$ 35.00
Office/Research per hour	\$ 40.00
Placing and Releasing Liens	HMC Attorney Rates at the time
Lost Vehicle Decal Replacement	\$ 5.00
Special Ferry Run (per run)	\$175.00
Copies: Black/White each	\$ 0.20
Color each	\$ 1.00
FAX – Incoming/Outgoing per page	\$ 1.00
Member Credit Card Fee	4%
Renter's Application Fee	\$ 60.00
Renter's Annual Renewal Fee (billed in full in October)	\$ 30.00
Beachcomber Ads – per ¼ page	\$ 20.00
Beachcomber Mailing	\$ 18.00/year or \$2.00 per issue
Returned Mail	Post Office Rate
Notary Services	\$ 10.00
Community Center Building Rental + Damage Deposit	\$100.00

*(Applies only to private parties – up to \$50.00 refundable). See HMC Rule D-2. (Events open to the entire community need member signature, \$50 deposit; \$50 deposit will be refunded if hall is left clean.)*

Property and Water Account Transfer Ownership Fee	\$175.00
Water Availability Letter (Completed by Island Manager)	\$ 50.00
Water Connection Repair Admin Fee	\$ 50.00

(Repair expense will be actual cost charged by approved contractor)

### New Water Connection fee includes 3 components:

1. Admin Fee \$ 50.00
2. New Water Connection Installation expense will be **actual cost** charged by approved contractor.
3. Capital Cost Recovery
  - a. 2012/2013 Water Project Special Assessment of \$178.20 prorated since inception April 2013. Plus monthly charge of \$14.85, billed quarterly at \$44.55 for the next 39 years.

### **OR:**

- b. Pay the total balance of \$7,128.20, the per-connection proportionate share.

Water Cross Connection Administration Fee	\$ 50.00
Water Shut-Off Fee	\$ 50.00
Water Reestablish Connection Fee	\$ 50.00
Water Inactive Status/install lock	\$ 50.00
Return Water to Active Status/remove lock	\$ 50.00

## **EXCERPTED RULES REQUIRING MEMBERSHIP APPROVAL – JUNE 2013**

### **F. Prevention of Fires and Smoke Pollution**

Island property is particularly susceptible to damage from uncontrolled fires because of our extensive wooded areas and limited fire protection facilities. Therefore, it is extremely important that proper precautions be taken with any fire on the Island, especially open fires, including but not limited to adherence to the following Rules.

**Violation of any Rule in this subsection is a Class A violation.**

- F-1** Everyone must comply with all requirements and restrictions on open fires imposed by the State of Washington and Pierce County. Note: This information can be obtained by calling the Fire District No. 16 headquarters at Key Center at (253) 884-2222, or from the following websites:  
Key Peninsula Fire Department - [www.keypeninsulafire.org](http://www.keypeninsulafire.org)  
Pierce County Fire Marshal - [www.co.pierce.wa.us/pc/abtus/ourorg/dem/fireprev.htm](http://www.co.pierce.wa.us/pc/abtus/ourorg/dem/fireprev.htm)  
Puget Sound Air Pollution Control Agency – [www.pscapca.org](http://www.pscapca.org)
- F-2** Everyone must comply with all additional requirements and restrictions imposed by the Board during critical fire danger conditions. Note: Given the special conditions and inaccessibility of the island, the Board has the authority to declare a burn ban that is more strict than one imposed by the State or County. In fact, the Island may be subject to a burn ban even if the rest of Pierce County does not have a burn ban in effect.
- F-3** Any necessary fire permits must be obtained from Pierce County Fire District No. 16 prior to initiating an open fire.
- F-4** All open fires must be completely extinguished before leaving the immediate area.
- F-5** **FIREWORKS ARE PROHIBITED ON HERRON ISLAND.**  
*Exception:* Legal fireworks are permitted at the designated area at the North Beach Park between dusk and midnight on the Fourth of July only.
- F-6** Fires are prohibited on South Beach and at the South Beach Park. Open fires are prohibited in other Island parks and other Common Areas unless specifically authorized in advance by the Board or the Island Manager or when confined to the community fire pit at North Beach Park.
- F-7** Fires shall not be maintained in any manner that creates a smoke nuisance for any person (i.e., “smoking out” one’s neighbor). If any person directly affected by smoke coming from a fire complains to the person responsible for starting or maintaining the fire, the responsible person must immediately extinguish the offending fire.

### **G. Conduct of People and Pets**

Members are responsible for the conduct of their family members, Tenants, Guests, Contractors, and pets while on the island or other HMC property. All federal, state, and county laws apply on the Island as they would elsewhere in Pierce County and Washington State. Any person who poses a threat to the health, safety, or well-being of any other person, pet, wildlife, or property on the Island or to the property of HMC may be subject to civil lawsuit or criminal prosecution as applicable. In addition, any non-Member or pet that poses a threat to the health, safety, or well-being of any other person, pet, wildlife, or property on the Island or to the property of HMC may be expelled or banned from the Island by action of the Board.

A long-standing custom on Herron Island has been to allow any Member, Tenant, or Guest to walk along any part of the Island’s beach area. Other uses of the private beaches or hillsides, such as digging clams, picking oysters, picnicking, etc., are strictly forbidden without the specific permission of the Owners of those properties. Any such use without Owner permission may constitute a trespass onto private property.

Trespassing onto private property is prohibited by State and County law; please respect private property. Owners may call law enforcement or file a civil lawsuit in response to trespassing violations or in response to vandalism, etc., of real or personal property. HMC does not enforce or intervene in matters involving trespass onto private property or vandalism of real or personal property except to the extent that such trespassing or vandalism involves or affects property owned by HMC. HMC does not enforce these types of matters between Owners.

**Violation of any Rule in this subsection is a violation of the Class indicated within the Rule.**

- G-1** No one shall destroy, vandalize, or otherwise damage any HMC property or facilities on Herron Island in any way. (Class A). Examples include but are not limited to unauthorized construction activities on HMC Lots or road right-of-way, unauthorized removal or trimming of trees on HMC property, graffiti and driving on the beach or in park areas other than those designated for parking. In addition to the remedial actions set forth in these Rules, HMC may prosecute alleged perpetrators to the full extent of the law. Rule K (Damages to HMC Property) may also apply.
- G-2** No one shall disrupt an official HMC meeting or HMC office operations in such a way that prevents business from being conducted in a safe or efficient manner. (Class A). Note: State law allows HMC Members to attend open Board meetings as observers, and the Board has traditionally encouraged courteous, polite comments and questions from Members at Board meetings.
- G-3** Owners must either arrange garbage pick-up service or remove their trash and garbage when they leave the Island. (Class B).
- G-4** No one shall deposit their household trash/garbage in HMC garbage receptacles or in HMC areas or right-of-ways. (Class B). No one shall burn trash or garbage on the Island. (Class B).
- G-5** Dog owners must maintain control of their pets on all property of the Island, in both private properties and Common Areas, so that the pets cause no harm and are not a nuisance to wildlife and people. (Class B). Dog owners must “scoop their dog’s poop” and dispose of it with their own trash. (Class C).

#### **H. Public Disturbance and Public Nuisance Noise**

Noise pollution disrupts the peace and serenity of our surroundings, impacts our quality of life, and depresses the value of our properties. Please be considerate of your neighbors on the Island.

The Pierce County Code makes unlawful any excessive continuous or intermittent noises that interfere with the use, value, and enjoyment of property, and which pose a hazard to the public health, safety, and welfare. Pierce County Code § 8.72.090 defines Public Disturbance Noise and, in part, prohibits frequent, repetitive, or continuous sounds made by any animal or machinery, vehicles, and sound amplifiers that “unreasonably disturb or interfere with the peace, comfort, and repose of property Owners or possessors.” Pierce County Code § 8.72.100 defines Public Nuisance Noise, and prohibits “any noise which unreasonably annoys, injures, interferes with, or endangers the comfort, repose, health or safety of three or more persons residing within separate residences in the same community or neighborhood, although the extent of the damage may be unequal.”

**Violation of any Rule in this subsection is a Class B violation.**

- H-1** No one shall emit or cause to be emitted any noise of any nature that can be heard beyond a Member’s Lot between the hours of 10:00 p.m. and 8:00 a.m. Sunday through Thursday or between 11:00 p.m. and 8:00 a.m. on Friday and Saturday. Examples of such noises include: loud voices or music, barking dogs, noise from construction equipment and construction activity, and noise from vehicles, chain saws, lawn mowers, and other yard and garden equipment. *Exception*: Board sanctioned activities, such as annual Fourth of July activities at North Beach Park.
- H-2** No one shall emit or cause to be emitted at any time any Public Disturbance Noise (PCC § 8.72.090) or Public Nuisance Noise (PCC § 8.72.100).

#### **I. Water and Sanitation**

The Island’s water supply is a valuable and limited resource. Conservation must be practiced; please avoid unnecessary use of water. Additionally, repair leaks on your water lines as soon as they are detected, and promptly report leaks on the Herron Island main supply lines.

**Except as indicated, violation of any Rule in this subsection is a Class A violation.**

- I-1** Everyone must comply with the Pierce County Code (PCC), including PCC § 8.36 (On-Site Sewage Disposal Systems), which applies to all property on the Island.
- I-2** Sanitary systems in travel trailers and RVs must be completely self-contained or be connected to a previously approved and operational septic system.
- I-3** Trailers and RVs may only be brought to and used on Herron Island with the written approval of HMC through the use of a valid signed “Recreational Vehicle Certification” (Form 13) obtained from HMC. Trailer and RV certificates shall be valid for one year from the date of their issuance and shall automatically expire at that time unless renewed with HMC. Trailers and RVs must comply with all provisions set forth in HMC Form 13.

- I-4** Washing of vehicles, RVs, and travel trailers may only be done on an Owner's private property and only using water through that Owner's water connection. HMC water sources may not be used for washing except for a quick rinse of a boat when taking it out of the water at the North Beach Boat Docks. (Class C).
- I-5** Owners shall notify the HMC Office prior to making any alteration to their water connection or water system on their Lot. The HMC Office may direct that the affected Owner complete a new certification using the Herron Island Water Cross Connection Checklist required by the Herron Island Cross Connection Control Program.
- I-6** No one shall connect to, remove, relocate, alter, tamper with, or otherwise disturb any water piping or components located on HMC property, including the HMC road right-of-way, without the written approval of HMC.
- I-7** No one shall willfully destroy or vandalize any portion of the Herron Island Water System or other property of the Herron Island Water Department. This includes damaging service Connections or meters, cutting off locks, and spray painting graffiti on any portion of the Herron Island Water System. In addition to fines imposed by these Rules, any person found to have violated this Rule shall be liable to pay the cost of correcting damage or replacing equipment damaged as a result of such conduct.
- I-8** No one shall willfully or recklessly disturb, break, deface, or damage any fire hydrant, water meter, valve, water pipe, appurtenance, water building or structure, or Herron Island Water Department grounds or improvements thereon, or otherwise interfere in any manner with the proper operation of the Herron Island Water System.
- I-9** Under certain circumstances and for limited periods, HMC may prohibit non-essential uses of water (such as watering lawns or car washing). During these periods, water may be used only for permitted purposes and in a manner that does not violate the prohibition in effect. (Class C).
- I-10** If HMC has shut off water to a Lot and locked the supply due to delinquent payments for water, no one shall turn the water back on or cause the water to be turned back on by other parties without the express permission of the Island Manager or the Board. (Class C).
- I-11** No one shall interfere with the lawful duties of HMC or Herron Island Water Department Staff. Such conduct includes but is not limited to harassment, conveying threats, preventing meter readings, parking cars over meter boxes, filling meter boxes with debris of any kind, or other such acts. (Class B). Additional administrative penalties may be imposed as set forth in the Administrative and Operating Rules of the Herron Island Water Department.
- I-12** No one shall, by any means, prevent direct access to any water meter, fire hydrant, or other part of the Herron Island Water System for the purposes of repair, reading, and inspection, whether or not any advance notice is given for such access.
- I-13** No one shall open or tamper with fire hydrants in any way, except as required in a bona fide emergency or as otherwise authorized by the Island Manager or the Board.
- I-14** Everyone shall abide by the Rules and Policies set forth by the Administrative and Operating Rules of the Herron Island Water Department, as may be adopted by and amended from time to time by the Board. (Class C).

**J. Firearms and Wildlife**

**Violation of any Rule in this subsection is a Class A violation.**

- J-1** The discharge or use of lethal weapons is prohibited on Herron Island except as otherwise permitted by law. Examples of such lethal weapons include but are not limited to firearms, crossbows, and bows and arrows.
- J-2** No one shall brandish any weapon in a threatening manner except as otherwise permitted by law.
- J-3** Hunting, harassing, injuring, or killing wildlife is prohibited everywhere on Herron Island. Title 77 RCW also controls the treatment of fish and wildlife.
- Exceptions:* Weapons may be used to put down injured animals or animals that pose an immediate threat to the safety of people or to put down an obviously sick or dying animal on private property. Members shall not move dead wildlife from their property onto HMC property or to the HMC road right-of-way; disposal of dead wildlife on HMC property or in the HMC road right-of-way is prohibited. Dead wildlife shall be disposed of in accordance with WAC 246-203-121.

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*A note to our Members regarding the Reserve Analysis for HMC*

Along with your ballots is an Assessment and Reserve Funding Disclosure Summary required under a new State law and sent to our Members. The purpose behind the requirement is to convey the true cost of ownership, especially where assessments have been set too low to plan for major maintenance issues, a situation which has occurred among many homeowners' associations nationwide. Some may disagree with some of the numbers, either too high or too low, if some items should be or should not be taken into consideration, but overall the study is accurate as a whole. The study is also a snapshot in time and will change as time progresses. Thus far, the State does not require full funding of the estimated reserve contribution, leaving to the membership the choice of how much, and in what manner, to fund reserves.

The Reserve Study report (73 pages) is available via email request or can be read at the HMC Office. Some things to consider as you review the disclosure or read through the study are that HMC Members voted in 2011 to finance large capital projects with built-up reserves and special assessments. These capital projects are occurring now with the last two coming up, ramp painting in 2015/2016 and dolphin replacement in 2019/2020. The numbers used to generate the dollar figures are best guessed estimates and will change, either higher or lower as more options become available and better estimates come in as we get closer to the project dates. Our reserves for general maintenance of five years or less are fully funded during our annual budget cycles based on the respective maintenance schedules. Once we get past this period of capital replacement projects our capital reserve balances will improve overtime and our main infrastructure should be sound for many years to come.

When HMC was established in 1958 the feeling was that the operation should be a pay as you go. Back then there was a new island infrastructure that should last many decades. Even though the Articles of Incorporation suggested that reserve accounts should be setup to finance future replacement of the infrastructure this was not done. About 10 years ago it became evident to the HMC Boards and Finance Committee members that HMC needed to look to the future and deal with the looming capital projects. As a result Reserve Accounts were started. Even today we continue to revise the Reserve Accounts based on engineering and inspection reports and other hidden items that come to our attention. Please keep in mind that we are playing catch-up and we are gaining ground with regards to the Reserve Accounts.

There is also a Water Assessment and Reserve Funding Disclosure Summary that is required to be sent to our Members. The Water Committee members were very pro-active and already budgeted for capital reserves for the water system in prior years. This reserve is being funded based on the recommended reserve amount per the Capital Improvement Report prepared by Northwest Water Systems, Inc. This report (14 pages) is available via email request or can be read at the HMC Office.

Please contact the HMC Board of Directors or Island Manager with any reserve questions you may have.

HMC Board of Directors and Island Manager

## Assessment and Reserve Funding Disclosure Summary

### HMC Management

For Fiscal Year Beginning: 10/1/2013

# of Units: 388

a) Budgeted Amounts:	Total	Average Per unit*
Reserve Contributions:	\$139,500	\$360
Operating Budget:	\$542,539	\$1,398
Total Assessment Income:	\$682,039	\$1,758

per: Year

Recommended amount:	Total	Average Per unit*
Reserve Contributions:	\$330,580	\$852
Funding Plan Objective:	Full Funding	

per: Year

\*\* Per Association Management, the Board intends to levy a \$200,000 special assessment (ramp painting cost). They have yet to approve or ratify this special assessment planned for the 2015 - 2016 fiscal year.

- b) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Due	Total Amount Per Unit*	Purpose
N/A	\$515	Planned ramp painting - 2015 - 2016**
N/A		
Total:		\$515

- c) Based on the most recent Reserve Study and other information available to the Board of Directors, will currently projected Reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years **No**

- d) If the answer to "c" is no, what additional assessments or other contributions/loans to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit*
2020	\$1,034
N/A	
N/A	
N/A	
Total:	
	\$1.034

e) All computations/disclosures are based on the fiscal year start date of:	10/1/2013
Fully Funded Balance (based on formula defined in 1365.2.5(b)4):	\$2,821,240
Projected Reserve Fund Balance:	\$415,313
Percent Funded:	14.7%
Reserve Deficit (surplus) on a mathematical avg-per-unit* basis:	\$6,201

From the 4/19/2013 Reserve Study by Association Reserves and any minor changes since that date.

\* If assessments vary by the size or type of unit, allocate as noted within your Governing Documents.

- f/g) See attached 30-yr Summary Tables, showing the projected Reserve Funding Plan, Reserve Balance, and Percent Funded, under the recommended and actual budgeted Reserve Funding Plans.

**Prepared by: Association Reserves (Mara Williams)**

**Date: 6/13/2013**

*The financial representations at the time of preparation are based on the Reserve Study for the fiscal year shown at the top of this page and the best estimates of the preparer. These estimates should be expected to change from year to year. Some information on this form has been provided to Association Reserves, and has not been independently verified.*

Fiscal Year Beginning: 10/01/13

Interest: 1.0%

Inflation: 3.0%

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2013	\$415,313	\$2,821,240	14.7%		Weak	\$330,580	\$0	\$4,542	\$257,000
2014	\$493,435	\$2,848,300	17.3%		Weak	\$340,497	\$0	\$5,933	\$146,260
2015	\$693,605	\$2,996,449	23.1%		Weak	\$350,712	\$0	\$8,612	\$23,340
2016	\$1,029,590	\$3,282,050	31.4%		Fair	\$361,234	\$0	\$10,296	\$370,653
2017	\$1,030,466	\$3,225,079	32.0%		Fair	\$372,071	\$0	\$11,684	\$106,923
2018	\$1,307,298	\$3,444,830	37.9%		Fair	\$383,233	\$0	\$14,240	\$162,878
2019	\$1,541,892	\$3,620,535	42.6%		Fair	\$394,730	\$0	\$17,341	\$26,269
2020	\$1,927,693	\$3,949,422	48.8%		Fair	\$406,572	\$0	\$15,403	\$1,195,437
2021	\$1,154,231	\$3,091,351	37.3%		Fair	\$418,769	\$0	\$13,559	\$27,869
2022	\$1,558,690	\$3,417,777	45.6%		Fair	\$431,332	\$0	\$17,068	\$150,701
2023	\$1,856,388	\$3,635,350	51.1%		Fair	\$444,272	\$0	\$20,408	\$94,074
2024	\$2,226,994	\$3,925,884	56.7%		Fair	\$457,600	\$0	\$24,028	\$128,042
2025	\$2,580,580	\$4,198,498	61.5%		Fair	\$471,328	\$0	\$27,965	\$65,050
2026	\$3,014,823	\$4,552,773	66.2%		Fair	\$485,468	\$0	\$31,320	\$279,756
2027	\$3,251,856	\$4,705,390	69.1%		Fair	\$500,032	\$0	\$34,838	\$68,067
2028	\$3,718,659	\$5,089,751	73.1%		Strong	\$515,033	\$0	\$36,964	\$593,352
2029	\$3,677,304	\$4,953,998	74.2%		Strong	\$530,484	\$0	\$39,429	\$35,304
2030	\$4,211,913	\$5,398,643	78.0%		Strong	\$546,398	\$0	\$44,289	\$152,888
2031	\$4,649,713	\$5,745,487	80.9%		Strong	\$562,790	\$0	\$47,547	\$396,241
2032	\$4,863,809	\$5,862,353	83.0%		Strong	\$579,674	\$0	\$50,452	\$263,026
2033	\$5,230,909	\$6,130,516	85.3%		Strong	\$597,064	\$0	\$54,914	\$126,428
2034	\$5,756,459	\$6,558,317	87.8%		Strong	\$614,976	\$0	\$60,054	\$172,077
2035	\$6,259,412	\$6,963,156	89.9%		Strong	\$633,425	\$0	\$65,852	\$42,154
2036	\$6,916,535	\$7,525,520	91.9%		Strong	\$652,428	\$0	\$71,710	\$209,200
2037	\$7,431,473	\$7,944,605	93.5%		Strong	\$672,001	\$0	\$76,858	\$233,771
2038	\$7,946,560	\$8,363,217	95.0%		Strong	\$692,161	\$0	\$80,941	\$471,100
2039	\$8,248,562	\$8,562,572	96.3%		Strong	\$712,926	\$0	\$86,207	\$47,445
2040	\$9,000,251	\$9,217,282	97.6%		Strong	\$734,314	\$0	\$90,471	\$723,474
2041	\$9,101,561	\$9,208,725	98.8%		Strong	\$756,343	\$0	\$94,980	\$50,334
2042	\$9,902,550	\$9,907,048	100.0%		Strong	\$779,033	\$0	\$101,835	\$310,360



Fiscal Year Beginning: 10/01/13

Interest: 1.0%

Inflation: 3.0%

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2013	\$415,313	\$2,821,240	14.7%	Weak	\$139,500	\$0	\$3,582	\$257,000
2014	\$301,395	\$2,848,300	10.6%	Weak	\$143,685	\$0	\$3,015	\$146,260
2015	\$301,835	\$2,996,449	10.1%	Weak	\$147,996	\$200,000	\$4,663	\$23,340
2016	\$631,154	\$3,282,050	19.2%	Weak	\$152,435	\$0	\$5,244	\$370,653
2017	\$418,180	\$3,225,079	13.0%	Weak	\$157,008	\$0	\$4,453	\$106,923
2018	\$472,718	\$3,444,830	13.7%	Weak	\$161,719	\$0	\$4,743	\$162,878
2019	\$476,302	\$3,620,535	13.2%	Weak	\$166,570	\$0	\$5,490	\$26,269
2020	\$622,093	\$3,949,422	15.8%	Weak	\$171,567	\$0	\$1,107	\$1,195,437
2021	-\$400,671	\$3,091,351	0.0%	Weak	\$176,714	\$0	\$0	\$27,869
2022	-\$251,825	\$3,417,777	0.0%	Weak	\$182,016	\$0	\$0	\$150,701
2023	-\$220,511	\$3,635,350	0.0%	Weak	\$187,476	\$0	\$0	\$94,074
2024	-\$127,108	\$3,925,884	0.0%	Weak	\$193,101	\$0	\$0	\$128,042
2025	-\$62,049	\$4,198,498	0.0%	Weak	\$198,894	\$0	\$49	\$65,050
2026	\$71,843	\$4,552,773	1.6%	Weak	\$204,860	\$0	\$346	\$279,756
2027	-\$2,707	\$4,705,390	0.0%	Weak	\$211,006	\$0	\$691	\$68,067
2028	\$140,924	\$5,089,751	2.8%	Weak	\$217,336	\$0	\$0	\$593,352
2029	-\$235,092	\$4,953,998	0.0%	Weak	\$223,857	\$0	\$0	\$35,304
2030	-\$46,539	\$5,398,643	0.0%	Weak	\$230,572	\$0	\$0	\$152,888
2031	\$31,145	\$5,745,487	0.5%	Weak	\$237,489	\$0	\$0	\$396,241
2032	-\$127,607	\$5,862,353	0.0%	Weak	\$244,614	\$0	\$0	\$263,026
2033	-\$146,019	\$6,130,516	0.0%	Weak	\$251,953	\$0	\$0	\$126,428
2034	-\$20,494	\$6,558,317	0.0%	Weak	\$259,511	\$0	\$233	\$172,077
2035	\$67,173	\$6,963,156	1.0%	Weak	\$267,296	\$0	\$1,806	\$42,154
2036	\$294,121	\$7,525,520	3.9%	Weak	\$275,315	\$0	\$3,287	\$209,200
2037	\$363,523	\$7,944,605	4.6%	Weak	\$283,575	\$0	\$3,902	\$233,771
2038	\$417,229	\$8,363,217	5.0%	Weak	\$292,082	\$0	\$3,292	\$471,100
2039	\$241,503	\$8,562,572	2.8%	Weak	\$300,844	\$0	\$3,699	\$47,445
2040	\$498,601	\$9,217,282	5.4%	Weak	\$309,870	\$0	\$2,931	\$723,474
2041	\$87,929	\$9,208,725	1.0%	Weak	\$319,166	\$0	\$2,234	\$50,334
2042	\$358,994	\$9,907,048	3.6%	Weak	\$328,741	\$0	\$3,699	\$310,360

## Water Assessment and Reserve Funding Disclosure Summary

### HMC Management – Water System

For Fiscal Year Beginning: 10/1/2013

# of Units: 390

a) Budgeted Amounts:	Total	Average Per unit*	
Reserve Contributions:	\$38,050	\$98	
Operating Budget:	\$60,250	\$154	
Total Assessment Income:	\$98,300	\$252	per: Year
Recommended amount:	Total	Average Per unit*	
Reserve Contributions:	\$38,550	\$98	per: Year
Funding Plan Objective:	Full Funding		

\* Units represent a water connection. Budget takes into consideration delinquencies, therefore, based on 390 assessable units, while the Reserve Study used 395 assessable units which was the estimated total number of water connections at the time of preparation.

- b) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Due	Total Amount Per Unit*	Purpose
N/A		
N/A		
Total:		\$0

- c) Based on the most recent Reserve Study and other information available to the Board of Directors, will currently projected Reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years **YES**
- d) If the answer to "c" is no, what additional assessments or other contributions/loans to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years?

Approximate Fiscal Year Assessment Will Be Due	Average Total Amount Per Unit*
N/A	
N/A	
N/A	

e)	All computations/disclosures are based on the fiscal year start date of:	10/1/2013
	Projected Reserve Fund Balance:	\$81,194
	Percent Funded:	100.0%

**Prepared by: HMC Board of Directors**

**Date: 6/13/2013**

*The financial representations at the time of preparation are based the on the Capital Improvements Report (also known as a Reserve Study) prepared February 27, 2013 by Northwest Water Systems, Inc and HMC Management proposed budgets for the fiscal year shown at the top of this page. The full report prepared by Northwest Water Systems, Inc is available via email request or can be read at the HMC Office.*

### **VOTE ON BALLOT PROPOSITION NO. 1**

Shall the HMC Management General and Water Budget for Fiscal Year 2013/2014 attached to this Ballot be ratified by the Membership? (check one)

- ☐ YES (For Ballot Proposition No. 1)
- ☐ NO (Against Ballot Proposition No. 1)

The HMC Board of Directors recommends ratification of this Proposition 1.

### **VOTE ON BALLOT PROPOSITION NO. 2**

Shall HMC Management adopt the Excerpted Rules contained in the document entitled “**Excerpted Rules Requiring Membership Approval**” dated June 2013. (check one)

- ☐ YES (For Ballot Proposition No. 2)
- ☐ NO (Against Ballot Proposition No. 2)

The HMC Board of Directors recommends ratification of this Proposition 2.

## **Ballot Results**

**July 13, 2013**

### **Ballot Results -- July 13th**

#### **Proposition #1:**

Approve:	86
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Disapprove:	46
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#### **Proposition #2:**

Approve:	98
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Disapprove:	35
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