

Herron Island Water Utility Board Meeting Minutes December 10, 2011

Call to Order: Mark Anderson called the meeting to order at 11:00 AM.

Roll Call: Mark Anderson, President; Gary Wanzong, Vice President/Asst. Treasurer; Dianne DeGood, Secretary; Judy Greinke, Treasurer; Pat Zazzo, Member at Large. Claudia Ellsworth, Water Utility Manager, excused herself shortly after the meeting began, due to a personal commitment.

Dianne announced she would be recording the meeting for the purpose of completing the minutes.

Previous Water Utility Board Meeting Minutes: Mark Anderson moved to approve the November 12, 2011 meeting minutes. Motion carried.

Correspondence: There were two items of correspondence:

- A public notice from the Pierce County Planning and Land Services Department taking over the administration of the Pierce County Coordinated Water system plan effective October 1, 2011.
- A letter from USDA acknowledging they received the draft set of plans and the conditions of the approval to continue. Some of the requirements were to be aware of Historic Preservation and Environmental requirements during construction.

Finance: The bills to be paid were approved at the HMC Management Board meeting.

Administration:

The office staff is still working on splitting the time between HMC Management and the Water Utility. The Island Manager thanked Kathy Deuster and Mark Anderson for getting the Water Utility labels completed. We now have a set of files by property address for the Water Utility.

Rumor Control/ Member Issues:

- Dallas Amidon said that a Member whose home is on the market asked if they could pay the capital costs for the project in advance of knowing the final bill. Mark explained that right now we don't know what the cost will be and it might not be a good idea to take advance money. It would be more viable to set the money aside and let the purchaser decide later. Mark's position as a Board Member is that we cannot take money and hold it in trust for the Member since we don't have a mechanism to do this. The Utility Manager also said that there is a misconception that people will have to write a check right away. They don't always understand that the costs will be amortized over 40 years and it goes with the property when the property is sold.
- Another question came up about receiving water bills on non-contiguous lots. Members are wondering why they have to pay a bill on a lot that has never had water. Each Assessable Unit receives the benefit of the water system, regardless of whether it already has a water connection. Historically, the expenses of operating and maintaining the water system have been borne equally by all Assessable Units, so this is not a change from past practice. As an aside, it was suggested that Members who have those questions go directly to the Board. They need to go to the people who can give them correct answers.
- The next question was about this being the first water bill. This is new for Members and some wanted to know why they can't pay at the end of the three months and why are they getting charged a late fee if it was not paid by the end of the month it was sent in. Mark explained that we are doing this to rely on timely payments and make sure we can pay the bills for the Water Utility. We need to recoup the costs, so we are going to be consistent with the manner in which HMC Management conducts its business.

Unfinished business:

Bylaws have been proposed for the Herron Island Water Utility. In order to make sure everyone is invested in them, they have been posted on line for Member input. We intend to go with a ballot to the Membership of the Herron Island Water Utility next month. A Member asked whether we published a timeline for getting response back. Judy suggested that we send out the ballots in coordination with the next water bill. Her suggestion was to announce it in this Beachcomber Brief Edition that we will be mailing them and they would be able to vote in February.

Since some Members thought they didn't have adequate notice of the Bylaws published on line, it was suggested that we send out a notice on the email distribution stating that the Bylaws are online, giving them another month to look at them. After much discussion, it was suggested that we send the notice out with the next water utility bill in February.

Judy asked if we could operate the utility without Bylaws in place, and was there a reason for getting a vote so quickly? Mark confirmed we are governed by the State until we have our own Bylaws in place.

The Ballot has to go out at least 14 days before the Special Membership meeting. There was some concern that with all the mail people receive during December, it may get lost. Pat suggested, for cost savings, put in the shortened information with the water bill in February, and then use every possible channel we have to get it out to the Members. Don't send out the 29 pages. Mark stated that the Ballot would include a basic description and all the methods you can obtain a complete copy of the Bylaws.

Carolyn said that the Water Utility bill will go out February 1, and we would have to change the date of the meeting to give them the 14 days. We can't send the bill out early because of our accounting system. If we send it with the water bill, it would have to be March before we get a Membership vote.

Dianne moved to send the Water Utility Bill February 1st, separate from the Ballot for the Bylaws in order to get the Ballots out in time for the February meeting. Motion carried.

A question was asked about why the HMC Board is the same as the Water Utility Board. Mark explained that in order to start the Utility, the Board of Directors had to be identified for the State. It seemed that by natural extension the HMC Board of Directors would initially be the Board of Directors of the Water Utility. The Bylaws and the Articles of Incorporation are written so that they can have the same Members, but it doesn't require they be the same. The Board can change at any time and after the next election there will be a separate election for the Water Utility Board.

Another Member asked why the Members weren't asked before a new corporation was formed. It was explained that in order to get tax exempt status for water revenues, the IRS required that the Water Utility be formed as a separate entity from HMC Management and it needed to be done before November 23rd. This is what drove the timeline in these circumstances.

After a lot more discussion, Mark clarified that the Board of the Herron Island Water Utility is a separate Board from the HMC Management Board. Although, since we are just starting the Water Utility, for now they are currently the same Members. Mark suggested to address the concerns of everyone, we should seek approval or ratification of the initial Board, who are currently serving until the next election, at the same time we send out the Water Utility Bylaws for a vote.

A Member asked why the Water Utility Bills were approved during the HMC Management meeting. It was explained that it was done so that Carolyn could have the checks ready to sign at the end of the meeting. It was suggested to have the Water Utility Board meeting first, followed by the HMC Management Board meeting.

Another Member asked who owns the Water Utility. It was explained that HMC Management owns the system and is obligated for the repayment of loans. The Water Utility will operate the system.

Mark moved that after notification of the Membership by a variety of means of the existence of the Water Utility Bylaws as proposed, we send them out for vote of approval to the Membership of the Utility, with the votes to be counted at a Special Membership meeting held in February. Motion Carried.

Mark also moved that along with the Bylaws Ballot we include a second Ballot to ratify the existence and composition of the initial Board until a time for elections to coincide with the regular voting cycle of HMC Management. Motion carried.

A Member asked if there will be a deadline for the Bylaw comments. It was suggested that we have all comments by January 5, 2012.

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

Respectfully submitted,

Dianne DeGood, Recording Secretary