

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 11, 2015 at 12:00 Noon at the HMC Community Center on Herron Island. At the Special Meeting, the Membership will vote on One (1) Ballot Proposition that is 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.*

BALLOT PROPOSITION

Shall HMC Management ratify the proposed HMC Management General and Water Budgets for Fiscal Year 2015/2016 as presented to the Membership at the June 13, 2015 Board Meeting?

BALLOT EXPLANATION

HMC Management General and Water Budgets for Fiscal Year 2015/2016

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 2015/2016 (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, modified in early June and presented at the HMC Annual Meeting held on June 13, 2015. A more detailed explanation of these proposed Budgets is published in the June 2015 Beachcomber. Also included is an Annual Reserve Fund Budget Disclosure document from Association Reserves.

Under the proposed General and Water Budgets, annual assessments would be \$2,264 per assessable unit for the Fiscal Year starting October 1, 2015. Water Assessments will be billed quarterly at a Basic Rate of \$18/month plus actual water used in excess of 150 Average Daily Gallons with graduated tiers as shown below:

Tier 1:	151 to 400 ADG	\$.07 per ADG/month
Tier 2	401 to 800 ADG	\$.14 per ADG/month
Tier 3	Over 801 ADG	\$.21 per ADG/month

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

VOTE ON BALLOT PROPOSITION

Shall the HMC Management General and Water Budget for Fiscal Year 2015/2016 attached to this Ballot be ratified by the Membership? (check one)

☐ YES (For Ballot Proposition)

☐ NO (Against Ballot Proposition)

The HMC Board of Directors recommends ratification of this Proposition.

	Oct '13 - Sep 14	Oct '14 - Sep 15	Oct '15 - Sep 16
Assessable Units	394	389	384
Units minus delinquents	388	382	376
Total Income minus Assessments	234,162.78	259,320.00	260,620.00
Total Expenses	982,857	930,892	1,111,925
Yearly Assessment per member	1,929.62	1,758.04	2,264.11
Total Assessments	748,694.07	671,572.26	851,304.92
Monthly Assessment per Member	160.80	146.50	188.68
	Actual Costs	Current	Proposed
	Oct '13 - Sep 14	Budget	Budget
Ordinary Income/Expense			
Income			
Assessments	674,565	671,556	790,969
Ferry Fees	174,022	170,000	170,000
Other Income			
Beachcomber Ads	560	600	600
Renter's Fees, Copy, Fax and Notary	624	2,000	1,500
Refund of Fees from Intuit/QB	0	0	0
Nsf Fees	315	200	300
Postage	32	20	20
Property Transfer fee	4,025	1,500	2,000
Research Office Time Fees	0	0	0
Rules Fine	0	0	0
Interest & Handling (Delinquent Accounts)		6,000	6,000
Handling Fees	15,058		
Interest Delinquent	3,619		
Member Credit Card Fees	591	1,000	700
Other Income		0	0
Contributed Monies	1,000		
Miscellaneous - Other	12,923		
Payroll Taxes	1,003		
Attorney Collections (see note 3)	0	10,000	10,000
Water Shut Off Fee	50		0
Water expenses paid from HMC bank account transferred back	20,293	0	0
Total Other Income	60,094	21,320	21,120
Reserve Transfer			
Dock Piles and Dolphins			
Ramp Inspections - every 2 years			
Ramp Cable Replacement - every 5 years			
Ferry Engine Overhaul (5 years, next 2018)			
Ramp Painting			69,500
Community Building Renovations			
Ferry Replacement			
Water Truck Replacement			
Shipyard (2 Years on even years)		68,000	
Park Reserves			
Road Reserves			
Total Reserve Transfer	0	68,000	69,500
Special Assessment for Ramp Painting			
Interest Earned			
HMC Management Reserves (See note 5)	45	0	

General Fund	0	0	
Interest Earned - Other	2	0	
Total Interest Earned	47	0	0
Total Income (See note 7)	908,727.97	930,876.00	1,051,588.92
Gross Income	908,727.97	930,876.00	1,051,588.92
Expense			
HMC Regular Operations			
Accountant/Auditor	6,582	6,000	6,500
Reserve Analysis	3,160	1,390	1,390
Bad Debt Write Off	0	2,000	1,500
Bank Fees	30	400	200
Amount of Check that was returned for NSF	30	0	0
Community Building Maintenance	2,269	1,000	1,000
Community Asso. Institute	134	150	150
Contract Svcs for Junk Removal	0	150	100
Credit Card Fees - Member Payments	797	1,000	800
Emergency Preparedness	647	500	1,000
State and County Taxes	1,385	2,771	2,000
HMC Property Pre-Sale Expense	0	200	200
Removal of unsafe trees	5,356	6,000	8,000
Insurance			
Directors/Officers Ins	2,785	3,050	3,164
Crime (Break-ins and Theft)	501	478	501
5 Million Excess Liability	10,000	10,400	10,000
14 Million Excess Liability	9,000	9,360	9,000
Total Insurance	22,286.00	23,288.00	22,665.00
Legal Fees (see note 7)			
Attorney Fee Invoicing	-6,785		
Collection Costs	14,978	18,000	18,000
General	23,239	12,000	12,000
Total Legal Fees	31,431.69	30,000.00	30,000.00
Office Equipment	1,938	1,100	1,100
Other			
Education and Training	120	300	300
CrystalTech-Web hosting	0	100	100
Mileage	181	250	250
Background Checks	188	200	200
Miscellaneous Equipment	537	1,000	1,000
Total Other	1,025.40	1,850.00	1,850.00
Payroll Expenses	1,479	1,000	1,800
Pension Administration Ferry Crew	595	600	650
Postage			
Box Fee	78	80	90
Stamps & Postage	2,587	2,200	2,800
Total Postage	2,664.75	2,280.00	2,890.00
Printing	1,431	1,500	1,500
Admin Salaries			
Water	-4,941		
Aflac	186	0	0

Medical Insurance	8,551	9,000	9,800.00
Retirement	2,720	2,360	2,720.00
Payroll Taxes	8,415	6,868	8,415.00
Gross Wages	89,122	74,655	89,000.00
Total Admin Salaries	104,053.20	92,883.00	109,935.00
Island Security Costs	353	500	800
Office Supplies	1,720	1,200	1,200
Telephone/Fax	2,609	2,500	2,600
Utilities/Electric	1,117	1,300	1,400
General Labor (Parks & Building Maintenance and Cleaning)			
Gross Wages	4,471	5,500	7,320.00
Payroll Taxes	62	902	986.59
Reserve - Legal (Cap is \$35,000 - Balance is \$34,550)	0	0	0
Reserve - Community Building & Sheds and Septic (Cap is \$100,000 - Balance is \$3,250.00)	1,500	1,500	1,500
Total HMC Regular Operations	199,126.52	189,463.26	211,036.59
Piles, Dolphins and Ferry Ramps			
Garbage - Ferry	303	250	350
Insurance - Docks and Piers	15,497	16,200	15,497
Ferry Ramp Generator Maintenance and Fuel	793	1,000	1,000
Other			
Annual DNR Lease	113	225	225
Parts and Supplies	3,385	1,000	1,000
Other/Inspection	11,349	1,000	1,000
Total Other	14,846.56	2,225.00	2,225.00
Repairs/Maintenance	32,607	4,000	4,000
Sanikans	2,851	3,400	3,400
Utilities	1,486	1,500	1,840
Cable Replacement	25,000	0	0
Ramp Painting			58,656
Reserve Account for Piles, Docks & Ramps	0		
Dock Piles and Ferry Dolphins (Cap is \$3,200,000 - Balance is \$206,997.61)	9,000	9,000	151,680
Ramp Painting (Cap is \$212,000 - Balance is \$69,500.00) (SEE NOTE 6)	33,500	34,000	1,000
Reserve - Inspection of Ramps (Cap is \$15,000 - Balance is \$10,250.00) Required by Pierce County. Occurs every 2 years, even. Next inspection is 2016	3,000	2,500	7,500
Reserve - Ramp Cable Replacement (Cap is \$40,000 - Balance is \$28,000.00) Recurring 5 year expense cycle. Replacement is 2019	20,000	6000	4000
Total Ferry Docks and Ramps	158,882.88	80,075.00	251,148.00
Ferry			
Engine Overhaul	56,647	0	0

Equipment	4,796	2,000	2,000
Fuel	54,014	60,000	70,000
Insurance			
Marine Package	18,600	19,400	17,910
Vessel Pollution	747	1,060	747
Commercial Package	6,972	6,972	7,447
Total Insurance	26,319	27,432	26,104
Repairs	2,653	6,000	5,000
Other			
Rentals for fill in Captains/Deck Hands	480	500	600
Sheds (waiting, oil and school)	0	300	300
Cellphone	499	600	600
Drug Testing	1,378	700	1,400
Inspections and Licensing	731	1,500	1,500
Miscellaneous	1,102	2,000	2,000
Tickets & Passes & Stickers	1,859	1,500	2,000
Uniforms	1,566	1,300	1,200
Legal Fees - IBU Attorney	0		1,000
Reserve - Legal Fees IBU Attorney. 0 Balance - Estimated cost is \$5,000.00 every three years. Next contract is 2016.	0	0	2,500
Total Other	7,615.35	8,400.00	13,100.00
Passenger Vessel Asso.	474	450	500
Routine Maintenance & Supplies	9,667	4,500	6,500
Ferry Salaries & Benefits			
Employee Paid Supplemental Insurance - Reimbursed by Employee		0	
Medical Insurance	34,868	35,851	40,870.00
Retirement-Employer	13,844	16,086	17,008.00
Payroll Taxes	22,228	24,227	25,584.00
Gross Wages	249,701	276,173	291,541.00
Total Ferry Salaries & Benefits	320,640.14	352,337.00	375,003.00
Ship Yard	30,696	68,000	0
Supplies, Paper Products, Water	550	2,000	1,000
Personal Property & Excise	4,596	2,600	5,000
Reserve - Shipyard (Cap is \$120,000 - Balance is \$88,000) Next cycle is 2016. Note 1	49,000	40,000	40,000
Reserve - Engine Overhaul (Cap is \$40,000 - Balance is \$18,125.00) next cycle is 2018 Note 2	9,000	6,250	9,500
Reserve - Ferry Replacement (Cap is 1,000,000 - Balance is \$2,500.00	1,000	1,000	1,000
Total Ferry	577,667.21	580,969.00	554,707.00
Parks			
Maintenance			
Lawn Equipment	3,729	200	200
Parks Shed (lawn shed)	0	0	0
Pavilion Building and NB parking	0	0	0
General upkeep including park parking	83	3,300	3,300

Total Maintenance	3,812	3,500	3,500
Other			
Garbage Pick Up	626	600	700
Misc.	-40	100	100
Sanikans	2,786	3,300	3,300
Total Other	3,372.18	4,000.00	4,100.00
Parks Development	0		
Playground Improvement	0	1,000	500
Small Boat Dock Floats			
Removal and Installation Equipment			
Rental - \$1,100 for each rental of equipment	2,060	2,200	2,500
Maint & Improvements	637	750	750
Total Small Boat Dock	2,696.66	2,950.00	3,250.00
Supplies & Equipment Repairs	674	1,000	1,000
Utilities	502	700	700
Reserves - Parks (Cap is \$36,000 - Balance is \$11,615.70) For fencing & playground equipment	500	1,000	1,000
Total Parks	11,557.02	14,150.00	14,050.00
Roads (ferry island/mainland lots)			
Auto Insurance (water truck)	820	860	815
Dust Control Truck	1,487	1,000	2,000
Road Maintenance (Contract costs for work other then grading)	12,371	30,000	40,000
Road Grading Contract Costs		8,000	8,000
Road & Ditch Materials (Material only)	7,797	2,000	3,500
Salaries			
Payroll taxes	148	975	1,148.33
Wages	0	6,400	8,520.00
Total Salaries	148.05	7,375.00	9,668.33
Reserves (See Note 8)	10,000		
Gravel General (Cap is \$50,000 - Balance is \$15,240.14)		10,000	10,000
Ferry Hill Black Top Repairs (cap is \$30,000 - balance is \$2,500)		5,000	5,000
Reserves - Road Equipment (Cap is \$30,000 - Balance is \$4,500.00)	3,000	2,000	2,000
Total Roads	35,623.22	66,235.00	80,983.33
Total Expense	982,856.85	930,892.26	1,111,924.92

General note: This budget was generated based on analysis of the last seven years of actual 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 go into yard for rebuild every five years but may be extend. Estimated cost is \$40,000 for both engines. Next yard service is 2018.

Note 3: Legal fee expenses is partially offset by legal fee income. This allows for accounting requirements.

Note 4: Reserve accounts now must total 10% of operating budget per RCW 64.34.010, 64.34.020, 64.34.308, 64.34.380, 64.34.382, 64.34.384, 64.38.010, 64.38.025, 64.38RCW and 2008c115s8.

Note 5: Dividend Reserve is interest earned from reserve accounts.

Note 6: Special assessment of approximately \$500.00 was issued in the spring of 2015 for ramp painting in 2015.

Note 7: Unexpended funds from prior FY year will be allocated to appropriate reserves.

Note 8: The Road Reserve account shows a current balance at the time of this publication. This reserve will be utilized this FY to purchase a barge of gravel.

HMC WATER

	Oct 13 - Sep 14	Oct 13 - Sep 14	Oct 14 - Sep 15
Assessable Connections	399	397	397
Connections minus delinquents	394	390	389
Base Fee per Connection	167.44	154.49	124.98
Reserve Fee per Connection	83.76	96.80	96.80
Tier 2 and Above Excess Water Fee			14,604.00
Base Assessment per Connection - Annual	251.20	251.29	221.78
Base Assessment per Connection - Monthly	20.00	20.94	18.48
Base Total Assessments - All Connections	94,276.00	98,002.00	86,274.07

Note: Base assessment does not include water usage above base or USDA loan repayment if applicable.

Water

Ordinary Income/Expense

Base Fees	86,220.19	62,250.00	48,618.00
Usage Fees			14,604.00
Handling Fee	0.00	0.00	0.00
HIWU Interest	0.00	0.00	0.00
NSF FEE	0.00	0.00	0.00
Water Hook Up fee	0.00	0.00	0.00
Water Shut Off Fee			0.00
Water Availability Letter	0.00	0.00	0.00
Water Usage	0.00	0.00	0.00
Reserves	46,830.60	37,752.00	35,406.00
USDA Water Special Assessment		53,278.00	53,278.00
Total Income	133,050.79	153,280.00	151,906.00

Expense

Accountant/Auditor	0.00	1,000.00	1,000.00
Bad Check	0.00	200.00	200.00
BANK FEE	0.00	50.00	50.00
Contract Manager - WA Water	5,002.55	12,000.00	7,000.00
Insurance	0.00	1,800.00	2,160.00
Legal	0.00	1,500.00	1,000.00
Mailings (Postage and Admin)	844.54	1,500.00	1,000.00
Membership Fees	0.00	200.00	100.00
Mileage Reimbursement	0.00	400.00	400.00
Other Expenses			
Excise Tax	6,520.36	2,100.00	4,250.00
Miscellaneous	7,000.72	500.00	500.00
Permits & License	638.80	500.00	500.00
Water Samples	2,193.97	500.00	750.00
Total Other Expenses	16,354	3,600	6,000
Printing	0.00	0.00	0.00
Repairs - Parts	11,549.42	2,000.00	2,000.00

Supplies			
Supplies & Repairs - Contractors	930.91	2,000.00	2,000.00
Utilities	2,916.44	3,000.00	2,600.00
Wages - Administrative and Meter Reading	12,394.20	27,800.00	33,524.70
Taxes	2,973.67	2,600.00	3,333.17
Gross Wages	13,006.25		
Pension	0.00	600.00	605.00
Cell Phone			250.00
To Water Reserve (Cap is \$1,800,000.00 - Balance is \$175,048.74)	33,000.00	37,752.00	35,406.00
USDA Water Special Assessment	0.00	53,278.00	53,278.00
Total Operating Expense	98,971.83	151,280.00	151,906.87

General note: Every five years a Sanitary Survey is done by the Health Department. 2015 is the next cycle year for the survey to be done.

2015/2016 HMC Fee Schedule

Monthly Handling Fee for Delinquent Accounts:

For balances of \$70.00 or less \$ 15.00

For balances of \$70.01 or more \$ 30.00

Interest 1% Monthly or 12% per Annum

Non-Sufficient Funds (NSF) \$ 35.00

Office/Research per hour \$ 42.00

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

Scan & Email per page \$ 1.00

Member Credit Card Fee 6%

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 \$ 22.50/year or \$2.50 per issue

Returned Mail Post Office Rate

Notary Services	\$ 10.00
Postage for Ferry Tickets	\$ 2.00
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)	
Emergency Water Repair (on member property by HMC)	\$125.00 per hour

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 2012/2013 Water Project Special Assessment of \$623.70, prorated since inception April 2013. Plus monthly charge of \$14.85, billed quarterly at \$44.55 for the next 37 years.

OR:

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

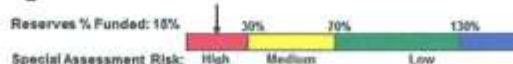
3- Minute Executive Summary

Association: HMC Management #: 24901-2
 Location: Lakebay, WA # of Units: 388
 Report Period: October 1, 2015 through September 30, 2016

Findings/Recommendations as-of 10/1/2015:

Projected Starting Reserve Balance:	\$546,244
Current Fully Funded Reserve Balance:	\$3,692,235
Average Reserve Deficit (Surplus) Per Unit:.....	\$8,108
100% 2015/2016 Annual "Full Funding" Contributions:.....	\$331,352
70% 2015/2016 Annual "Threshold Funding" Contributions:.....	\$262,500
Baseline contribution (min to keep Reserves above \$0):	\$106,880
Recommended 2015/2016 Special Assessment for Reserves:.....	\$465,600

Most Recent Budgeted Reserve Contribution Rate:\$118,250



Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
 Annual Inflation Rate 3.00%

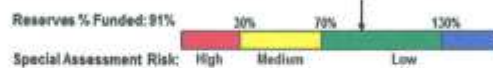
- This is an "Update No-Site-Visit" Reserve Study, based on our most recent NSV Report prepared for your 2014/2015 Fiscal Year. Refer to photo pages of the 2013/2014 Full report for additional component information. No site inspection was performed as part of this Reserve Study, which was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).
- Your Reserve Fund is currently 15% Funded. This means the association's special assessment & deferred maintenance risk is currently low. The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point and your anticipated future expenses, **we are forced to recommend levy of Four-Year Special Assessment of \$465,000 in each year FY 2015/2016 through and including FY 2018/2019. Additionally, our recommendation is to substantially increase your Reserve contributions to within the 70% to 100% level as noted above. 100% "Full" and 70% contribution rates are designed to achieve these funding objectives by the end of our 30-year report scope. No assets appropriate for Reserve designation were knowingly excluded. See appendix for component details; the basis of our assumptions.**

3- Minute Executive Summary

Association: HMC Water System #: 26621-1
 Location: Herron Island, WA # of Units: 397
 Report Period: October 1, 2015 through September 30, 2016

Findings/Recommendations as-of 10/1/2015:

Projected Starting Reserve Balance:	\$193,925
Current Fully Funded Reserve Balance:	\$213,546
Average Reserve Deficit (Surplus) Per Unit:.....	\$49
100% 2015/2016 Annual "Full Funding" Contributions:.....	\$67,000
70% 2015/2016 Annual "Threshold Funding" Contributions:.....	\$52,700
Baseline contribution (min to keep Reserves above \$0):	\$20,505
Recommended 2015/2016 Special Assessment for Reserves:.....	\$0
Most Recent Budgeted Reserve Contribution Rate:	\$37,752



Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 1.00%
 Annual Inflation Rate 3.00%

- This is an "Update No-Site-Visit" Reserve Study, based on our most recent Full Report prepared for your 2014/2015 Fiscal Year. Refer to photo pages of that report for additional component information. No site inspection was performed as part of this Reserve Study, which was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).
- Your Reserve Fund is currently 91% Funded. This means the association's special assessment & deferred maintenance risk is currently low. The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point and your anticipated future expenses, **our recommendation is to substantially increase your Reserve contributions to within the 70% to 100% level, as noted above, to maintain your current strong status going forward.** 100% "Full" and 70% contribution rates are designed to achieve these funding objectives *by the end of our 30-year report scope*. No assets appropriate for Reserve designation were knowingly excluded. See appendix for component details; the basis of our assumptions.

Budget Ballot Results - July 11, 2015

Yes	78
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No	54
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