

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, 2019 immediately following the regular Board meeting which begins at 10:00 am at the HMC Community Center on Herron Island. At the Special Meeting, the Membership will vote to ratify the FY 19-20 Budget that was 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 mailing envelope.

BALLOT PROPOSITION

- 1. Shall HMC Management ratify the proposed HMC Management General and Water Budgets for Fiscal Year 2019/2020 as presented to the Membership at the June 8, 2019 Annual Membership Meeting?**

BALLOT EXPLANATION FOR PROPOSITION NO. 1

HMC Management General and Water Budgets for Fiscal Year 2019/2020

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 2019/2020 (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, 2019. A more detailed explanation of these proposed Budgets is published in the June 2019 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 \$2710 per assessable unit *which can be partially funded with a Special Assessment as described in the voting section below*. This assessment covers the Fiscal Year starting October 1, 2019 and ends September 30, 2020. Water Assessments will continue to be billed quarterly at a Basic Rate of \$18/month per water connection 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.

	A	B	C	D	E	F	L	M	N	O	P
1						HMC GENERAL ASSESSMENT					
3						Fully Funded Reserve Draft	Actual	Actual	Budget	Proposed	
4							Oct '16 - Sep 17	Oct '17 - Sep '18	Oct '18 - Sep '19	Oct 19 - Sep 20	
5						Assessable Units (AU)	382	379	380	377	
6						AU minus delinquents	374	371	372	369	Assumes delinquency factor of 8 Members
7						Total Income minus Assessments	238,018	274,034	223,145	220,945	
8						Total Expenses less Special Assessment	982,020	1,049,070	964,197	1,220,999	
9						Yearly Assessment per AU	1,990	2,090	1,992	2,710	
10						Total Assessments	744,376	775,407	741,052	1,000,054	
11											
12						Monthly Assessment per AU	166	174	166	226	Members can pay monthly to HMC in advance
13						Budgeted Assessments	721,097	730,170	741,052	1,000,054	
14						Special Assessment				-	
15											
16						Budgeted Assessment per AU	1,928	1,968	1,992	2,710	
17						Special Assessment per AU	-	-	-	-	
18											
19						Income					
20	4100-00					Assessments	730,357	745,776	741,052	1,000,054	
21	4110-00					Ferry Fees	196,340	200,920	198,200	200,000	
22	4500-02					Beachcomber Ads	240	440	400	400	
23	4500-13					Renter's Fees, Copy, Fax and Notary	1,338	992	1,000	1,000	
24	4500-08					Nsf Fees	105	350	125	125	
25	4500-09					Postage	48	62	20	20	
26	4500-10					Property Transfer fee	8,750	5,250	3,800	5,000	
27	4500-06					Interest & Handling (Delinquent Accounts)	7,863	14,188	7,000	7,000	
28	4500-04					Ferry Charge Billing Fee for Vendor Access	-	1,125	1,000	1,000	
29	4500-03					Member Credit Card Fees	687	384	600	400	
30	4211-00					Interest Earned (HMC Reserves)	3,405	11,716	1,000	1,000	
31	4210-00					Interest Earned (CD)					
32	4500-15					Other Income (Rules Fines)	9,502	500	-	-	
33	4500-07					Miscellaneous	5,942	17,138	10,000	-	
34	4500-17					Attorney Collections see note 3				5,000	
35	4510-00					Water exp pd from HMC bank acct transferred back	3,798	20,967	-	-	
36						Gross Income	968,374	1,019,810	964,197	1,220,999	
37						Expense					
38						HMC Regular Operations					
39						Admin Salaries					
40	6000-85					Medical Insurance	13,936	12,139	16,075	20,000	
41	6000-87					Retirement	3,562	3,521	6,099	7,750	
42	6000-89					Payroll Taxes	10,672	7,137	14,202	14,661	
43	6000-91					Gross Wages	114,459	126,790	114,132	153,328	Adjusted for additional hours allocated by Board
44	6000-99					Water - % Admin Expense to Water	(18,876)	(5,103)	(18,000)	(39,555)	20% of office labor expense to water
45						Total Admin Salaries	123,753	144,484	132,508	156,183	
46											
47						Labor (Roads, Parks, Bldg Maint and Cleaning)					
48	6051-00					Gross Wages	7,596	8,506	17,424	10,005	
49	6052-00					Payroll Taxes	826	999	2,837	1,305	
50						Total Labor (Parks & Bldg Maint and Cleaning)	8,422	9,505	20,261	11,310	
51											
52	6000-13					Accountant/Auditor	6,590	24,105	14,000	16,000	2020 proposed 11K for auditor & 5K for accountant
53	6000-55					Background Checks	1,005	305	1,000	1,000	
54	6000-15					Bad Debt Write Off	8,762	51,503	-	-	
55	6000-17					Bank Fees	160	178	200	200	includes NSF check (\$18)
56	6000-21					Community Asso. Institute	132	132	150	150	
57	6000-23					Community Building Maintenance	793	1,352	1,000	1,500	
58	6000-25					Contract Svcs for Junk Removal	-	-	-	-	
59	6000-27					Credit Card Fees - Member Payments	704	571	700	750	
60	6000-57					CrystalTech-Web hosting	71	170	100	100	
61	6000-59					Education and Training	-	-	300	300	
62	6000-29					Emergency Preparedness	70	-	500	500	
63	6000-33					HMC Property Pre-Sale Expense	600	-	200	200	
64	6000-35					Insurance - Community Building	400	2,929	640	846	
65	6000-39					Insurance - Directors/Officers Ins	3,299	3,396	3,400	3,502	
66	6000-37					Insurance - Crime (Break-ins and Theft)	-	-	-	-	
67	6100-13					Insurance - 5 Million Excess Liability	9,500	9,500	9,500	10,000	
68	6100-11					Insurance - 14 Million Excess Liability	9,000	9,000	9,000	9,000	
69						Insurance - Employment Practices Liability				2,290	
70	6000-93					Island Security Costs	349	1,218	500	1,500	Security system in building needs to be replaced. Estimated cost is \$1050
71	6000-45					Legal - Collection Costs	4,674	11,855	5,000	7,000	
72	6000-41					Legal - General	13,549	5,586	12,000	10,000	

	A	B	C	D	E	F	L	M	N	O	P
1						HMC GENERAL ASSESSMENT					
3						Fully Funded Reserve Draft	Actual	Actual	Budget	Proposed	
4							Oct '16 - Sep '17	Oct '17 - Sep '18	Oct '18 - Sep '19	Oct '19 - Sep '20	
73	6000-51					Mileage	418	966	300	1,200	
74	6000-63					Miscellaneous	121	1,081	-	-	
75	6000-49					Office Equipment	2,172	4,774	2,000	4,000	
76	6000-51					Office Supplies	3,435	2,993	2,500	3,000	
77	6000-65					Payroll Expenses	3,204	2,389	3,000	3,200	
78	6000-67					Pension Administration	595	555	600	600	
79	6000-71					PO Box Fee	84	88	100	100	
80	6000-69					Postage and Stamps	2,084	2,472	2,400	2,700	10% increase in postal stamps in 2019
81	6000-75					Printing	1,857	1,521	1,500	1,600	
82	6000-77					Removal of unsafe trees	6,878	6,707	9,000	9,000	
83	6000-79					Reserve Analysis	1,250	-	1,800	1,280	
84	6000-95					Software upgrades annual fee	829	405	-	1,000	
85	6000-31					State and County Taxes	2,090	2,579	1,300	1,430	HMC owned property taxes 10% increase factored in
86	6000-97					Telephone/Fax/Internet	2,777	3,073	2,800	3,100	
87	6000-98					Utilities/Electric	1,386	2,360	1,700	1,840	
88						Total HMC Regular Operations before Reserves	221,013	307,751	239,959	266,382	
89	7000-07					Reserve Legal- Bal \$36.5K	-	-	-	-	
90	7010-03					Reserve Community Bldg-Cap \$50K, Bal \$14.2K	1,500		3,600	3,600	This reserve is in preparation for roof and septic
91						Total HMC Regular Operations with Reserves	222,513	307,751	243,559	269,982	
92											
93						Piles, Dolphins and Ferry Ramp Expenses					
94	6300-13					DNR Lease Annual	5,089	-	1,200	1,200	
95						Dolphin Expenses	3,690	124,093	-	-	
96						Paid via USDA / Reserves upon completion	(3,690)	(124,093)	-	-	
97	6300-05					Ferry Ramp Generator Maintenance and Fuel	2,309	3,188	3,500	3,500	
98	6300-07					Garbage - Ferry	247	218	300	300	
99	6300-09					Insurance - Docks and Piers	15,361	18,259	17,400	17,372	
100	6300-15					Inspection-Pierce Cty Inspection and Maintenance	5,070	-	-	-	due in 2019 which will use reserve funds
101						From Reserves	-	-	-	-	
102	6300-17					Parts and Supplies	29	434	2,000	11,000	Increase due replacement of pulleys and motors
103	6300-19					Ramp Painting	-	-	-	-	
104						From Reserves	-	-	-	-	
105	6300-21					Repairs/Maintenance	65,987	26,487	5,000	5,000	
106	6300-03					Repairs Cable Replacement		-	-	-	
107						From Reserves		-	-	-	
108	6300-27					Sanikans	3,237	3,139	3,400	3,672	8% increase factored in
109	6300-29					Utilities/Electric	1,445	1,537	1,840	1,988	8% increase factored in
110						Total Piles, Dolphins, Ferry Ramps before Reserves	98,772	53,262	34,640	44,032	
111	7020-07					Reserves Piles, Docks & Ramps - Bal \$28.514K	18,750	-	1,000	1,000	
112	7020-08					USDA Loan Reserve Equal to One Year Payment of \$20,476.00. Current balance is \$4,000.00				2,500	USDA Requirement until \$20,500 is reached at 10% per year. Must reach full reserve by year 2028.
113	7020-10					Reserves Ferry Terminal Structures-Cap \$2.3M, Bal \$2K	-	-	2,000	37,000	This is part of the reserve study and therefore has been added as a new reserve fund
114	7020-11					Reserves Ramp Painting and Wood Decks-Cap \$347K, Bal \$24.964K	1,000	-	1,000	7,000	To start buildup for next ramp painting project due in 2028
115						Special Assessment - Ramp Painting	-	-	-	-	
116	7020-12					Reserves Ramp Inspections-Note 5 Cap \$19K, Bal \$22.5K	3,500	-	-	10,000	Inspection due in 2019.
117	7020-09					Reserves Generator Replacement-Cap \$38K, Bal \$12.9K	3,300	-	3,000	4,000	
118	7020-13					Reserves Cable Replacement-Cap \$28K, Bal \$38K. Replacement due spring of 2020	3,000	-	-	5,000	
119	7020-14					Dolphin USDA Loan Funds Member Prepayments - Balance is 0K - Accounting Reserve Fund					
120						Total Piles, Dolphins, Ferry Ramps with Reserves	128,322	53,262	41,640	110,532	
121						Ferry					
122						Ferry Salaries & Benefits					
123	6100-53					Medical Insurance	32,448	46,373	53,980	55,600	
124	6100-55					Retirement-Employer	8,960	7,533	15,370	16,600	
125	6100-57					Payroll Taxes	28,797	16,454	30,798	26,800	
126	6100-59					Gross Wages	307,117	289,878	332,850	336,827	Estimated 3% increase
127						Total Ferry Salaries & Benefits	377,322	360,238	432,998	435,827	
128	6100-25					Cellphone	1,797	862	1,800	1,800	
129	6100-01					Ticketing Device/System	109	1,815	1,000	5,000	For replacement/damage of IPAD's and new equipment for cashless system
130	6100-27					Drug Testing	1,228	504	1,400	1,400	
131	6100-03					Engine Overhaul / Replacement	-	24,939	51,600	12,000	
132						From Reserves	-	(24,900)	(51,600)	-	

HMC 2019 Meeting of the Membership

Reconvened

July 13, 2019

Call to Order: Reed West, President

Roll Call: Reed West, Chet Latimer, Ferd Reichlin, Kathy Deuster, Merry Kogut, and Jane Wooster (Island Manager), were present.

Reed called for ballots to be submitted.

Reed called for volunteers to count the ballots. Six Members in good standing volunteered.

Ballot Results: The meeting was suspended and the room was cleared to allow time for volunteers to count the budget ballots.

<u>BALLOT VALIDATORS:</u>	<u>BALLOT ATTENDEES:</u>
Ted Jensen	Gladys Dulyea
Stephanie Jensen	Michele Young
Carol Miller	Ben Hull
Carolyn Snyder	Lauren West
	Dan Marten
	Andy Thompson

After completion, the meeting was reconvened to announce the results of the Budget Ballot vote:

Two equal assessment payments in 2019/2020 OF \$2,710: 53

Two equal payments of \$2,398 and one special assessment of \$312: 53

No on budget: 24

The membership meeting reconvened and Reed West announced the results. Because there is a tie, the Board will seek advice on what to do.

(Post-meeting note: HMC was unable to count seven received ballots. Four envelopes had no return address/name; one had an address label but no signature; and two ballots were put inside one envelope).

	A	B	C	D	E	F	L	M	N	O	P
1						HMC GENERAL ASSESSMENT					
3						Fully Funded Reserve Draft	Actual	Actual	Budget	Proposed	
4							Oct '16 - Sep '17	Oct '17 - Sep '18	Oct '18 - Sep '19	Oct '19 - Sep 20	
133	6100-05					Equipment	318	3,053	2,500	2,500	
134	6100-07					Fuel	45,385	61,628	62,700	68,200	Increase due to latest news happening abroad and market fluctuation price of oil.
135	6100-29					Inspections and Licensing	626	787	900	900	
136	6100-15					Insurance - Commercial Package	7,381	7,288	7,300	8,353	
137	6100-17					Insurance - Marine Package	17,732	9,500	9,900	9,600	
138	6100-19					Insurance - Vessel Pollution	747	747	750	747	
139	6100-20					Employee Assistance Program Required by CG				280	EAP required by CG starting 2019
140						Legal Fees - IBU Attorney	11,754	3,535	1,000	10,000	
141						From Reserves				(10,000)	
142	6100-33					Miscellaneous	4,391	1,578	1,500	1,500	
143	6100-43					Passenger Vessel Asso.	-	534	530	540	
144	6100-65					Personal Property & Excise	3,680	5,279	4,500	4,900	
145	6100-35					Crew Housing	3,160	5,000	8,000	2,000	
146	6100-23					Contract Reimbursement Permanent EEs		4,600	6,000	6,000	
147	6100-45					Repairs	9,282	28,660	2,500	10,000	
148	6100-47					Routine Maintenance & Supplies	3,722	5,256	9,000	9,000	
149	6100-37					Sheds (waiting, oil and school)	26	-	-	-	
150	6100-61					Ship Yard	67,208	133,394	-	150,000	Shipyard scheduled for Sep 2020 Shipyard expenses will use reserve funds of 35K
151						From Reserves		(95,300)	-	(150,000)	
152	6100-63					Supplies, Paper Products, Water	704	1,089	880	1,000	
153	6100-39					Tickets & Passes & Stickers	2,281	589	2,300	2,400	
154	6100-41					Uniforms	2,104	1,085	2,000	2,000	
155						Total Ferry before Reserves	580,958	541,759	559,458	585,947	
156	7030-03					Reserve Ferry Replacement-Cap \$1.545M, Bal \$7K	1,000	1,000	1,000	27,000	
157	7030-17					Reserve Shipyard - Note 1 Cap \$150K, Bal \$35K	-	32,300	35,000	115,000	This is to build up reserve for shipyard expected in 2020.
158	7030-15					Reserve Ferry Engine Transmissions-Note 2 Cap \$246.3K, Bal \$17.312K	2,000	9,500	-	6,000	
159						Special Assessment - Ferry Engines	-	-	-	-	
160	7030-07					Reserve - Legal IBU Attorney Cap \$20K, Bal \$15K	7,500	2,500	2,500	2,500	For contract negotiations and maintenace above operational budget in Legal Fees-IBU Attorney
161	6100-51					Accrued Sick Leave carryforward-Cap \$5K, Bal \$5K	5,000	-	-	-	This was a one time reserve until used and is expected to stay cap of \$5K
162						Total Ferry with Reserves	576,456	587,059	597,958	736,447	
163						Parks					
164	6200-13					Garbage Pick Up	579	590	660	749	8% increase - three cans at \$4.80 for 52 weeks each
165	6200-03					Maint - General upkeep including park parking	540	6,258	-	-	
166	6200-05					Maint - Lawn Equipment	-	-	500	500	
167						From Reserves	-	-	-	-	
168	6200-09					Maint - Parks Shed (lawn shed)	74	-	-	-	
169	6200-07					Maint - NB Pavilion Building and NB parking	1,603	25	-	-	
170	6200-15					Miscellaneous	324	2,286	-	-	
171	6200-19					Parks Development-Picnic Tables	-	-	1,400	-	
172	6200-21					Playground Improvement	447	7,495	180	1,000	Increased for playground chip replacement
173						From Reserves	-	-	-	-	
174	6200-17					Sanikans	3,370	3,577	4,000	4,320	8% increase factored in
175	6200-17					Small Boat Dock Pillings	-	-	-	-	
176						From Reserves	-	-	-	-	
177	6200-29					Small Boat Dock - Maint & Improvements	6,473	631	2,000	2,000	Increase for anticipated improvements
178	6200-31					Small Boat Dock - Removal and Install	5,068	1,211	2,500	2,500	
179	6200-33					Supplies & Equipment Repairs	800	322	2,000	2,000	
180	6200-35					Utilities/Electric	675	749	700	756	8% increase factored in
181						Total Parks before Reserves	19,953	23,143	13,940	13,825	
182	7040-07					Reserves Small Boat Dock-Cap \$422K, Bal \$12K	-	5,000	7,000	12,000	
183	7040-09					Reserves Parks General-Cap \$36K, Bal \$13.116K	1,000	5,000	3,000	5,000	Lawn mower replacement due in about a year
184						Total Parks with Reserves	20,953	33,143	23,940	30,825	
185						Roads (ferry island/mainland lots)					
186						Salaries has been moved and combined with Labor for Parks and Community building under Administration section					
187						Payroll taxes					
188						Wages					
189						Total Salaries	-	-	-	-	
190											
191	6400-03					Auto Insurance (Dust Control Truck)	1,086	2,128	2,100	1,713	
192	6400-05					Dust Control Truck	1,805	19,443	1,000	1,000	

	A	B	C	D	E	F	L	M	N	O	P
1						HMC GENERAL ASSESSMENT					
3						Fully Funded Reserve Draft	Actual	Actual	Budget	Proposed	
4							Oct '16 - Sep 17	Oct '17 - Sep '18	Oct '18 - Sep '19	Oct '19 - Sep '20	
193						Drainage loan repayment to reserve				17,500	Estimated expenses for water drainage on one-way road. First of two years.
194						Road Maintenance Contract Costs	10,442		22,000	-	
195	6400-09					Grading		4,515		8,000	Twice a year under contract for two years
196	6400-11					Ditch Cleaning		3,477		14,000	Minimum is ten thousand
197	6400-06					Road Equipment, Parts and Supplies		440		1,000	new line item from misc to account for equipment repairs.
198	6400-01					Ferry Road Asphalt replacement	-	28,054	-	-	
199						From Reserves	-	(28,000)	-	-	
200	6400-07					Road & Ditch Materials local	3,442	5,299	11,000	15,000	Local supplier
201						From Reserves	-	-	-	-	
202						Total Roads before Reserves	16,775	35,356	36,100	58,213	
203	7050-08					Reserves Gravel-Cap \$85K, Bal \$0	10,000	5,000	1,000	10,000	Purchased gravel in 18/19 year. \$85K estimated at \$30K spreading and 2K tons at \$55K
204	7050-06					Reserves Ferry Hill road asphalt-Cap 22K, Bal \$22K	5,000	25,000	20,000	-	
205	7050-07					Reserves Road Equipment-Cap \$16K, Bal \$4K	2,000	2,500	-	5,000	Dust Truck purchased FY 17/18.
206						Total Roads with Reserves	33,775	67,856	57,100	73,213	
207						Total Expenses before Reserves	917,470	961,270	884,097	968,399	
208						Total Expenses including Reserves	982,020	1,049,070	964,197	1,220,999	
209						Net Income (Loss) - Note 4	(13,645)	(29,260)	-	-	
210											
211						Reserve funding and Special Assessments	64,550	87,800	80,100	252,600	
212						Reserves used \ expenses to USDA loan	(3,690)	(272,293)	(51,600)	(160,000)	
213						General note: This budget was generated based on analysis of the last five years of actual expenses					
214						Note 1: Ferry goes into dry dock every two years on the even year					
215						Note 2: New engines go into shipyard for rebuild every five years but has been extended for next service to be 2020.					
216						Note 3: Legal fee expense is partially offset by legal fee income. This allows for accounting requirements.					
217						Note 4: Unexpended funds from prior FY year will be allocated to appropriate reserves. Refer to Auditors					
218						Note 5: Mainland every 2 years 2019 next inspection, Island every 4 years 2019 next inspection. 2019 has both, 2021 only Mainland and so on.					
219						Note 6: All reserves were reviewed against the 2018-2019 Reserve Study report since the current 2019-2020 Reserve Study report was not available during the time the budget was being constructed.					
220											
221						HMC WATER	Actual	Actual	Budget	Proposed	
222							Oct '16 - Sep 17	Oct '17 - Apr '18	Oct '18 - Sep '19	Oct '19 - Sep '20	
223						Assessable Connections	397	397	400	402	
224						Connections minus delinquents	389	389	392	394	
226						Base Assessment per Connection - Annual	179	160	216	216	
227						Base Assessment per Connection - Monthly	15	13	18	18	covers base and reserve amount.
228						Base Total Assessments - All Connections	69,696	62,065	84,672	85,104	
229						Note: Base assessment does not include water usage above base or USDA loan repayment if applicable.					
230						Budgeted Base Assessment per Connection - Mthly	18	18	18	18	
231						Budgeted Reserves as a % of total Base fees	41.6%	39.0%	50.3%	28.2%	
232						Total Base Fees + Reserves collected per P&L	85,653	84,024	84,672	85,104	
233						Income					
234	4600-02					Base Fees	50,025	51,224	42,100	61,104	
235	4600-11					Usage Fees	8,850	8,618	10,000	8,500	
236	4600-08					Other	5,656	1,423	1,000	1,000	
237	4600-06					Water Interest & Handling	9,134	12,014	10,000	10,000	
238	4600-04					Water Hook Up fee	802	-	100	-	
239	4600-10					Water Shut Off fee					
240						Total Income before Reserves and USDA	74,468	73,279	63,200	80,604	
241						Reserves	35,628	32,800	42,572	24,000	
242	4600-01					USDA Water Special Assessment	54,098	55,732	53,278	58,500	
243						Total Income	164,194	161,811	159,050	163,104	
244											
245						Expense					
246	6500-03					Accountant/Auditor	2,055	4,253	3,600	-	Included in HMC audit
247	6500-05					Bad Check	-	129	100	150	
248	6500-07					Bank Fee	-	248	50	300	
249	6500-09					Cell Phone	85	239	200	300	
250	6500-11					Contract Manager - NWS	4,601	5,511	5,000	5,400	
251	6500-13					Excise Tax	5,000	6,727	8,000	7,200	
252	6500-15					Insurance	1,832	2,500	2,000	3,000	
253	6500-17					Interest Expense				-	
254	6500-19					Legal	978	1,161	1,500	1,300	

	A	B	C	D	E	F	L	M	N	O	P
1						HMC GENERAL ASSESSMENT					
3						Fully Funded Reserve Draft	Actual	Actual	Budget	Proposed	
4							Oct '18 - Sep '17	Oct '17 - Sep '18	Oct '18 - Sep '19	Oct '19 - Sep 20	
255	6500-21					Membership Fees	-	-	-	-	
256	6500-23					Mileage Reimbursement	64	71	500	100	
257	6500-27					Miscellaneous	767	1,230	2,500	800	
258	6500-24					Office Supplies				100	
259	6500-25					Other	-	-	250	-	
260	6500-29					Permits & License	681	1,320	2,000	1,400	
261	6500-33					Postage and Admin (Mailing)	853	737	1,500	900	
262	6500-35					Printing	-	-	100	100	
263	6500-36					Repairs - Parts	-	-	500	100	
264	6500-49					Software upgrades and annual fee	1,303	1,361	900	1,200	
265	6500-51					Supplies	5,179	1,198	1,000	1,200	
266	6500-53					Supplies & Repairs - Contractors	397	-	2,500	2,000	
267	6500-55					Utilities	2,323	2,769	2,500	2,700	
268	6500-39					Wages - EE benefits % (Taxes, Pension, Insurance)	3,143	2,729	3,000	8,889	
269	6500-41					Wages - Administrative %	23,049	23,232	15,000	30,666	
270	6500-47					Wages - Water Dept Manager, Meter Reading	6,224	11,896	8,000	14,890	
271	6500-45					Wages - Payroll Taxes	1,132	2,427	1,500	1,823	
272	6500-31					Water Sample Test	667	437	1,000	400	
273						Total Water Expenses before Reserves and Water Assess	60,332	70,175	63,200	84,919	
274	7060-05					To Water Reserve (Cap is \$1,800,000 - Balance is \$242,756) Repairs and parts.	34,626	16,400	42,572	24,000	
275	7060-06					USDA Loan Reserve Equal to One Year Payment of \$53,278.00. Current balance is \$54,000.00	-	-	-	-	USDA requirement
276	7060-07					Water USDA Loan Funds Member Prepayments - Balance is 6.321K - Accounting Reserve Fund				-	
277	7060-06					Ten year inspection/report (due 2019) Cap is unknown - Balance is 0				2,000	
278						USDA Water Special Assessment for Loans	53,278	53,278	53,278	58,500	
279						Total Operating Expense	148,236	139,853	159,050	169,419	
280						Net Income (Loss)	15,958	21,959	-	(6,315)	
281											
282						General note: Every five years a Sanitary Survey is done by the Health Department. 2020 is the next cycle year for the survey to be done.					

2019/2020 HMC Fee Schedule Changes

Monthly Handling Fee for Delinquent Accounts:

For balances of \$100.00 or less	\$ 15.00
For balances of \$100.01 or more	\$ 30.00
Interest	1% Monthly or 12% per Annum
Non-Sufficient Funds (NSF)	\$ 35.00
Office/Research per hour	\$ 43.00
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	\$ 0.25
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	\$ 80.00
Renter's Annual Renewal Fee (billed in full in October)	\$ 40.00
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 Deposit	\$125.00 \$75.00 rental, \$50.00
Ferry Charge Billing Fee:	\$ 5.00 per month billed
Property and Water Account Transfer Ownership Fee	\$200.00

Dolphin Assessment Capital Cost Recovery:

*Dolphin replacement Special Assessment of \$192.12, prorated since inception October 2018. Plus semi-annual charge of \$48.03, for the next 38 years. **OR:** Pay the total balance of \$3,842.40.*

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 (HMC equipment only damaged by Member) \$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 \$1,336.50, prorated since inception April 2013. Plus monthly charge of \$14.85, billed quarterly at \$44.55 for the next 34 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

Meter Box Lid Replacement \$ 50.00

Meter Box Replacement \$100.00

Meter Replacement \$500.00

Antenna Replacement \$500.00

Meter Setter Replacement \$500.00

Voluntary Water Service Turn Off \$ 10.00

Ditch Clean Out Fee per Hour \$125.00

NOTE: Payment to HMC will be due by the 25th. All billings will now reflect a due date of the 25th.

(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.)

2018/2019 Ferry Fees

	Vehicle with current decal	All Other
Car and Driver under 20'	\$8	\$20
Walk-on or Passenger		
Age 12 and up	\$3	\$3
Age 5-11	\$1	\$1
Age 4 and under	\$0	\$0
Vehicle Length Based Fares:		
21'-30'	\$16	\$32
31'-40'	\$24	\$48
41'-50'	\$32	\$64
51'-60'	\$40	\$80
Special Runs (One Way)	\$175	\$175
Book Of 10 \$8 Tickets	\$72	
Book of 25 \$3 Tickets	\$72	
911 Initiated Runs	Free	Free

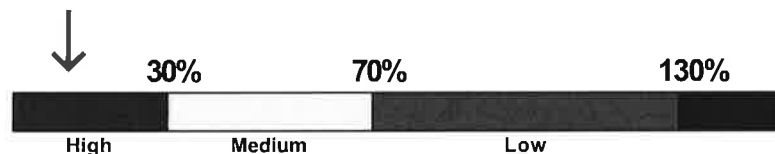
3- Minute Executive Summary

Association: HMC Management **Assoc. #: 24901-6**
Location: Lakebay, WA **# of Units: 379**
Report Period: October 1, 2019 through September 30, 2020

Findings/Recommendations as-of: October 1, 2019

Starting Reserve Balance	\$274,996
Current Fully Funded Reserve Balance	\$2,630,070
Percent Funded	10.5 %
Average Reserve Deficit or (Surplus) Per Unit	\$6,214
2019/2020 100% Annual "Full Funding" Contributions	\$397,000
2019/2020 70% Annual "Threshold Funding" Contributions	\$316,700
2019/2020 "Alternate/Baseline Funding" to keep Reserves above \$0	\$137,846
Recommended 2019/2020 Special Assessment	\$0
Most Recent Budgeted Contribution Rate	\$80,100

Reserves % Funded: 10.5%



Economic Assumptions:

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

- This is a Update "With-Site-Visit" Reserve Study, meeting or exceeding all requirements of the RCW. This study was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).
- The reader should note that project to replace dolphins for ferry system was recently completed in FY 2017/2018. Long term USDA loan to finance vast majority of that project is now in place. No future impact upon HMC maintenance reserves is factored for this significant indebtedness since collections and payments will reportedly continue to be handled in a separate account for this debt obligation (similar to separate Water System indebtedness).
- Assuming the preceding understanding, your Reserve Fund is currently 10.5 % Funded. This means the association's special assessment and/or deferred maintenance risk is currently High. 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 continue to recommend substantially increasing Reserve Contributions to within the 70% to 100% range as noted above. Going forward, collection of reserve monies to provide for fair distribution of expense burden to offset ongoing deterioration of reserve category

projects and improve reserve fund status should be undertaken. In other words, current owners should contribute "their fair share" to maintenance reserves. The reader should note that the FY 2019/2020 "Annual Deterioration" of reserve components is \$246,574.

- No assets appropriate for Reserve designation known to be excluded. See appendix for component information and the basis of our assumptions. "Alternate Funding" in this report is synonymous with Baseline Funding, as defined within the RCW "to maintain the reserve account balance above zero throughout the thirty-year study period, without special assessments." Funding plan contribution rates are presented as an aggregate total, assuming average percentage of ownership. The actual ownership allocation may vary - refer to your governing documents.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Site/Grounds/Recreation				
200	Asphalt Roads - Repair/Resurface	25	23	\$30,000
204	Gravel Roads/Lots - Maintain/Repair	5	4	\$58,000
350	Play Equip,North Beach 2007-Replace	20	8	\$6,000
352	Play Equip,North Beach 2017-Replace	20	18	\$6,000
354	Play Eq,Goodpastor-Partial Replace	5	4	\$8,000
356	Basketball Court - Repair/Replace	30	24	\$20,000
370	Pavilion - Replace Roof	25	9	\$9,900
Small Boat Marina				
302	Small Boat Docks/Floats-Replace	30	12	\$135,200
306	Small Boat Dock Pilings - Replace	50	42	\$225,000
320	Small Boat Trestle/Ramp - Replace	30	12	\$94,500
336	Small Boat Gangway - Replace	30	12	\$8,500
Community Building				
410	Community Building Siding-Replace	50	36	\$28,000
430	Community Building Roof - Replace	40	23	\$21,600
460	Community Blding Septic - Replace	50	13	\$11,000
Equipment				
540	Dust/Water Truck - Replace	12	10	\$19,000
Ferry System				
700	Ferry Terminals - Inspect/Repair	4	3	\$22,500
702	Ferry Terminals - Paint	12	8	\$195,000
704	Ferry Terminal Cables - Replace	5	0	\$42,500
706	Ferry Terminal Wood Decks - Replace	24	20	\$190,000
707	Ferry Terminal Structures - Replace	60	32	\$2,530,000
708	Ferry Ramp Dolphins - Replace	50	48	\$1,275,000
712	Ferry Ramp Generators - Replace	20	8	\$39,900
740	Ferry Vessel - Shipyard	2	1	\$130,000
744	Ferry Vessel - Overhaul Engines	5	4	\$35,000
746	Ferry Vessel - Replace Engines	50	44	\$178,000
755	Ferry Vessel-Overhaul Transmissions	7	1	\$16,000
757	Ferry Vessel-Replace Transmissions	28	22	\$36,000
760	Ferry Vessel - Replace	60	30	\$1,685,000
Professional/Special Projects				
940	Legal Contingency Fund	0	0	\$35,000
29 Total Funded Components				

Note 1: Yellow highlighted line items are expected to require attention in this initial year, green highlighted items are expected to occur within the first-five years.

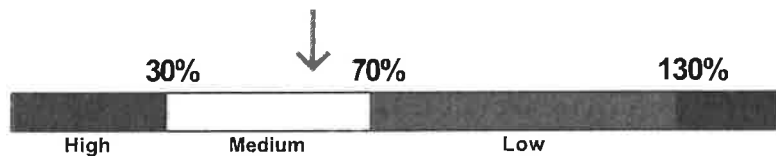
3- Minute Executive Summary

Association: HMC Water System **Assoc. #: 26621-5**
Location: Lakebay, WA **# of Units: 400**
Report Period: October 1, 2019 through September 30, 2020

Findings/Recommendations as-of: October 1, 2019

Starting Reserve Balance	\$291,650
Current Fully Funded Reserve Balance	\$488,035
Percent Funded	59.8 %
Average Reserve Deficit or (Surplus) Per Unit	\$491
2019/2020 100% Annual "Full Funding" Contributions	\$87,100
2019/2020 70% Annual "Threshold Funding" Contributions	\$66,740
2019/2020 "Alternate/Baseline Funding" to keep Reserves above \$0	\$24,032
Recommended 2019 Special Assessment	\$0
Most Recent Budgeted Contribution Rate	\$42,572

Reserves % Funded: 59.8%



Special Assessment Risk:

Economic Assumptions:

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

• This is a Update "No-Site-Visit" Reserve Study, meeting or exceeding all requirements of the RCW. This study was prepared by, or under the supervision of a credentialed Reserve Specialist (RS 153).

• Your Reserve Fund is currently 59.8 % Funded. This means the association's special assessment and/or deferred maintenance risk is currently Medium. 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 budget Reserve Contributions to within the 70% to 100% range as noted above. The 100% "Full" and 70% contribution rates are designed to gradually achieve these funding objectives by the end of our 30-year report scope.

• No assets appropriate for Reserve designation known to be excluded. See appendix for component information and the basis of our assumptions. "Alternate Funding" in this report is synonymous with Baseline Funding, as defined within the RCW "to maintain the reserve account balance above zero throughout the thirty-year study period, without special assessments." Funding plan contribution rates are presented as an aggregate total, assuming average percentage of ownership. The actual ownership allocation may vary - refer to your governing documents.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Capacity / Storage				
901	Well Pumps/Motors - Replace	30	23	\$19,100
904	Well Controls - Replace	30	23	\$5,305
910	Storage Tank, Concrete - Replace	80	66	\$225,500
912	Storage Tank, Interior - Clean	10	0	\$4,240
914	Storage Tank, Exterior - Clean	5	0	\$3,390
Boost				
920	Booster Pumps, 5 HP - Replace	20	13	\$16,950
922	Booster Pump, 15 HP - Replace	40	33	\$23,300
924	Booster Pumps VFD Control - Replace	20	13	\$16,950
Distribution				
940	Distribution Lines, 6"-8" - Replace	70	63	\$1,105,000
941	Distribution Lines, 2" - Replace	40	33	\$71,600
945	Service Connect/Lines - Replace	40	33	\$273,500
946	Service Meters - Replace	10	3	\$134,500
947	Service Meter Box/Setters - Replace	20	13	\$134,500
950	Pressure Reducing Valves - Replace	20	13	\$13,400
954	Blow-Out/Isolation Valves - Replace	30	23	\$40,350
958	Hydrants - Replace	40	33	\$167,500
Buildings/Site				
964	Building Roofs - Replace	40	34	\$3,500
967	Storage Shed, Vinyl - Replace	20	14	\$2,870
969	Building Electrical - Replace	30	23	\$11,160
970	Chain Link Fence - Replace	35	29	\$18,350
Systems/Equipment				
980	Generator, Emergency - Replace	50	5	\$53,050
999	Meter Reader System - Replace	6	0	\$5,700
Financial/Professional				
1006	SWSMP - Update	6	0	\$3,190
23 Total Funded Components				

Note 1: Yellow highlighted line items are expected to require attention in this initial year, green highlighted items are expected to occur within the first-five years.

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VOTE ON BALLOT PROPOSITION NO. 1

Shall the HMC Management General and Water Budget for Fiscal Year 2018/2019 attached to this Ballot be ratified by the Membership?

PICK ONE (1) BOX ONLY

(If more than one box is checked your vote will not be valid.)

☐ Ratify the FY 2019/2020 Budget as proposed herein - Annual Assessment \$2710 to be billed in two parts in Oct. 2019 and Apr. 2020

OR

☐ Ratify the FY 2019/2020 Budget as follows:

Annual Assessment - \$2398 to be billed in two parts in Oct. 2019 and Apr. 2020

Special Assessment - \$312 (to fund the 2020 Shipyard shortfall to be billed in January 2020)

OR

☐ No. Against Ballot Proposition

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HMC 2019 Meeting of the Membership

Reconvened

July 13, 2019

Call to Order: Reed West, President

Roll Call: Reed West, Chet Latimer, Ferd Reichlin, Kathy Deuster, Merry Kogut, and Jane Wooster (Island Manager), were present.

Reed called for ballots to be submitted.

Reed called for volunteers to count the ballots. Six Members in good standing volunteered.

Ballot Results: The meeting was suspended and the room was cleared to allow time for volunteers to count the budget ballots.

<u>BALLOT VALIDATORS:</u>	<u>BALLOT ATTENDEES:</u>
Ted Jensen	Gladys Dulyea
Stephanie Jensen	Michele Young
Carol Miller	Ben Hull
Carolyn Snyder	Lauren West
	Dan Marten
	Andy Thompson

After completion, the meeting was reconvened to announce the results of the Budget Ballot vote:

Two equal assessment payments in 2019/2020 OF \$2,710: 53

Two equal payments of \$2,398 and one special assessment of \$312: 53

No on budget: 24

The membership meeting reconvened and Reed West announced the results. Because there is a tie, the Board will seek advice on what to do.

(Post-meeting note: HMC was unable to count seven received ballots. Four envelopes had no return address/name; one had an address label but no signature; and two ballots were put inside one envelope).