



# HMC Management

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Questions & Answers posted as of March 30, 2010

- 1) How much total money do we currently have in our "water reserves"? **As of December 31, 2009, \$51,923.74.**
- 2) How much of this money is the Board asking to spend? **\$25,000? There is misunderstanding about process and terminology. HMC has applied to USDA for a loan, and is eligible. We are not committed yet, nor is USDA.**

**At this point we need to complete required State and federal environmental review pieces, which requires some expenditure. We know we have to do a cultural/archaeological evaluation and respond to some Coastal Zone questions. We may need specialized consulting, as in the cultural survey. The cost of that item (and others, if they arise) can't easily be pinned down without the consultant knowing the size of the island, the nature of the project, number of linear feet of water system, the location of the "Area of Potential Effect" and so on. Without perfect foresight, the exact dollar cost can't be determined at this time.**

**We shouldn't have to do everything on the environmental list, because this is a replacement project, but until the vote occurs, HMC can't move much farther down this path. In short, "we have to spend what we have to spend" to meet these requirements. These costs can be folded into the total loan and spread out over the 40 year repayment period, thereby allowing cash replenishment of the water reserve, if so desired. Once the federal and State requirements are met, we are at the point where USDA can move ahead with the loan process.**

**Reserve funds for water are sufficient that if the reserves were exhausted and an emergency occurred in the water system (both unlikely events) the Board has authority to reallocate reserve funds in an emergency. We would then replace the reserve over time.**

- 3) **How will the undefined \$10,400 be spent?** (Total \$25,000, less \$6,000 for environmental and \$8,400 for cultural = \$10,400) **Please see above. I cannot provide an exact dollar figure because of the factors in #2, but I believe that the current reserve should be more than sufficient.**
- 4) **Will the engineers who created our Water System Plan and design outline be involved in "Refining our system design"?** **It makes sense to use a firm familiar with Herron Island water. There are two firms which are familiar with our operations here. Anchor Engineering of Kirkland did the WSP. Northwest Water Systems of Port Orchard has performed two engineering reviews of our system, which are posted on the web site under the "Water System Upgrade" tab at the left. Todd Krause of NWS has also said he believes that a little reengineering of the WSP could save us a substantial amount of money.**
- 5) **Is the entire \$25,000 required for the sole purpose of obtaining a loan commitment from the government?**

*Question five is mine and based on a comment you made to me at a Water Committee meeting in January 2010 that a portion of the cost from the Washington Water proposal was to create materials to "sell", the retain ownership option to the members. Please confirm that the entire \$25,000 is directly related to receiving a loan commitment from the government and no money will be used to obtain consulting services, reports, studies, plans or rate structures related to owning, operating and maintaining the water system or strategies related to communicating or promoting the ownership path to the members. **First, HMC has received no proposal from Washington Water, although we have spoken with them and asked if they were interested in proposing. I don't understand your remark. I have only been authorized by the Board, at its December 2009 meeting, to proceed with what is needed for the USDA application, and to respond to questions regarding the USDA loan. I believe that the***

Board has stated that ownership or retention options remain open until a later ballot on that issue. We have been told by USDA to complete our materials "as soon as possible" and that is what we are attempting to do.

If #1 passes, and items #2 and #3 don't pass, then we cannot move ahead with USDA, because the "ownership language" is not satisfactory to USDA attorneys without restoring the language in the original Articles, and there will be no authority to spend. If #1 and #2 pass, and not #3, then we still can't move ahead, because there will not be satisfactory language in the Articles.

Regarding Issue #3: There is no impact on any member or the Board from this ballot issue. It does not change the purpose of HMC, because the current Articles are more broadly worded than what is being added. By adding purposes from the original Articles of Incorporation, we are just being more specific, which satisfies the USDA legal. The addition of the original articles of Incorporation purposes does not impact any HMC responsibilities, authority or operations.

Note to Members: If you have questions regarding the USDA loan, the application process, or loan purposes, please contact me at [hmcmanager@herronisland.org](mailto:hmcmanager@herronisland.org) . Thank you.