

# The Beachcomber



HMC Newsletter

January 2012



## President's Message

Ahh, it is wonderful how we are all enjoying the great sunny tropical life on Herron Island... (time passes ... Mark wakes up.) In reality, there is much business to report for Herron Island.

***Our Water System Upgrade Project.*** As you all know, we have been proceeding smartly with our water system project. Our engineers, NW Water Systems, had estimated that the overall cost for our project would be \$2.3 million; \$1.6 million of that was estimated for the cost of actual construction (other costs involved include, for example, the engineers' costs, costs of ADA compliance, a new generator and installation of true 3-phase power at the pump house). We solicited bids from construction contractors and, on January 13, we formally opened 11 construction contractors' bids we received for the installation of our new system. Eight of the 11 bids received were lower than the engineers' estimate; the lowest bid submitted came in at slightly over \$1 million. The engineers then began to evaluate the bids, beginning with the lowest bid, to determine the lowest bid that would meet the technical requirements for our project and that would qualify for funding through the USDA.

With the bids in hand, we needed to move smartly with the project, and get started as soon as possible so that material delivery could be made before the next salmon window opens in March. At this last meeting of the HMC Management Board of Directors, we voted that we would select the bidding contractor who, based on our engineers' recommendation, had submitted the lowest qualified and responsive bid for the construction of the water system. We also voted to enter into a contract with the successful bidder for system construction, provided that the amount of their bid did not exceed the engineers' estimate of \$1.6 million. Finally, we voted to obtain a loan from KeyBank for interim financing for the project, up to maximum of \$2.3 million, the to-

tal project cost approved by the USDA. The sole purpose of that interim loan would be for the water system upgrade and related costs.

Since that Board meeting, and following their review of the bids and a detailed consideration of all information received, our engineers have recommended that we accept the lowest qualified bid that was submitted. Based on the initial estimates, using this contractor should lower our overall projected costs by roughly half a million dollars. Our selection of this contractor, however, remains subject to the approval of the USDA and of KeyBank, which is providing interim financing for the project.

***Our Herron Island Water Utility.*** Beginning on January 31, 2012, HMC Management will resume full responsibility for operating the Herron Island Water System. Upon reevaluation of our organizational plans, we came to the conclusion that it would not be cost effective for us to have our water utility run by a separate corporate entity owned by HMC Members, despite the fact that it would have a tax exempt status. This will save money overall for our HMC Members and reduce the anticipated administrative workload for our office staff.

There are two important points about this plan (amongst others): 1) the water revenues will be accounted for separately from general revenues to ensure that the water revenues are used primarily for operation and financing of the water system; and 2) although they will be sent out separately from the general bills to HMC members, the amounts due under all bills are to be treated as and collected as Assessments under the Bylaws of HMC Management; an overdue payment on an Assessment related to water service will be treated in the same manner as an overdue payment on a general Assessment.

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President's Message  
(Continued from Page 1)

For more details, please read the article that appears on the Herron Island website and later in this edition of the Beachcomber.

**Our North Beach Pilings Project.** Quigg Brothers has been chosen as the contractor to replace the pilings at the North Beach Marina. Quigg's bid was for \$156,663.48, more than \$93,000 *below* the original estimate of \$250,000. They will do their work in late February and it is expected to take less than a week. The Island Manager's Report has more details about this.

**Our Roads.** Even given the rural nature of our island, we have for a long time enjoyed roads that are exceptionally well-maintained through the efforts of several dedicated volunteers. To ensure that we continue in this tradition, we need interested Members to step up and assist in this effort by joining the Roads Committee. Please contact the HMC Office, the Island Manager, or any Board member for more about this.

**Our Rules.** We also need additional members for our rules committee. In addition to its adjudicative function, the rules committee is charged with evaluating and making recommendations for improvements in our island rules and other aspects of maintaining our island community a civil place to live. Please contact Sherry Anderson, Linda Kelly, the HMC Office, the Island Manager, or any Board member for more about this.

**Our Emergency Preparedness.** Mike Shettlesworth, Pat Zazzo, and the other volunteer members of our Emer-

gency Preparedness Committee are working hard to address a long-standing need for improved emergency preparedness on Herron Island. This need was made all the more apparent by the recent storm activity, which resulted in a power outage that was fortunately short-term. When you have the chance, please take the time to thank our Emergency Preparedness Committee members for all they are doing, and feel free to join them on the committee in their efforts to keep Herron Island safe. And check out the EP Committee's "Tip of the Month" that appears later in this Beachcomber.

**Our Ferry.** Despite the challenges presented by some ferry passengers whose conduct is, shall we say, "less than appropriate," our professional and dedicated crew members have continued to ensure that our ferry operations are conducted safely, smoothly, and reliably. Please thank them when you get on and off the ferry.

As you can see, your Board, our Island Manager, our Island Staff, our Ferry Crew, and a host of dedicated Island Volunteers have all been quite busy in these "slow" winter months. The work that I've described here is merely the "tip of the iceberg" as far as just how much is being done. However, this does not begin to tell the story of how much time our Employees and Volunteers are devoting to making our Island community a better place to live.

As it turns out, the only words in my first sentence that now seem out of place were "sunny" and "tropical." But the word "great" still applies to life on Herron Island.

Mark B. Anderson, President

## Are You on the List?



HMC now has 204 Member email addresses on the notification list. If you want to receive updates about the water project, get notice of the online Beachcomber, or get the latest on windstorms, power outages or other news, please send an email to [office@herronisland.org](mailto:office@herronisland.org) and request your email be added. To be used for HMC purposes only.

### Important Phone Numbers

#### Island Manager

Claudia Ellsworth (253) 884-9350

#### HMC Board of Directors

Mark Anderson, President (253) 677-3900  
 Gary Wanzong, Vice-President (253) 884-9350  
 Dianne DeGood, Secretary (316) 794-8391(H)  
 (316) 641-4014(C)  
 Judy Greinke, Treasurer (253) 857-5463  
 Pat Zazzo, Member-at-Large (253) 884-6719

#### Additional Responsibilities

Washington Water Svc., Water Repair (253) 851-4060  
 Dick Mowry, Water Field Examiner (253) 884-7663  
 Steve Chapin, Water Project Chair (253) 884-1967  
 Max Hochenadel, Rules Chair (253) 884-1948  
 Tracy Anspach, Parks Chair (253) 588-1921  
 Allen Moren, Roads Chair (253) 884-2721  
 Mike Shettlesworth, Emergency Prep. Chair (253) 884-6919  
 Kathy Deuster, Land Use Chair (253) 884-6898  
 Fred Fath, Technology Chair (206) 246-7016  
 Carolyn Snyder, Office Manager (253) 884-9350  
 Ken Freeman, Beachcomber/Webmaster (231) 544-2456

**Herron Island Office Hours: Tuesday, Thursday, Friday 8:30 am to 4:30 pm. The office is CLOSED Monday, Wednesday, Saturday, Sunday, and after 2:00 PM on Fridays before Board meetings.**

Office Phone: (253) 884-9350  
 Office Fax: (253) 884-5047

**Website: <http://www.herronisland.org>**

Office email: [Office@herronisland.org](mailto:Office@herronisland.org)  
 Manager email: [HMCManager@herronisland.org](mailto:HMCManager@herronisland.org)  
 Beachcomber email: [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org)  
 Parks email: [HMCParks@herronisland.org](mailto:HMCParks@herronisland.org)  
 Member Input to Board: [MemberInput@herronisland.org](mailto:MemberInput@herronisland.org)

**Emergency 911**

**Ferry Cell phone (253) 691-1457**

*(Cell phone to be used for scheduling heavy loads, big vehicles or having something in tow, and for information regarding ferry services.)*

### Ferry Business

- Call ahead if you are planning to use the ferry for a trailer, boat, or large vehicle!
- Only those guests with valid passes will be allowed on the ferry.
- Plan your arrival at the dock at least 5 minutes before the scheduled time of departure.
- Walks-ons are not to be on the dock or ramp when cars are being loaded. Watch crew for permission to board.
- Only service and delivery people may charge fares.

**WE HAVE EXPERIENCED GUESTS AND SERVICE PEOPLE EXPECTING TO COME OVER TO THE ISLAND WITHOUT GUEST PASSES. THIS VIOLATES THE ACCESS POLICY THAT WAS PUT IN PLACE FOR ALL OF OUR SECURITY. PLEASE MAKE SURE YOUR GUEST HAS A VALID GUEST PASS SIGNED BY YOU TO ENSURE THEY ARE ABLE TO RIDE THE FERRY. BLANK GUEST PASSES ARE AVAILABLE TO MEMBERS AT THE OFFICE, BY MAIL, AND ON THE FERRY.**

### **Nondiscrimination Statement**

In accordance with Federal law this institution is prohibited from discrimination on the basis of race, color, national origin, sex, age, or disability. To file a complaint of discrimination, write USDA, Office of Civil Rights, 1400 Independence Avenue SW, Washington DC 20250-9410 or call (800) 795-2372 (voice) or (202) 720-6382 (TDD).

Beachcomber news items must be submitted by 5:00 PM on the Wednesday after the monthly Board meeting on the second Saturday of the month. Items **MUST** be emailed in electronic format to [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org). Include your name and phone number in case any questions arise. Paid advertisements are to be arranged with the HMC office **PRIOR TO PUBLICATION**.

## **Island Manager Report January 14, 2012**

### **Administration:**

**Volunteers:** Thanks: Mike Shettlesworth for his help in dealing with the fire engine's diesel grease, and the fix to the men's toilet; Gary Wanzong for taking measurements and producing drawings of the women's restroom, to help with ADA compliant modifications; Merry Kogut for creating and maintaining a "rental list"; unknown volunteers have also cleaned the roof of the island side waiting shed. Also, Coast Exteriors has downsized their sign on the island side shed roof they donated to HMC, making it much more attractive.

### **Water System Project:**

We will report on the bid opening at the January 14 meeting. Interest in the project has been brisk and several contractors or potential subcontractors have returned to get more information

During the last month, we've been corresponding with Key Bank regarding interim financing, which seems to be going well. Key Bank is currently working with its construction loan staff to finalize details and determine what additional documentation they may require prior to loan authorization, since more than a year has elapsed since we first approached them about financing. The final loan amount will also not be determined until the successful bidder has been selected by NWS and HMC and approved by USDA.

Bidders Conference: December 9

Bids Opening: January 13

Report to Board: January 14

Bid Evaluation (Northwest Water/USDA) January 16-20

NWS Submits Contractor Recommendation to USDA

Board (USDA) Accepts Successful Bid, contingent on USDA Approval; Board also authorizes interim financing with Key Bank: February 11

Contract Signed: February 11

Interim Financing Secured: February 10-17

Notice to Proceed: February 27

Project Complete: August/September

Prepay Window (30 days?): Following Completion

USDA Loan Replaces Interim Financing

**Water Project Committee:** The Committee has scheduled a meeting for the afternoon of January 26<sup>th</sup>.

**Resident Inspector:** We received eight applications for the Resident Inspector position(s) from HMC Members. On Thursday, January 12, we conducted interviews with six of those best qualified, and will consult with USDA prior to final selection. The schedule proposed by the winning contractor will also influence our choice of the number of inspectors hired.

**ADA Compliance:** Gary Wanzong took measurements of the women's restroom, and we are contacting the USDA architect for design assistance. This work will be separately contracted. Two other improvements to be made as part of the project are fencing of the well site properties (in the bid documents) and improved power supply to the waterworks (to be purchased separately from Pen Light).

**Rental Properties:** Merry Kogut took on the task of creating a list of properties for rental, following up on a question asked at the bid conference in December. This list will be provided to the contractor and any subs, which might have employees interested in staying on the island during the work week.

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Island Manager Report  
(Continued from Page 4)

Cross Connection Control Program:

Those Member connections that have a direct water line to a hot tub, closed fire protection system, pool and/or in ground sprinkling system will be required to install a certified backflow prevention device, register it with the Utility, and have it inspected annually. Following the sanitary survey by the Department of Health last September, we were strongly urged to implement this program. The Utility will maintain an inventory of service connections that require CCCP, inspection reports and any backflow incident reports. We will be seeking proposals from water service companies this spring to implement the program in the near future.

Fire Department Liaison: Two Members have recently expressed interest in forming a volunteer firefighter team, but we need three to four before we can approach Fire District #16 about training. If any Members are interested please contact the office.

Land Use: No Report.

Emergency Preparedness: Committee report. The Committee will meet following the Board meeting; interested Members are encouraged to attend.

On the administrative front, we have taken an emergency preparedness step by backing up the office computers offsite, with Carbonite, for \$118 annually for both computers. This provides assurance that important data will be protected in the event of disaster or computer failure.

Legal Liaison: There are currently nine delinquencies, of which three are with the island attorney, and one is for less than \$100. This is a delinquency rate of 2.3%

Parks – Committee Report: If you have questions or concerns or input about Parks email the Committee at [hmcparcs@herronisland.org](mailto:hmcparcs@herronisland.org).

Dick Mowry has done a nice job establishing contours on the south end of the North Beach Park. He is also replacing the temporary access road along the beach side with soil more suitable for grass. The Members who used that access road have offered to hydro seed later in the spring to restore the park, and we have happily taken them up on their offer.

North Beach Marina: The bid was awarded to Quigg Brothers, Inc. Quigg was the only bidder to submit, but two others considered bidding and declined because they were unable to bid within the estimate provided by KPFF. Quigg's bid was in the amount of \$156,663.48, some \$93,336.52 below the original estimate of \$250,000. This can be attributed in part to the competitive bidding climate, and to the good design work done by KPFF. KPFF's bill to HMC for the design work will also be reduced by \$5,500, because the drilling subcontractor was eliminated from the project.

Quigg Bros. will separate the floats and install pile collars on land. When the new piling is delivered to them in Tacoma, they will barge the piling to the island, bring the floats from land and assemble them in the water, aligning them with their new location. Floats will be secured with the new piling and the existing wood piling removed. PVC caps will be placed over the top of the new piling. The actual in water work should only take 2-4 days and will occur in late February.

NOTE: Island rules (same as Pierce County Code in this instance) provide that construction activity may occur between the hours of 8:00 a.m. and 10:00 p.m. We will attempt to notify Members in the affected area that the work may continue into the evenings, although the actual period of construction should be a matter of days. There will be noise and vibration, from the pile drivers.

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Island Manager Report  
(Continued from Page 5)

Roads: No report. The Roads Committee is currently without a chairman or members.. If there is a temporary volunteer to assist with monitoring island drainage, dangerous trees in the right of way, and road conditions, please contact the Board or the IM. The Roads Committee plays a vital role in keeping our roads and roadsides in good condition.

Rules: No report from Committee. The Committee is still looking for Members. To qualify, candidates must be HMC Members, according to the HMC Bylaws.

Transportation:

Welcome back, Kevin Kircher. We are happy to have him return to work. And thanks to Jim Davies, for filling in while Kevin was on the sick list.

Our newest standby captain resigned before completing his training, and we will be interviewing another candidate January 19<sup>th</sup>.

The standby deck hand position has been offered to an island Member, who is completing his application paperwork, following which he can begin training.

Pierce County Wharf Easement Inspection: Our agreement with Pierce County requires an inspection to National Bridge Standards of the dock on the mainland side every other year. This was last completed in December 2009 for both island and mainland side, but that inspection did not include the cable system and lift towers. KPFF performed this inspection in 2005, and Sargent Engineering in 2009. We hope to contract for this inspection within a week or two, and it should not interfere with other operations.

Technology: No report.

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**Board Member Email Addresses**

HMCMarkAnderson@herronisland.org

HMCGaryWanzong@herronisland.org

HMCDianneDeGood@herronisland.org

HMCJudyGreinke@herronisland.org

HMCPatZazzo@herronisland.org

Please use these email addresses for all future communications to Board Members. They can be accessed on our website ([herronisland.org](http://herronisland.org)) under the HMC Board tab.



## WATER PROJECT VOLUNTEERS NEEDED

As the actual construction date approaches, the water project will need dedicated volunteers to perform several functions:

- Communication during construction in the form of signs, emails, phone trees to alert neighborhoods of upcoming construction plan/timetables;
- Communication during construction of possible “boil water” notifications;
- Communication regarding cross connection requirements in the form of assistance with mailing and record keeping

The next Water Project Committee meeting will be held at the Community Center on February 2nd from 1:00 to 3:00PM. Other tasks for volunteers during construction will be identified at this meeting and will be added to our list.

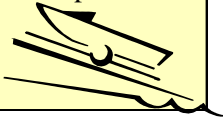
The committee welcomes anyone with an interest in helping out to join us at this meeting. If you have any questions, please contact Claudia Ellsworth, Island Manager, at the HMC office or Steve Chapin at [ckchapin@msn.com](mailto:ckchapin@msn.com).

Steve Chapin



### Tide Tables

Plots of the monthly tide tables are available on our website ([herronisland.org](http://herronisland.org)). The plots are for nearby McMicken Island, which is the NOAA data point closest to Herron Island.



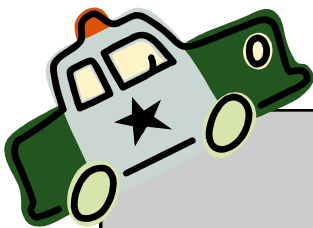
## FREE CLASSIFIED ADS

Brand new foosball table that has never been used. \$350.00  
Call Jack Tropiano @ 253-208-1866

*Non-commercial ads of 100 words or less will be accepted for inclusion in this section free of charge. Please email your ad to [beachcomber@herronisland.org](mailto:beachcomber@herronisland.org), Subject: Beachcomber Ad. The ad must be resubmitted for each issue in which it is to be printed.*

### Website Photos

If you have any photos from island activities that you would like to share on our website, please send them to [webmaster@herronisland.org](mailto:webmaster@herronisland.org).



### Vandalism At The Mainland Parking Lot

For those who have experienced vandalism at the mainland parking lot and did not have an address to report, we suggest that you identify the location as Herron Point Park at the Intersection of Isted Rd and Herron Rd K N. The last address on the corner is 20616 Herron Rd K N.

The direct link to that address is:

[http://www.piercecountycrimedata.org/NeighborhoodCrime/index.cfm?fuseaction=AddressResults&street\\_key=107428](http://www.piercecountycrimedata.org/NeighborhoodCrime/index.cfm?fuseaction=AddressResults&street_key=107428)

We suggest you print a copy of this information and keep it in your car, so that if you need to report something with a cell phone, you will have the address available.

The web address for listing criminal activity on Herron Island is:

<http://www.piercecountycrimedata.org/NeighborhoodCrime/index.cfm?fuseaction=Home&AreaName=PierceCounty>

Once you get to the webpage, click on the Neighborhood tab. It will then ask you to click on a letter of the alphabet. You will then click on H. On the next page scroll down to the Herron Island sites. They are #130 to #135.

**This information should only be used for personal or educational purposes**

## Emergency Preparedness Tip of the Month

### Water Survival Needs

Just to survive, the human body needs a minimum of 3.2 quarts of water a day. For drinking, sanitation, and hygiene, 13.2 gallons of water are required per day.

As you can see, it takes a lot of water to keep life going. We need to keep an emergency water supply on hand to at least have enough to survive. You have several places in your home that can be used as an emergency water supply; the hot water tank and even the toilet tank hold fresh water.

If you store water in containers, remember to keep them out of the sun and replace the water at regular intervals, water will go bad if stored for a long time.

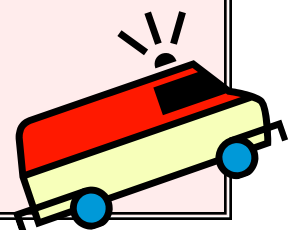
If you get emergency water from a supplier like the Red Cross or some other organization, remember to check the expiration date. Emergency water containers are usually good for five years.

The Mt. Rainier branch of the Red Cross sells emergency water along with survival kits of various sizes. You can find them on line at <http://www.rainier-redcross.org/>.

Please join us at our next meeting on February 11 at 12:30 p.m. in the Community Center.

We will be meeting with Kristen from Pierce County Neighborhood Emergency Preparedness Teams and members of our Emergency Preparedness Committee will be reporting on discussions with Fire District 16 regarding establishment of a volunteer fire crew, procurement of firefighting equipment, and emergency transportation plans.

See you there!



# B.O.O.S.T.E.R.S.

BAND OF OBVIOUSLY SUPER TERRIFICALLY ENTHUSIASTIC RECREATION SUPPORTERS

HERRON ISLAND BOOSTERS, A WA STATE NON-PROFIT CORPORATION - INCORPORATED JUNE 12, 2011

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We are looking forward to a fun filled 2012!

The BOOSTERS Officers set-up a PROPOSED Calendar for the year. A copy of the Calendar is in this Beachcomber.

Our first Membership Business Meeting this year will be: Saturday, March 10, at the Community Center from 4:00 to 5:30 pm followed by a 6:00 pm Potluck – **with a St. Patrick's Day theme.**

The proposed business meeting agenda is:

- Membership drive - \$5 family - \$3 single
- Vote on tee shirt designs and colors and a mouse pad design.
- Refine the PROPOSED event/activity calendar.
- Discuss the proposed patio completion plan including the costs to install doors in back wall of community center and enclose the patio area with possibly one solid wall and three canvas roll-up walls and discuss other possible island improvements with their cost estimates.

WE HOPE TO SEE YOU THERE!!!



## **BOOSTERS 2012 PROPOSED Meeting and Event/Activity Calendar**

**Saturday, MARCH 10** at the Community Center  
**Membership Business Meeting 4:00 – 5:30 pm followed by 6:00 pm Potluck**  
**(Theme: St. Patrick's Day/Spring)**

Proposed business meeting agenda:

- Membership drive - \$5 family - \$3 single
- Vote on tee shirt designs and colors and a mouse pad design.
- Discuss the proposed patio completion plan including costs to install doors in the back wall of the community center and enclose the patio area with possibly one solid wall and three canvas roll-up walls and discuss other possible island improvements with their cost estimates.
- Refine this event/activity calendar.



**Saturday, APRIL 28** – Support Park Appreciation Day and Small Boat Docks installation

**Saturday, MAY 12** at the Community Center  
**BOOSTERS Annual Meeting 4:00 – 5:30 pm followed by 6:00 pm Potluck**

Proposed business meeting agenda:

- Membership Drive continues.
- Plan Memorial weekend activities.
- Vote on project to utilize funds from past Boosters.
- Elect officers for 2012 season.

**Sunday, MAY 27** (Memorial Day is on Monday, May 28) (*In the past when a holiday is on Monday, Boosters had their events on Sunday because many members can't get to the island until Saturday.*) *Tentative events:* Trunk Sales, Cinnamon Rolls and Apparel Sales, Baseball, Sailboat Race and Kayaking. Possibly have Tailgate party.

**Saturday, JUNE 9** – **Membership Business Meeting 4:00 – 5:30 pm**  
*Potluck (TBD).* Possibly in June have a work party for approved projects (TBD).

Proposed business meeting agenda:

- Plan 4<sup>th</sup> of July events: Parade (Saturday, July 7) and other activities

**Saturday, JULY 7** (July 4 is on Wednesday) – *Tentative events:* Parade at 12:00 NOON, Fun Run Race, and Trunk Sales, Cinnamon Roll and Apparel Sales, Kayaking, Baseball and Sailboat Race. Possibly a Dance (TBD).

**Saturday, AUGUST 11** – **Membership Business Meeting 4:00 – 5:30 pm followed by 6:00 pm Potluck** location (TBD). Possibly repeat Car show event (TBD).

Proposed business meeting agenda:

- Plan for Labor Day Dance and other activities

**Sunday, SEPTEMBER 2** – (Labor day is on Monday, September 3) *Tentative events:* Trunk Sales, Cinnamon Roll and Apparel Sales, Sailboat Race, Kayaking, Baseball, End of Summer Dance (TBD).

**Saturday, NOVEMBER 10** – Thanksgiving Potluck, Bingo and prizes.



## This is what Community Spirit Really Means

The recent winter snowstorm we experienced on the island opened my eyes to the wonderful neighbors we have on Herron Island. I came out for a few days and wound up having to stay for a week. It was my first experience with a power outage on the island and I, like the rest of my neighbors had to hunker down and ride it out. After being buried in 8-10 inches of snow, freezing rain, and losing power, some incredible members came out in force. From my vantage point at the South End I was amazed and grateful to witness a few selfless members who took it upon themselves to make sure that everyone was safe and sound. To name just a few:

Sam Argo must have driven the island 15 times during the worst of the storm checking the roads for downed trees and power lines.

Dick Mowry cleared the roads with what looked to be a snow plow (but is probably intended for something else entirely).

I saw Jim Davies walking the island roads, chainsaw in hand, ready to chop up any offending trees that may have fallen across the road.

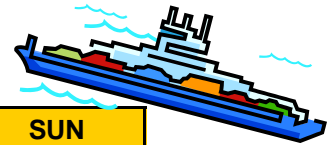
**Sam Argo and Jim Davies also made a "gasoline" run off the island for those members whose generators were running low. I was one of those members and am eternally grateful to them, since "George", (my generator) was, by that time running on fumes.**

Thank you to Kevin Kircher who offered to help with anything at all that might be needed, and along with Terrill Chilson kept us advised on the status of Peninsula Light's plans to return to the island and make repairs. And to Merry Kogut who offered her kind hospitality and even some cat food for my kitty when we ran out.

I can only imagine that there were many other members on the North, East, and West sides of the island who offered their support and pitched in to help us make it through. This Thank You is intended to be shared with them too. Thank you all from the bottom of my heart.

Janet Podell

**WINTER FERRY SCHEDULE (10/1 through 3/31)**



MON		TUE		WED		THUR		FRI		SAT		SUN	
IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.	IS.	ML.
6:15	7:00	6:15	7:00	6:15	7:00	6:15	7:00	6:15	7:00				
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								7:30	8:00	7:30	8:00	7:30	8:00
								8:30	9:00				

Thanksgiving and  
New Years:

Lv. Island 8:30, 11:30, 6:30  
Lv. Mainland 9:00, 12:00, 7:00

Christmas:

Lv. Island 8:30, 6:30  
Lv. Mainland 9:00, 7:00



**HMC HAS STOPPED MAILING BEACHCOMBERS**

In an effort to save the cost of printing and mailing of Beachcomber newsletters, HMC has decided to discontinue the process of mailing Beachcombers to Members. Each edition is published on the HMC website ([www.herronisland.org](http://www.herronisland.org)) in a format that can easily be viewed and/or printed. It is anticipated that this will save Members approx. \$4100 per year. Effective with the November 2011 edition of the Beachcomber, the newsletter is only available on line unless a Member specifically requests in writing that they be mailed a copy. A subscription fee of \$2 per copy will be imposed if Members still want their copies mailed. A limited number of printed copies will also be available at the office. HMC has been developing a master email distribution list to inform Members when the Beachcomber has been published on line. The email provides each Member a clickable link to access the newsletter. The distribution list will also be used to notify Members of power outages, ferry service status, disaster alerts, Water System upgrade alerts, and so on. If you wish to be included on this email distribution list please send a message to [office@herronisland.org](mailto:office@herronisland.org). Please note that your email address will be kept completely confidential and emails sent from the office will not reveal your personal address to other recipients.

# **Revised Water System Organizational Plan**

## *Summary*

Beginning on January 31, 2012, the operation, administration, maintenance, and repair of the Herron Island Water System will once again become a function of HMC Management (as it has been in the past). Responsibility for this aspect of island business will no longer be assigned to the Herron Island Water Utility, which was recently formed as a legal entity separate from HMC Management for this purpose.

In short, the overall costs of maintaining a separate water utility would exceed any tax benefit it would provide. To save money for HMC Members, HMC Management will be solely responsible for all aspects of the water system. For more detail, read on.

## *The Background*

The services that HMC Management provides to its Members, including residential water service, are funded primarily through Member Assessments and ferry fees. Member Assessments have historically included all charges associated with administering, operating, repairing, and maintaining our aging water system; each Member paid the same amount for this water service, regardless of the amount of water they actually used.

As you are no doubt aware, HMC is embarking upon a wholesale upgrade of the Herron Island Water System, which represents perhaps the largest capital improvement project ever undertaken on Herron Island. This project will not only improve the longevity and reliability of our water system, but will also give us the opportunity to meter water use for each connection, which will permit us to comply with Washington State conservation requirements (water usage must be metered by 2017), and enable us to charge the Members individually according to how much water they use.

When HMC started this process, the Membership expressed the desire that the revenues related to the Herron Island Water System be segregated from and accounted for separately from the general budget for HMC Management. We did our best to respond to concerns of the Members that water rates not be used to subsidize other operations of HMC Management. As a part of this effort, HMC Membership was presented with and voted on two separate budgets in 2011: one for its general account and one for its water system operations under the name "Herron Island Water Utility." Since that time, HMC Management has been working on the process to segregate the revenues, costs, and reserves for the water system, and has performed these functions using the name "Herron Island Water Utility."

It was initially estimated that the receipt of revenues by the Utility would expose HMC Members to an increased annual tax liability of approximately \$15,000. So that the revenues received by the Utility would be exempt from federal taxation, the Utility formally applied to the IRS for tax-exempt status for those revenues. In response to our application, the IRS required that the Utility be formed as a formal entity separate from HMC Management, that it have its own Articles of Incorporation, and that it be operated in the same manner as any other not-for-profit corporate entity.<sup>1</sup> This necessarily included the appointment of an initial Board of Directors and the subsequent establishment of formal Utility Bylaws. We formed the Herron Island Water Utility (the "Utility") as a

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<sup>1</sup> Note that this was not a USDA requirement.

not-for-profit corporation on October 19, 2011 by the filing of Articles of Incorporation with the State of Washington. These Articles of Incorporation named the current board members of HMC Management as its initial board members.

But the creation of the Utility and the transfer of responsibility for operation and administration of the water system brought to light several issues to be resolved, specifically with regard to the relationship of the Utility to HMC Management. On the one hand, HMC Management owns and will continue to own the water system itself. On the other hand, we wanted to administer the water system separately through the Utility primarily to maintain the integrity of the accounting for the benefit of HMC Members and, through the creation of a separate corporate entity, achieve the benefit of the tax exemption for water-related revenues. Because they were now separate legal entities, a Board of Directors would be required for each (although the board composition could be the same).

Since forming the Utility, however, and largely during the drafting process for the Utility Bylaws, we recognized that the maintenance of an entity separate from HMC Management would, at a minimum, 1) generate potential conflicts between the two boards of directors (creating the need for a solid mechanism for conflict resolution), 2) increase the costs of required periodic financial audits, and 3) create a substantially greater administrative burden on our precious staff.

Considering these and several other factors, we went back to the drawing board, beginning with a re-evaluation of the basis for the anticipated tax liability. The \$15,000 annual federal tax estimate had been based on all receipts projected for the Utility, including water system base fees and amounts designated for capital repayment. Upon further investigation and consultation with tax professionals, we now understand that water system base fees and capital repayments may be considered by the IRS to be "exempt function income," and not subject to federal taxation for HMC Management as a homeowners association. Only the "per-unit" user fees for water would be the primary taxable income related to the water system. The resulting annual federal tax exposure would thus be significantly less than we initially estimated. It became apparent that the anticipated tax benefit to HMC Members no longer outweighed the simplicity and lower costs of having HMC Management operate and administer the water system directly.<sup>2</sup>

#### *The Current Plan*

Thus, at the last meeting of the Board of Directors for the Herron Island Water Utility, the Utility Board reported that it had re-evaluated its course of action and announced its intention for HMC Management to resume sole responsibility for the operation and administration of the water system. And because HMC Management had historically been responsible for these functions and already had the necessary powers to fulfill these functions under its Bylaws, HMC Management was already prepared to proceed under this revised plan.

Under this plan, several issues will be addressed and resolved as follows:

1. There will only be one Board of Directors, the Board of Directors for HMC Management, that will manage the ownership, administration, operation, maintenance, and repair of the Herron Island Water System. Similarly, there will only be one Manager reporting to one Board of Directors.
2. HMC Management will continue to maintain two budgets: one for general and one for the water utility function and will continue to maintain separate accounting for the water utility function with respect to 1) revenues and collection of assessments related to water, 2) costs of

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<sup>2</sup>The IRS just recently reported that it had granted the Herron Island Water Utility tax exempt status for its revenues as a water utility.

maintenance and repair, and 3) reserves. To this end, HMC Management will maintain bank accounts for the water utility function that are separate from the general accounts for HMC Management.

3. HMC Management will be empowered and responsible to enforce the collection of all Assessments and User Fees, whether they are collected as a general Assessment or as an Assessment designated as being related to the water system. In the past, before the internal segregation of the accounts, HMC Management sent each HMC Member a single bill for their Assessment; this bill covered both general and water-related Assessments. Since segregation of the water accounting from the general accounting, HMC Management has been sending out separate bills for each of these Assessments, with the "water bill" being sent out to all Assessable Unit Owners under the name of "Herron Island Water Utility." Each of these bills represents an "Assessment" for the purpose of collection under the Bylaws of HMC Management. Under the HMC Bylaws, if a Member does not pay all of his or her Assessment when due, that Member's Assessment is considered delinquent, and that Member is no longer considered a Member in Good Standing. HMC Management will treat late or non-payment of a water bill in the same manner as if the Member did not pay the bill for their general Assessment: that Member's Assessment will be considered delinquent, and that Member will no longer be considered a Member in Good Standing until the account is paid in full. In short, those who are delinquent in the payment of their water bills will be treated in the same manner as those who are delinquent in the payment of their general Assessments.
4. Any "per-unit" user fees received by HMC Management for water would receive the same tax treatment as our ferry fees (*i.e.*, not exempt from federal taxation). Still, we expect that the operational costs of HMC Management will continue to exceed the taxable income for HMC Management, and thus there will be few, if any, federal tax consequences for HMC Management (our revenues will continue to be subject to state excise taxes).
5. HMC Management will continue to file its tax returns as a homeowner's association, entitling it to receive special tax treatment as it has in the past under the federal tax code.
6. There will be no upcoming vote of the Membership to approve Bylaws for the Utility, or to ratify the appointment of its Directors. The Utility would permit the Washington Secretary of State to administratively dissolve the Utility (rather than having the Utility dissolved by a vote of its members).

As you can see, we have valiantly tried to do the *right* thing, first by segregating the water utility function from the other functions of HMC Management, and then by seeking tax-exempt status for our water-related revenues. But after further examination, this course of action turned out to be too expensive and cumbersome, and was hence the *wrong* thing. Our current plan is expected to achieve the self-sufficiency desired by Members for the water "department," while doing so in the most cost-effective manner.

Your HMC Board of Directors

**HERRON ISLAND  
YARD MAINTENANCE**

**ALLEN MOREN**

Illness forces retirement. Thank you all for the past years of work. Jim Davies has acquired all of my lawn maintenance equipment and would like to continue where I am leaving off. I would appreciate your support of Jim and his partners.

Regards from the Herron Island Mad Mower,  
  
Allen Moren

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**HERRON ISLAND  
YARD MAINTENANCE**

**JIM DAVIES**  
253-884-5266  
[jada40@att.net](mailto:jada40@att.net)

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2. Prices are really low; 1 waterfront home, 1 waterfront cabin, and 3 lots.
3. 4 estate properties (1 waterfront, 1 fixer upper, 2 lots, all on west side of Island. Make offer!)

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