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**SANDY POINT IMPROVEMENT COMPANY
ANNUAL STOCKHOLDERS MEETING
SEPTEMBER 24, 2016
FERNDALE HIGH SCHOOL AUDITORIUM**

CALL TO ORDER

The 2016 Annual Stockholders meeting was called to order at 10:04 AM on September 24, 2016 by president Pat Malara.

INTRODUCTIONS

Board members present: Kym Embrey, Secretary; Sean Kilgus, Director; Jim Kolbo, Director; Pat Malara, President; Gary Kitching, Vice President; Tom Larsen, Director.

Present: Scott Swanson, Attorney

PRESIDENTS REMARKS

Pat shared the completion of the clubhouse upstairs remodel including new flooring, new kitchen cabinets, new paint, couches, TV and tables. Total cost was \$7,609.00. The number of times the clubhouse has been rented since last year has almost tripled since the remodel.

A new pool heater has been installed which has lowered the cost of gas to heat the pool by \$725 from the previous year. The number of visitors to the pool from 2015 to 2016 increased from 2,000 to 3,000 visits.

We replaced over 300 out-of-date water meters through a manufacturers program that significantly reduced the cost of the meters. There are currently 793 meters in service.

Lastly, the office computers which all completely replaced and all the software upgraded.

CREDENTIALS REPORT

Pat Malara reported that there was no quorum at the start of the meeting and that 34% of all members is needed for a quorum. With no quorum, the meeting was adjourned and reconvened twice.

The final credentials report was given by Pat Balfour. 231 Class A Shareholders were and 32 Class C members were represented, for a total of 263 members (29.48%).

BOARD OF DIRECTOR ELECTIONS

Nominations from the floor: Michelle Larsen was nominated for the Shores board position. No other nominations were made from the floor.

Candidate speeches: Michelle Larsen, Gary Kitching, Eric Battles (speech read by Pat Malara), Alicia Beck, Jim Farrer, Pat Malara all provided their election speeches.

Recess for voting: Scot Swanson recessed the meeting for voting

Ballot retrieval: Ballots were picked up by Unity HR Staff to be tallied.

The meeting was reconvened by Pat Malara.



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COMMITTEE REPORTS

WATER:

Jim Kolbo reported that as part of the 2012 Water System Plan SPIC received 177 additional water hookups from the state. Our next Water System Plan is due at the end of 2017 and we are hoping to acquire some additional hookups.

MARINA:

Jim Kolbo reported revenue is up, the fuel sales are good and launches are excellent. There's a pothole next to the fuel dock which eventually needs to be taken care of once the boat traffic slows down. We would also like to see about completely resurfacing the marina ramp which will take county permits. The permits will take while to get and further research needs to be done.

EVENTS:

Kym explained that our events started in April.

Sandy Point Cleanup Day: An annual event. A lot of participants showed up at both the Heights and the Shores.

Pancake Breakfast: We held a pancake breakfast bar with different condiments you could put on your pancakes with a great turnout.

Sandy Point Day: We had very good attendance. 27 people attended the free golf lessons that were provided by Carl. We barbecued hamburgers during the event and had free swimming.

Cape-to-Cape Walk: There was some attendance but not as much as we would have liked. We hope to have a better attendance next year. A hotdog bar followed.

Kym asked that everyone bring an unwrapped gift for Toys for Tots.

BUILDINGS & GROUNDS:

Tide gates were maintained and are working well. They are maintained twice a year to make sure they are running efficiently.

Aquatechnics treated Agate Lake this summer. Aquatechnics keeps us informed of what they are doing and when, just to work on keeping the algae down.

Sean indicated that one of the things being considering is getting the pool resurfaced and painted so it's up to code but will need to find the funding to make these renovations happen.

Debbie Hunt and her husband helped to get the renovations done as cheaply as possible. They did a lot of work to find new paint, floorings, the TV and couch. Since the renovation has been completed the clubhouse has been rented out 24 times. Last year it was rented ten times total.

SPIC received some used golf equipment from Sahalee. We're looking at adding a hazard to the hole #2 due to drainage issues.



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FINANCES:

Pat Malara reported for Rick Frye who was absent. Pat reported that our fiscal year closes at the end of March. At the end of March, we had some remaining water income that impacted our balance because of larger expenditures for buying the 300 new meters that were purchased this year. We made a \$50,000 water adjustment to our Emergency Plan. We are required to have a \$250,000 reserve in case of a disaster such as a water main break.

Our Marina balance is down \$407,000 with a current remaining balance of \$470,806. There's been discussion about paying off the loan however the decision to pay it off must come from the new board. At the end of June 2019, it'll call meaning any balance left must be refinanced.

The overall cash position increased by \$280,000 in the last fiscal year. The increase is reflected in the savings account (\$104,000), water emergency reserve account (\$39,000) and capital reserve account (\$137,000). The Checking Account is at \$300,000 as of the end of August which consists of some annual assessments which are 100% for the amenities and have yet to be transferred to the appropriate department budget. There is \$170,000 in a savings account which is used for day to day emergencies. The Money Market Account has \$253,332.97 in it which is the Water Emergency Management fund that we are required to have. Capital Improvement Fund has \$184,216 available.

DREDGING:

Jim Kolbo introduced Bill Parker, Vick Eunich, Ron Jepson, Christy Hug and Jeff McKay.

Ron Jepson advised that approximately three years ago 12 owners got together and discussed how we could improve the entrance to the canal. We contacted some federal people, congressional people, county executives and anyone else we thought should be aware of our plans. We started doing the technical work and had divers out and the Corps of Engineers who are mostly responsible for this.

The channel was created in the 60's and hasn't had any maintenance or dredging to it since it was created. The original channel had been dredged to -10 or -12 and over the years has filled up eight to nine feet. The Corps wanted proof that the original channel had been dredged to -10 or -12 before we could continue. We presented to them the document they created in 1984 and it was acceptable. They also asked for a biological study so we contacted Fairbanks Environmental and had them dive around to identify whether there were eel-grass beds in the way of our dredging program ... which there was. We found out that as part of the maintenance dredging program you can take out the eel beds but they must be moved to another location that would be in the same environment that they were currently living in.

At that point we put the dredging program on hold for two reasons. First, to avoid the eel grass beds, and second because the Corps received a letter from the tribe saying that they were encroaching on Trust tidelands. The Corps decided that they would not be getting into any property line disputes with anybody.

The original objective was to have 75 feet of width dredged down to -10 and then sloping back up to both sides of the entrance channel. When we dug towards the entrance, we felt as did the neighbors to the north



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that we were encroaching too close to them from a storm protection basis. So, we narrowed the channel at the very entrance to 50 feet, and we steepened the slope a little bit to give the North Cape more protection.

We took gravel samples as asked to do and proceeded with getting permits reviewed. September 22, 2016, I received notification from the Corps that we had satisfied all their requirements as long as we didn't place the material we dredged back into the bay. Our plan is to re-sell the material as there is approximately 40,000 cubic yards that needed to be dredged. Due to the material concentration we calculate about 25,000 yards is salable. Selling the materials for \$10.00-\$12.00 a cubic yard would result in revenue in the \$250,000 to \$300,00 range.

We've received contributions for this project in the total of about \$50,000 from people pursuing the permitting. We've spent about \$15,000 so there's about \$35,000 in the bank. Now, we are ready to go to the county and the county will require a substantial shoreline development permit which is about \$3,000 just to apply for. Currently Sandy Point has \$20,000 set aside in their budget to allocate towards the dredging.

We have also included a request when we submit the permit that asks that we can periodically, every five or ten years, revisit the maintenance dredge, which is what other marinas in Whatcom County do, eliminating the need to go through all these processes all over again.

ELECTION RESULTS

Sandy Point Shores:

232 Pat Malara
114 Michelle Larsen

Sandy Point Heights, Sandy Point Arm and Neptune Heights

36 Gary Kitching

At Large:

241 Eric Battles
56 Alicia Beck
8 Jim Farrer

Meeting adjourned at 12:05