

Association of Apartment Owners
Wailea Fairway Villas
Board of Directors' Meeting Minutes
January 11, 2019

Board Members Present: Tara Weikum, President; Mike Luckado, Vice President; Bill O'Connell,
(In Person) Treasurer; Dennis Adams, Assistant Treasurer; and Director Renee Stigers

Board Members Present: Director Tom Logan
(By Phone)

Board Member Excused: Mark Waite, Secretary

Owners Present: John Moore, W-102; Pat Logan, Z-103; Karen Frangipane, W-201; Bob Heistowski, C-202; and Tom Millhouse, V-101

Other Attendees: Sara Freitas, Destination Maui, Inc.; JD Livingstone, Site Manager; Elaine Panlilio and Elaine Gascon, Atlas Insurance Agency; and Carol Simmons, Recording Secretary

I. DECLARATION OF QUORUM

A quorum was declared with six Directors present either in person or by telephone.

II. CALL TO ORDER

President Tara Weikum called the Wailea Fairway Villas Association of Apartment Owners Board of Directors' Meeting to order at 9:07 a.m. The meeting was held at Wailea Fairway Villas, Wailea, Maui, Hawaii.

III. PROOF OF NOTICE

It was certified Notice of Meeting was sent in accordance with the Association governing documents on December 14, 2018, and it was posted on property in compliance with Hawaii State Law.

IV. INTRODUCTIONS

Introductions were made at this time.

V. OWNERS' FORUM

No owners had comments or questions for the Board.

VI. APPROVAL OF MINUTES

The Board reviewed the Minutes of the November 9, 2018, Board of Directors' Meeting. Corrections were noted, as follows:

1. On page 5, second line commencing with "through September", it should be changed to read: "Net revenue over expenses was close to \$30,000."

MOTION: To approve the Minutes of the November 9, 2018, Board of Directors' Meeting, as amended.

O'Connell / Adams Unanimous Approval

VII. PRESIDENT'S REPORT

The President welcomed new Site Manager J. D. Livingstone to his first Board Meeting. He started work at Wailea Fairway Villas on November 26, 2018.

The President also welcomed Sarah Freitas, the new Account Executive from Destination Maui Inc. She thanked the staff and Board members for their hard work and for their assistance in preparing for the Association's Annual Meeting in March.

VIII. TREASURER'S REPORT

Treasurer O'Connell began by noting that from the end of September through November 2018, the Association's net income (net revenues over expenses) grew from an estimated \$30,000 to \$61,000. Impacting factors included lower than projected costs for utilities; Island Plant and the Association's staff close management of water use; and installation of LED lights in the parking area lowering electricity costs. Other budget variances were noted and explained.

The Treasurer answered questions Board members had.

IX. SITE MANAGER'S REPORT

Mr. Livingstone updated the Board on recent Association activities and projects. He said the holiday season was a good time to start work, because he was able to meet many owners.

There are no major projects currently underway, so he has been able to consult with Board members and owners about the property and work on a project list.

The recent brushfire didn't cause any damage to the Association. Keeping trees back from buildings and clearing plant debris from roofs and gutters helps in fire prevention. The Association's fire suppression systems should be regularly inspected and tested.

Mr. Livingstone and Director Logan recently attended a Wailea Community Association Risk Management Meeting. Police and area security officers provided good information and

ideas. The Site Manager will investigate obtaining a card to give to police to gain access to the property in the event of an emergency blockade.

A trash enclosure door was recently repaired. Additional trash enclosure doors will be improved this year.

The irrigation system is helping the Association conserve water. He and the staff will monitor irrigation and adjust watering as needed. Next week, the Association's backflow preventers will be tested.

Pest control is conducted according to schedule. The Site Manager and staff will establish a schedule for power washing.

X. ATLAS INSURANCE PRESENTATION

Elaine Panlilio and Elaine Gascon from Atlas Insurance Agency gave a presentation on the Association's Master Policy and how it interacts with owners' H06 insurance coverage. They answered questions Board members had on claims, common elements, deductibles, liability and related topics.

XI. MANAGING AGENT'S REPORT

Ms. Freitas, the new Operations Manager at Destination Maui Inc., is currently serving as the Association's contact at DMI. She will soon begin conducting site visits with Mr. Livingstone and preparing for the Association's Annual Meeting in March.

XII. OLD BUSINESS

A. No Smoking Policy

Ms. Freitas provided the Board with voting results thus far: 67 percent of owners have voted on the proposal to enact a No Smoking Policy, with about 50 percent in favor of making the change and 16 percent opposed. DMI will attempt to contact the 33 percent of owners who have not yet responded by mail. The voting period lasts for one year from the date of the first ballot mailing. In order to amend, 67% percent approval of the ownership is required.

B. Island Plant Contract

The Board is interested in meeting with Island Plant to negotiate a three-year contract.

Mr. Livingstone said that due to the size of the property, four Island Plant workers to handle landscaping and irrigation is insufficient. He said irrigation valves around the lawn are aging and will need constant attention. Irrigation controllers will be discussed in New Business.

The irrigation controllers inside the electrical rooms were manufactured by Rainbird. Island Plant recently indicated that Rainbird is no longer monitoring the controllers by a pager

system. The pager would contact a computer that was in communication with a Wailea weather station to automatically adjust watering based on weather conditions. Pacific Pipe, which made the pagers, can monitor the system.

MOTION: To direct Island Plant to move the nine pagers to Pacific Pipe oversight at an annual cost of approximately \$800.

O'Connell / Luckado Unanimous Approval

C. DMI Email Database Update

At the last meeting, the Board directed DMI to update its email database for the Association, as some owners are not included. Ms. Freitas recommended comparing DMI's list with the Association's Owner Registration Forms on file. Owners will be asked to provide current email addresses at the Annual Owners Meeting in March or to provide their contact information when sending in proxies for the meeting.

D. Island Plant Roadside Renovation Project Update

The President and Site Manager recently met with Island Plant to discuss the project, which is mostly complete. Firecracker plants in front of the M Building will be addressed next. In front of the U Building, the second layer of plantings from the roadside will be removed, then fast-growing oleander will be planted. Once the oleander is established, the firecracker plants by the sidewalk will be replaced with the same ground cover planted everywhere else.

XIII. NEW BUSINESS

A. Irrigation

This was covered in Old Business.

B. Cyber Security

The President and Assistant Treasurer Adams attended the Condominium Council of Maui Annual Meeting in November. He noted that Condominium Associations often have large Reserve accounts, and some AOA's have been penetrated by cyber criminals and experienced losses. He covered steps the Association can take to protect itself, including securing insurance coverage for third party cyber threats and making the Association website password more complicated.

Ms. Freitas said Destination Maui Inc. is currently evaluating cyber security and proposing to process owners' fees in-house. She will provide an update to the Board, as well as check if DMI's insurance policy covers third party cyber threats.

C. Thanking Maui Police and Firefighters

Director Stigers said Maui Police and Firefighters did an excellent job protecting owners and the Association during the recent dangerous brushfire. She proposed buying "thank you" cards for owners to sign and fruit baskets for the personnel who responded to the fire.

MOTION: To authorize Director Stigers to spend up to \$300 to send "thank you" gifts to neighboring first-responders.

Luckado / O'Connell Unanimous Approval

XIV. NEXT MEETING DATE

The Annual Owners Meeting is scheduled for March 9, 2019.

XV. OWNERS' FORUM

An Owners' Forum was held, with the following subjects discussed: 1) Sending cards and making a donation to Maui Fire Department to thank them for their efforts during the recent fire; 2) Research requiring neighboring property owners to maintain their properties to help in fire protection; and 3) Responsibility for maintaining unit water shutoff valves.

XVI. EXECUTIVE SESSION

The Board went into to Executive Session at 11:30 a.m. Regular Meeting business resumed at 1:25 p.m.

XVII. NEW BUSINESS (Continued)

D. Investment Resolutions

Resolution of the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas Regarding Deposits of Association Funds:

MOTION: **Whereas** Section 514B-149, Hawaii Revised Statutes, requires that all funds collected by an association, or by a managing agent for any association, shall be:

"Deposited in a financial institution, including a federal or community credit union, located in the State, pursuant to a resolution adopted by the Board, and whose deposits are insured by an agency of the United States government."

NOW THEREFORE, the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas adopts the following resolution:

Resolved: That, pursuant to the constraints of Section 514B-149, Hawaii Revised Statutes, the Treasurer may direct the Managing Agent of the

Association (currently Destination Maui Inc.) to deposit Association funds in accounts held at: 1) Mutual of Omaha Bank and/or Mutual of Omaha doing business as Community Association Banc or Wealth Management, 2) Home Street Bank, 3) Territorial Savings Bank; and 4) Hawaii National Bank.

Adams / Luckado Unanimous Approval

Resolution of the Board of Directors of the Association of Apartment Owners of

Wailea Fairway Villas Regarding Policy for Investment of Association Funds:

MOTION: **Whereas:** Section 514B-149, Hawaii Revised Statutes, controls where the Association may deposit Funds, and the types of investments the Association may make with those funds, but it also allows the Association some flexibility with regard to the duration of those investments, among other things.

The Board has a fiduciary obligation to the members of the Association and, accordingly, desires to provide guidance to those who receive delegated authority from the Board on the Board's investment policy where the Statutes provide flexibility.

NOW THEREFORE, the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas, makes the following resolution:

Resolved: Any investment of Association of Apartment Owners of Wailea Fairway Villas funds should have preservation of capital as the primary focus. Since inflation erodes the value of capital, preservation of capital should include seeking, from the investment options allowed by Statute, investment returns which minimize the effect of inflation on Association funds. At all times, however, it should be remembered that risk and investment returns are inextricably linked, and while the Association always will seek to obtain competitive returns, investment returns beyond the required to protect against inflation should not be an objective of Association investments. Furthermore, since it is impossible to forecast future financial needs of the Association with perfect precision, and the lack of availability of funds without penalty would be another form of capital erosion, no investment of Association funds should have maturities greater than 3 years.

Stigers / Luckado Unanimous Approval

Resolution of the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas Regarding Treasurer's Authority for Investment of Association Funds:

MOTION: **Whereas:** The Board wishes to reaffirm the authority of the Treasurer to make decisions about investment options for Association funds as long as they are consistent with the requirements of Section 514B-149, Hawaii Revised Statutes, and the investment policy adopted by Resolution 02-2019

of the Board.

NOW THEREFORE, the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas adopts the following resolution:

Resolved: The Treasurer is authorized to direct the Association managing agent (currently Destination Maui Inc.) to open accounts for Association funds at financial institutions specifically authorized to hold them by the Board.

The Treasurer is further authorized to direct the Association managing agent

to move investment funds between accounts held at one authorized financial institution, or between financial institutions specifically authorized to hold them by the Board, as long as such movement maintains the separation of replacement reserve funds from operating funds. This authority should not be seen as giving the Treasurer signing authority for any account.

The Treasurer is further authorized to direct the managing agent to make any investment authorized in Section 514B-149, Hawaii Revised Statutes, as long as such investment is also consistent with the Association investment policy and, with respect to purchases of CD's, have a maturity date of one year or less.

In order for the Treasurer to provide timely investment direction to the managing agent, the managing agent is directed to provide either online, read only, access to all non-checking accounts holding Association funds, or the hard copy monthly reports from the financial firms for the same accounts.

Stigers / Luckado Unanimous Approval

Resolution of the Board of Directors of the Association of Apartment Owners of Wailea Fairway Villas Regarding Formation and Duties of an Investment Committee of the Board:

MOTION: **Whereas:** With interest rates rising, the Treasurer will be required to take a more active role seeking out and implementing investment options for Association funds. Since the wisdom of some options (e.g., "laddering" CD's of varying maturities) have to be understood in the context of reserve spending timing and the timing of replacement reserve fee inflows, it would be desirable if the Treasurer could seek input from other Board members as needed, particularly since investment decisions will need to be made on a timely basis throughout the year.

In addition, the Board may have to specifically approve certain investment decisions and will need more detailed information on Association investments to exercise its fiduciary duties. Again, an Investment Committee can provide help to the Treasurer in the construction and presentation of such information.

NOW THEREFORE, the Board of the Association of Apartment Owners of Wailea Fairway Villas adopts the following resolution:

Resolved: That the President of the Board be authorized to create an Investment Committee which will chaired by the Treasurer and include one other Officer and another Board member.

The investment Committee will meet as requested by the Treasurer, but at least once annually.

At the first Board meeting of the year the Investment Committee shall provide

the Board with: 1) The dollar value of Association reserve funds and operating funds, separately, held by each financial institution by: a) Investment type (checking account, savings account, CD's, money market, etc.); b) The annual percentage rate of return (APR) currently being earned by each investment type, with the exception of CD investments; c) For CD investments, the Committee shall provide the name of the issuing bank for each CD, the APR, and the date of maturity.

2) The general plan for investments during the year, i.e, replacing maturing CD's with CD's of the same maturity, changing the maturity structure of the CD ladder, changing investment types, moving funds from one institution to another, and so on.

3) Certification to the Board (and to our owners in connection with the annual audit) that they have a reasonable expectation that all non-cash investments (investments with maturities greater than 3 months), both present and planned, can be held to maturity.

Stigers / Luckado Unanimous Approval

E. Revisions to House Rules

MOTION: Under House Rule 17.1.2, to change the fine for a second violation of the same rule from \$50 to \$100.

O'Connell / Adams Unanimous Approval

MOTION: To add a new rule to 17.2, Fines for Violation of Specific Rules.

Fines will be imposed when the violation occurs. No written notice or grace period is required: 17.2.7: Re. Noise & Nuisance and Construction: If an Owner or Occupant violates Rules 10.2 10.3, or any of the rules in the "Construction Request Forms," a fine of two hundred and fifty dollars (\$250) will be imposed. A fine of not more than five hundred (\$500) may be imposed for a second violation and for each subsequent violation.

O'Connell / Luckado Unanimous Approval

MOTION: To approve Revisions to the Noise and Nuisance Rule:

10.2, Occupants and their contractors and employees shall avoid, to the greatest extent practicable, unreasonable or excessive noise of any kind at any time and shall not cause or permit any unreasonable or excessive noise or objectionable odors to emanate from their Apartments that unreasonably interfere with the rights, comforts and conveniences of Occupants. Owners are allowed to use power tools on Saturdays only, only between the hours of 9 a.m. to 4 p.m., but must provide description of work to Site Manager in advance and obtain approval in writing.

O'Connell / Stigers Unanimous Approval

F. Revisions to Association Forms

MOTION: To revise the "Request to Modify the Complex," "Contractor Rules and Regulations," and "Agreement and Rules for Repairs and Improvements to Apartment/Lanai" forms, as discussed in Executive Session.

Luckado / O'Connell Unanimous Approval

G. Annual Meeting Attendance

To ensure there is a quorum present for the Annual Meeting, DMI was asked to secure owners' proxies well before the event. Ms. Freitas detailed the Annual Meeting Notice mailing procedures, and how DMI tracks owners' responses.

XVIII. ADJOURNMENT

The Meeting was duly adjourned at 1:50 p.m.

Louise Rockett,
Transcriptionist