

Association of Apartment Owners of Wailea Fairway Villas
Special Board of Directors Meeting Minutes
Tuesday, June 25, 2024

Board Members Present: Rick Duguay, President; Marc Warenski, Vice President; L.A. Bannowsky, Treasurer; Sharon Zurn, Assistant Treasurer; and Directors Kim Henry and Jim Dionizio

Board Member Absent: Secretary Joe O'Donnell

Owners Present: On file at Destination Maui, Inc.

Other Attendees: Bronson Camanse, Senior Account Executive, Destination Maui, Inc.; and Mike Heller, Site Manager

I. CALL TO ORDER

President Rick Duguay called the Association of Apartment Owners of Wailea Fairway Villas Special Board of Directors Meeting to order at 9:02 a.m. via Zoom.

II. DECLARATION OF QUORUM

A quorum was declared with six Directors present.

III. PROOF OF NOTICE

It was certified that Notice of Special Meeting was sent to all Directors of record and filed in the office of the Managing Agent on June 18, 2024. This notice was also posted at the property in compliance with Hawaii State Law.

IV. CONSENT CALENDAR

MOTION: To approve the Sedgwick Property Replacement Cost Appraisal; the Board voted unanimously on May 3, 2024.

Henry / Dionizio Unanimous Approval

V. APPROVAL OF MINUTES

MOTION: To approve the May 7, 2024 Board Meeting Minutes.

Dionizio / Zurn Unanimous Approval

VI. DECISION & DISCUSSION ITEMS

A. Irrigation Control Upgrade – Performance Landscapes Proposal

Site Manager Mike Heller obtained bids for two systems — one radio-based and the other cellular — that will work with the Association's Rain Bird Irrigation Controllers, so that the units can communicate with each other.

The bid for the cellular system totals \$51,000, and the radio system proposal amounts to \$61,000. Once installed, the radio-based system is largely complete. The cellular system requires annual service costs of \$1,300 per year, and if cellular technology changes — from 4G to 5G, for example — modules in the control housings would need to be replaced at a considerable expense.

MOTION: To accept the proposal to move forward with the radio control rainbird IQ irrigation system update from Performance Landscape at \$61,365.53.

Zurn / Bannowsky Unanimous Approval

B. Spalling Repairs – Kawika's Painting Proposal

Kawika's Painting & Concrete Repair submitted a proposal to conduct concrete curbing repairs throughout the property at a cost not to exceed \$3,500. After this project, there will be \$4,000 remaining in the budget for spalling repairs this year.

MOTION: To approve the not to exceed number of \$3,500 for spalling repairs of curbs at a rate of \$90 per hour.

Dionizio / Warenski Unanimous Approval

C. Access System Upgrade Proposal

Mr. Heller sought proposals for a system upgrade for access to the Recreation Center. The cloud-based system can be controlled, accessed and monitored via computer or smart phone.

The Association's current system is about ten years old and relies on a standalone computer running on Windows XP. The new system would allow access to the center via existing fobs and smart phones, and it's expandable to include security cameras.

There is \$10,356 budgeted for the project; the proposal to upgrade the card readers totals \$7,900. The Board is also discussing building an enclosure around the car wash area with access control.

MOTION: To approve the purchase of an updated access control system in the amount of \$7,910.99, with the understanding that should we be able to incorporate the car wash stations within the access control system, we will come back for approval of the balance of the budgeted amount.

Bannowsky / Dionizio Unanimous Approval

D. Pest Control Contract – Mid-Pacific Proposal

Mr. Heller obtained bids for pest control service after the Association's current contractor raised its rates.

If the Association decides to switch to a different contractor, the Board can consider purchasing or renting the existing 100 rodent bait stations on the property.

MOTION: To table this discussion until our next Board meeting.

Zurn / Dionizio Unanimous Approval

E. Commercial Property Insurance – Building Ordinance & Law Coverage

The President commented that the Board is doing its best to proactively plan to meet their obligation to keep the property properly insured in Maui's very challenging market while remaining sensitive to owners' needs.

He recapped efforts the Board has made thus far to secure property insurance coverage for the Association. A detailed report will be sent to owners.

In April, Atlas Insurance, the Association's broker, informed the Board that DB Insurance would renew the AOAO's policy effective April 28, 2024 at a significantly higher rate due to industry disruptions. The firm also stated in the policy proposal that it felt the Association's roughly \$40 million valuation was low.

The Association contracted for \$40 million in coverage from DB Insurance for \$221,386 — roughly double the amount appropriated in the budget. The Board also authorized a reappraisal of the property from Sedgwick Valuation Services.

On May 28, the insurance appraisal from Sedgwick raised the Association's valuation from \$40 million to around \$64 million, creating an underinsured situation for Wailea Fairway Villas. The Board immediately went back to DB insurance and requested that the firm change the Association's policy coverage to include the new appraised amount.

On June 19, Atlas informed the Board that DB Insurance denied the Association's request to increase the coverage amount due to lack of capacity from DB's reinsurer. An appeal of the decision was also denied.

On June 20, the Board held a conference call with Atlas to discuss options to secure \$24 million in additional coverage for the property. In the short term, the only available alternative is to seek additional insurance coverage in the Excess and Surplus Market at rates about 2.5 times higher than DB Insurance.

The Board is waiting for the outcome of that request; the estimated cost is an additional \$300,000 per year. The sum due is expected to be \$220,000 pro-rated through the end of the Association's current contract period with DB that ends April 30, 2025.

DB allows the Association to make payments in installments; Excess and Surplus Market providers give customers 30 days to make a lump sum payment. This will create an immediate budget shortfall of an additional \$220,000, so the Board must take quick action.

The renewal of the Association's insurance policy will come due on May 1, 2025 — just ten months away — and Atlas informed the Board that there is a high probability that DB Insurance will decline to renew the AOA's coverage at that time. It's expected that DB will follow other insurance carriers and drop coverage for wood-framed condominiums on Maui. If that happens, the Association will be forced to go to the Excess and Surplus Market for all of its coverage at an initial estimated cost of \$1.1 million.

The hope is that something will happen to restore stability to the insurance market.

Owners were given the opportunity to ask questions.

F. Strategies for Funding Insurance

The Board proposes a three-pronged strategy to fund the Association's insurance. The entire plan was explained before Directors voted on each item.

Destination Maui, Inc. will send owners detailed information on making payments.

1. Adjustments to Monthly Maintenance Fees

The Board is proposing an increase in monthly maintenance fees effective August 1, 2024 as follows: two-bedroom units, \$294 increase, \$1,217/month; and three-bedroom units, \$499 increase, \$2,069/month.

Mr. Camanse read the proposed Resolution to adjust the fees.

MOTION: To approve the Resolution as read.

Bannowsky / Warenski Unanimous Approval

The hike in fees will generate an increase in revenue of about \$200,000.

2. Special Assessment

A one-time Special Assessment is proposed at \$3,670.50 for two-bedroom units and \$6,243 for three-bedroom units, to be paid in four equal interest-free installments due September 1, October 1, November 1 and December 1, 2024, or in one payment.

Mr. Camanse read the proposed Special Assessment Resolution.

MOTION: To approve the Resolution.

Warenski / Henry Unanimous Approval

3. Use of Operating Funds

The Board anticipates a lump sum bill due of \$220,000 within 30 days of the start of the policy beginning August 1, 2024. To pay that, the Association will draw down its cash reserves, and the \$25,000 monthly Reserve fund contribution will be reallocated to the Operating Fund for six months to replenish the cash.

The Association's Reserves are well-funded, so redirecting \$150,000 won't have a significant impact on the fund or scheduled projects.

If there is any additional projected shortfall, Directors can make adjustments when drafting the 2025 Budget.

Mr. Camanse read the Budget Amendment – Reallocating Funds Resolution.

MOTION: To approve the Resolution as read.

Zurn / Bannowsky Unanimous Approval

VII. NEXT MEETING DATE

The next Board of Directors Meeting is scheduled for August 6, 2024.

VIII. EXECUTIVE SESSION

The Board moved to Executive Session at 10:27 a.m. to discuss legal matters. Regular meeting business resumed at 10:52 a.m.

A motion was passed during Executive Session to remove the fines from Unit A for House Rule violations that was posted in August 2023. The fines will be waived and removed from the account.

IX. ADJOURNMENT

The meeting adjourned at 10:53 a.m.

Mark Vieth

Recording Secretary

Approved (date): August 06, 2024

Initials: BC DMI