

Association of Apartment Owners of Wailea Fairway Villas  
Board of Directors Meeting Minutes  
Tuesday, August 6, 2024

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

Owners Present: On file at Destination Maui, Inc.

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

I. CALL TO ORDER

President Rick Duguay called the Association of Apartment Owners of Wailea Fairway Villas Board of Directors Meeting to order at 9:04 a.m. via Zoom.

II. DECLARATION OF QUORUM

A quorum was declared with all Directors present.

III. PROOF OF NOTICE

It was certified that Notice of Meeting was sent to all Directors of record, filed in the office of the Managing Agent and posted at the property in compliance with Hawaii State Law.

IV. ADOPTION OF AGENDA

MOTION: To adopt the agenda as presented.

Henry / Warenski      Unanimous Approval

V. APPROVAL OF MINUTES

MOTION: To approve the minutes from the June 25, 2024 Special Board of Directors Meeting.

Zurn / Dionizio      Unanimous Approval

VI. REPORTS

A. President

The President said it's been six weeks since the Board's last meeting, and the focus has been entirely on insurance. An update on commercial property coverage will be given later during today's meeting.

B. Treasurer

Treasurer L.A. Bannowsky gave a recap of the Association's finances for the first half of the fiscal year through June 30, 2024.

Revenues total \$805,569 — just \$405 below the Board's accurate projection of \$805,974. Fines have come in lower than estimated.

Expenses for the first half of the year total \$744,979 vs. a budget of \$804,780, a difference of \$59,801. The variance is largely due to underspending in payroll; the Association was not paying a Site Manager's salary, payroll taxes and benefits for the first two months of the year.

Spending for repairs and maintenance is also underbudget due in large part to the excellent work of the Site Manager (who started in March) and his assistant. The staff is completing a lot of maintenance work that the Association in many cases had been paying outside contractors to handle before.

Utilities are underbudget through June, but seasonal increases in water and sewer costs are expected.

The very significant overage in the budget is for insurance. The Board budgeted \$109,000 for the Association's insurance renewal, but actual expenses are closer to \$450,000 for the year in Maui's very challenging market. This large overage will appear in the Association's books on a monthly prorated basis for the rest of the year.

The Reserves are well-funded at about \$2.4 million.

C. Site Manager

Site Manager Mike Heller began by pointing out that the Board has been working very hard to get through the insurance challenge.

He has been focusing on the Association's daily operations and projects. The Recreation Center access system upgrade is underway. Once the system is online, owners can access the center via fob or their smartphones. He will send an e-mail to owners with detailed instructions.

Mr. Heller has been trying to meet everyone on-property, and he's found that much of the registration information — including vehicles, phone numbers, on-island agents, and emergency contacts — on file is out of date. Owners are asked to submit their current contact information.

VII. OLD BUSINESS

A. Pest Control Contract

The Association's pest control work was put out to bid. The proposal for the Board's consideration is to buy 100 rodent bait stations on Amazon, and Bowman Termite and Pest Management will service them at a reduced quarterly charge.

MOTION: To accept the recommendation from the Site Manager that we purchase the bait boxes and maintain our contract with Bowman.

Bannowsky / Henry Unanimous Approval

B. Update on Commercial Property Coverage

In the Board's last communication to owners dated June 27, 2024, it was reported that Directors instructed the Association's insurance broker to secure additional coverage up to the full insurance appraisal value of the property through the Excess & Surplus (E&S) Market. This was necessary because DB Insurance declined to increase the Association's coverage, indicating that they had reached the coverage limit imposed by their reinsurers.

Wailea Fairway Villas' Governing Documents require that the Association maintains appropriate insurance coverage.

The Board is pleased to report that the additional coverage was secured effective August 1, 2024 at a cost in line with Directors' expectations. The estimate was \$220,700, and the final cost was \$221,349 — a difference of just \$649. The Board is working diligently to stay abreast of the rapidly evolving insurance environment through webinars, networking with other Condominium Associations, and conversations with Mr. Camanse and the Association's insurance broker.

Full insurance coverage is secured for the property through April 28, 2025. For the next nine months, there are two separate policies: the DB Insurance policy will cover Buildings A-Q and the Clubhouse, and the E&S policy will cover Buildings R-Z.

The policies are close but not identical, and the President said the Board is committed to maintaining parity for all owners in the event of a major property loss. The biggest difference is the loss assessment water deductible requirement; DB has a \$50,000 deductible consistent with the Association's current HO6 coverage requirement, while the E&S has a \$100,000 water deductible.

The Board feels that requiring owners in Buildings R-Z to amend their HO6 coverage to the higher deductible level is not an equitable solution, so they support purchasing a deductible buydown policy for those buildings to cover the additional deductible amount through the E&S coverage through April 28, 2025. The Board has requested a quote, and the cost would be borne by the entire Association.

Once the E&S policy is received, it will be posted alongside the DB Insurance policy summary on the Association's website.

Directors voted to ratify the following Consent Resolution to accept additional coverage through the secondary market:

The undersigned, being all the current Directors of the Association of Apartment Owners of Wailea Fairway Villas, hereby by this unanimous consent in writing in lieu of meeting adopt the following consent as of July 31, 2024.

WHEREAS,

1. The Board of Directors meeting is not set to occur until August 06, 2024.
2. The Board received a new quote for the additional property coverage in the secondary market on July 26, 2024 with a requirement to respond no later than August 01, 2024.
3. In order to avoid insufficient coverage for the property, the Board must approve the secondary market quote received by Atlas insurance by August 01, 2024.
4. The received quote provides for different coverage levels than the previously purchased primary market coverage.
5. The Board wishes to ensure consistent coverage and costs which may be affected due to the differences in available policies for property coverage. Regardless of whether the premiums or coverage are different for the various buildings, insurance is a common expense borne by all owners according to owner's common percentage interest identified in the Declaration and where permissible by law.
6. This instrument shall be dated as of the date of the last signature and may be executed in counterpart, each of which shall be deemed an original, and said counterparts shall together constitute one and the same instrument, binding all the parties hereto, notwithstanding all the parties are not signatory to the original or the same counterpart.

THEREFORE, IT IS HEREBY RESOLVED, to procure insurance coverage in the amount of \$23,427,542.00 at a cost of \$216,432.18 from insurance carriers:  
Endurance American Specialty Insurance Company  
Lexington Insurance Company  
Golden Bear Insurance Company  
Kinsale Insurance Company

BE IT FUTHERE RESOLVED, to procure additional insurance coverage in the amount of \$116,254.00 at a cost of \$4,917.00 from insurance carrier DB Insurance.

DATED THIS: 31<sup>st</sup> day of July 2024.

MOTION: To accept the Consent Resolution as read.

Bannowsky / Zurn Unanimous Approval

VIII. NEXT MEETING DATE

The next Board of Directors Meeting is scheduled for Tuesday, November 5, 2024.

IX. OWNERS' FORUM

The meeting was recessed at 9:30 a.m. to hold an Owners' Forum.

X. EXECUTIVE SESSION

The Board adjourned to Executive Session at 9:35 a.m. to discuss legal matters. Regular meeting business resumed at 10:30 a.m.

XI. ADJOURNMENT

The meeting adjourned at 10:30 a.m.

*Mark Vieth*

Recording Secretary

Approved (date): 11/05/2024

Initials: BC