

Association of Apartment Owners of Wailea Fairway Villas
Board of Directors Meeting Minutes
Tuesday, November 5, 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, Account Executive Director, 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 and filed in the office of the Managing Agent. This notice was also posted at the property in compliance with Hawaii State Law.

IV. ADOPT / AMEND AGENDA

Under Item 5, Approval of Minutes, the meeting on August 6, 2024 was a regular Board Meeting and not a Special Meeting as listed. With that correction, the agenda stands as distributed.

V. APPROVAL OF MINUTES

MOTION: To approve the August 6, 2024 Board of Directors Meeting Minutes.

Dionizio / Warenski

Unanimous Approval

VI. REPORTS

A. President

The President is focusing on three items during his report, starting with irrigation. Site Manager Mike Heller continues to make progress on the irrigation control system and has

done a good job maintaining the property's landscaping while working within Maui County's water conservation constraints.

The next topic is insurance-related issues. The Board during New Business will discuss the High Risk Component Policy. The focus of this policy is a strategy to mitigate water damage to the limited and common areas of the buildings by ensuring proper maintenance and repair of high risk components within individual units. The policy is important because it benefits all owners, and insurers look on these policies favorably when considering whether or not to offer coverage to an Association.

Board members are also discussing a Fire Mitigation Work Plan. The Board hopes to have the plan ready for consideration at the February meeting. It would provide a framework to consider and determine if the Board would like to adopt suggestions and guidelines from organizations like the Firewise USA Program and others that empower homeowners to take an active role in protecting their properties from fires. These plans are also looked upon favorably by property insurers when they are considering whether or not to offer coverage to the AOA.

Directors continue to look for ways to make Wailea Fairway Villas more appealing to potential property insurers before the Association goes out to market to seek coverage early next year.

The President's third item of discussion is the Fiscal Year 2025 Budget that the Board will review during today's meeting. Drafting the budget has been a major challenge. The plan under consideration today is the seventh version, and a great deal of time and effort went into the process.

The Board didn't expect that next year will be the first that the Association will need to rely solely on the more expensive Excess & Surplus Market for property insurance, whose carriers require payment in full at the time of invoicing. Thus, a sufficient amount of cash is needed when the significant bill comes due in May. This was a consideration in the steps the Board took mid-year to adjust the budget and approve a special assessment, as well as in the preparation of the 2025 Budget.

He concluded by thanking the Finance Team of Directors Bannowsky, Zurn and Warenski; the Site Manager; and team at Destination Maui, Inc. for their hard work and expertise in developing the budget.

B. Treasurer

Treasurer L.A. Bannowsky deferred the presentation of a traditional Treasurer's Report to the upcoming budget discussion under New Business. The President highlighted the impact of higher insurance costs on the budget during his report.

Directors and the staff are working hard to tightly control all non-insurance expenses.

He concluded by noting that the Association's Reserve Budget is very strong.

C. Site Manager

Site Manager Mike Heller provided an update on recent Association projects and activities.

The new Recreation Center access system is working well. Owners who need to register their fobs or have issues with the app can visit Mr. Heller at the office.

New components are being installed in the irrigation control system, and it should be fully operational within the next two weeks. The system will allow the staff to control everything remotely from a computer or smartphone, ending the need to manually check and adjust the nine controllers located around the property. This should greatly improve the ability to identify and fix issues in the system, and use water more wisely.

Some owners may be unaware that a security service patrols the property overnight. Securitas conducts three nightly patrols and submits daily reports to Mr. Heller.

VII. NEW BUSINESS

A. High Risk Component Policy

As discussed during the President's Report, the policy is geared primarily toward mitigating water damage to the Association's buildings. It's common for Condominium Associations to adopt these policies, and they have almost become an expectation by insurers.

The policy was crafted with assistance by the Association's attorney. The Board is planning on a partnership in which the AOA will periodically ask owners to inspect their high risk components (including water supply lines to fixtures and associated drainpipes, fixtures and shutoff valves; smoke detectors; and required leak detectors positioned next to water heaters), complete a simple form and submit it to the Site Manager. There is also an option in the policy that allows for Association staff or other professionals to conduct the inspections of units with proper notification and collaboration with owners.

Association employees will have the ability to check items with specialized tools that detect moisture behind walls and floors, thermal detectors to check possible issues with electrical panels, and industrial endoscopes to check for leaks behind large appliances, so that they don't need to be moved.

The goal of this initiative is for everyone to work together to minimize the risk of damage to owners' units and the buildings by proactively focusing on regular inspection, repair and replacement of the high risk components. In doing so, the AOA will help avoid damage to owners' properties and reduce property insurance costs over time.

Another factor is the buildings are getting older, and some high risk components in owners' units may have not been inspected in a long time. The policy will ensure that these components are checked on a regular basis.

Once approved, the Site Manager will develop an implementation plan that will be communicated to owners along with the policy.

MOTION: To approve the High Risk Component Policy as presented.

O'Donnell / Dionizio

Unanimous Approval

B. S102 Lanai Spalling Repair

Element Maui submitted a proposal for \$5,916.23. Funding is appropriated in the budget to cover this expense.

MOTION: To approve the repair and award the work to Element Maui as proposed.

Bannowsky / O'Donnell Unanimous Approval

C. Securitas Contract Renewal

The new charge in the contract is \$17 per patrol (\$1,500 per month) for three nightly patrols of the property.

MOTION: To approve the Securitas agreement for 2025.

Zurn / Warenski Unanimous Approval

D. BrightView (Formerly Island Plant) Contract Renewal

The Site Manager obtained bids for landscaping services. He recommends staying with BrightView for 2025.

MOTION: To approve the BrightView contract for 2025.

Henry / Dionizio Motion Rescinded

BrightView has not yet submitted its final contract proposal.

MOTION: To table this discussion until we have a final contract we can vote on.

Duguay / Dionizio Unanimous Approval

If needed, the Board will schedule a Special Meeting to review and approve the landscaping contract prior to the end of the year.

E. Destination Maui, Inc. Contract Renewal

The negotiated agreement is for a 6.5% increase over the two-year term of the contract. The President said he is pleased with the performance of DMI's team.

MOTION: To approve the agreed management agreement with DMI.

Bannowsky / Henry Unanimous Approval

F. 2025 Budget Approval

The Treasurer began by explaining that rising insurance costs and the very different insurance climate will have a major impact on the 2025 Budget.

He feels privileged to be part of the team that worked on the budget — including Directors, the Site Manager and team at Destination Maui, Inc. — and they devoted long hours into drafting it. He added that they are all committed to the best fiduciary/financial interest of the property.

The staff has developed new skills to help reduce operating expenses and work on preventative maintenance and repairs of the physical components of the property. The Association is seeing significant improvements in its very tightly managed cost control program.

The budget that starts January 1, 2025 will raise owners' maintenance fees by 17.8%, equating to an increase of \$215/month for two-bedroom units and \$368/month for three-bedroom units.

Due to escalating costs, insurance grew from 7% to 46% of the overall 2024 Budget at \$460,000. With insurance renewals coming in the Excess & Secondary Market — which requires full payment at the time of invoicing — Treasurer Bannowsky said the Board had to plan accordingly.

Based on input from industry professionals, the estimated price for coverage from May 2025 through April 2026 will range from \$870,000 to \$1.1 million. The Board doesn't expect to receive a quote until about 30 days before renewal. The budget cannot wholly fund the worst case scenario of a \$1.1 million renewal. If that happens, the Board may need to consider a special assessment or loan from the Reserves.

Maintenance fees were increased to cover the current policy. The AOA's one-time \$500,000 special assessment will be carried into 2025 to help fund the insurance renewal. These owner-generated funds are non-taxable.

MOTION: To approve the budget for 2025, with the caveat that the new landscaping contract will be equal to or less than what the Association has budgeted.

Warenski / Dionizio

Unanimous Approval

The current Reserve balance is strong at about \$2.4 million. Next year, the Association will spend about \$91,000 in replacement and improvement projects of capital facilities scheduled in the Reserve Study. The Board anticipates earning around \$97,000 in interest on Reserve funds to pay for these projects and build the Reserves slightly next year.

At the close of 2025, the budget projects the Reserves to be 70% funded, which is higher than the state requirement of 50%.

Owners were given the opportunity to ask questions.

VIII. DATE OF NEXT MEETING

The next Board of Directors Meeting is scheduled for February 4, 2024.

IX. RECESS MEETING TO HOLD OWNERS FORUM

The meeting was recessed at 10:23 a.m. to hold an Owners Forum.

X. EXECUTIVE SESSION

The Board moved to Executive Session at 10:24 a.m. to discuss legal matters and contracts.

Mark Vieth

Recording Secretary

Approved (date): _____

Initials: _____

DRAFT