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MAKENA SURF AOA

BOARD OF DIRECTORS MEETING

Wednesday, November 14, 2012

Time: 8:00 a.m. (HST)

Place: Makena Surf Boardroom

Directors Present:

Mrs. Betty Kay Anderson, President

Mr. Roger Morgan, Secretary

Mr. Paul Sullivan, Treasurer

Mr. Paul Johansen

Mr. Jack Patterson

Mr. Roger Pannier

Mr. Joe Walker

Management:

Mr. Robert Brooks, Resident Manager

Mr. Kevin Keane, Landscape Manager (part of the meeting)

Destination Resorts Hawaii, Inc.:

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Mr. Maynard Torchiana, Managing Agent, Destination Resorts Hawaii

Mr. Ben Beaudoin, Destination Resorts Hawaii

Mr. Kui Aipa, Controller, Destination Resorts Hawaii

Ms. Enza Froio, Recording Secretary

Call to Order: President Anderson called the meeting to order at 8:00 a.m. (HST)

Proof of Notice: President Anderson verified that meeting notices were posted on property in two places on October 15, 2012 and emailed, faxed and/or mailed to all Board Members on October 11, 2012.

Determination of Quorum: A quorum was established with 7 of the 7 Directors present.

Approval of Minutes

Motion: *To approve the minutes of the July 19, 2012 Board of Directors meeting as corrected. (Patterson/Sullivan)*

CARRIED unanimously.

Validate Decisions

Motion: *To validate the decisions made at the July 19, 2012 Board of Directors meeting. (Sullivan/Patterson)*

CARRIED unanimously.

REPORTS OF OFFICERS AND MANAGEMENT

President's Report

President Anderson presented her report.

Gates

There was a nine-week period where the gates were not functioning. Mr. Brooks has purchased a computer for \$200 which is now dedicated to the gates. The computer is able to bypass the "noise"/interference emanating from the Makena Surf office that was interrupting the operation of the gates. The issue is now resolved. In addition, Mr. Brooks is awaiting a quote from a company in Lahaina for an alternative gate system. Mr. Torchiana will provide additional information regarding an alternative gate system to Mr. Brooks. Mr. Brooks will provide an update regarding this item in the next Manager's report.

Electrical Boxes

Corrosion was found in the electrical box at Unit G304.

Motion: *To have Mr. Brooks choose a licensed electrical contractor of his choice to inspect every unit on property without regard for if the unit had recently been remodeled or is in a new/old building. The contractor, with an employee of Makena Surf, will inspect the electric breaker in each unit and make repairs as necessary. The individual electrical breakers in each unit are "limited common element".*

Documentation regarding the time the contractor entered the unit, repairs needed, and total load on each breaker will be maintained. The cost will be applied to each Owner's maintenance fee under "limited common element". Mr. Aipa will draft a letter for the owners to explain how the cost is applied.

(Johansen/Walker)

CARRIED unanimously.

Segway

A security guard has indicated to President Anderson that the use of a Segway would enable him to do his job on the property more effectively. The security guard noted that the Segway would assist him in having more of a presence along the beach, which is the most security risk place on property; and would assist in reaching the defibrillator in a timely fashion. The approximate cost of a Segway is \$6,300. The Board agreed to defer a decision regarding this item to the Budget discussion.

Herb Garden

Mr. Brooks and Mr. Keane were acknowledged for improvements made to the herb garden. The garden looks beautiful.

Pavers

The Board agreed to store leftover pavers at the North herb garden for potential use at the North end to make a pad for a future stand-up paddleboard area.

Landscape Committee

Mr. Keane reviewed his written report, as distributed to the Board of Directors. He highlighted the following items:

- Staff has been reduced by one (1) landscape member.
- Staff members are being rotated for a half-day each week to clean the F Building.
- Per the request of an owner, a sign regarding how to properly trim herbs will be displayed at the herb garden. A small nursery by the North tennis court will be created in order to have a supply of herbs that are in demand.
- Re-plantings are being conducted.
- This year, possibly due to weather, insects have been a problem. In addition, bugs can become resistant to chemicals. New alternative chemicals are being researched.

Mr. Keane reported that the monkey pod trees create excessive work and requested the Board to consider removal of six (6) trees from the G Building parking lot. He proposed the removal of one (1) tree per year and to replace with a shower tree. This process would allow the Board to review, assess, and actively participate in how the parking lot is changing. President Anderson requested that Mr. Brooks provide a comprehensive plan including cost details for review at the February Board of Directors Meeting. The expense of the project should be incorporated into the landscaping budget if possible.

Mr. Keane reported that the next objective is to address the pavers and the overspray from irrigation. President Anderson and Mr. Patterson have directed Mr. Keane that the irrigation is a priority. A contractor will be hired to assist Mr. Keane with this project in order to expedite completion and to keep staff focused on other maintenance projects.

The Board acknowledged Mr. Keane and his staff for their efforts and noted that the property looks beautiful.

Treasurer's Report

President Anderson reported that the current balance in the Christmas Fund is approximately \$6,000. She further noted that an owner has indicated that he would not have been able to re-

finance his unit had the Association's Capital Reserves not been recently increased to over 50%. President Anderson acknowledged Treasurer Sullivan for taking the necessary steps to request a special assessment from the ownership in order to build the Capital Reserves.

2013 Budget

Treasurer Sullivan presented his report. He reviewed the proposed 2013 Budget as distributed to the Board of Directors.

- The budget reflects a 7.38% increase in the maintenance fee.
- Electric/Utilities continue to increase. The budget projects that the new attic fan project will be installed by mid-year and some savings will be achieved. The savings will be placed in the Capital Reserves.
- Employee Expenses reflect a 1% to 3% pay increase, contingent upon employee performance.
- Pay roll taxes, workmen's' compensation, and insurance are items that are increasing and that the Board has very little control over.

A \$46,000 surplus is projected in 2012 (actual for nine months and projected for last quarter). Based on this surplus, the Reserves would be funded at 52% and would be approximately \$40,000 ahead on the positive side.

In 2013, Reserve contributions are projected to be \$200,000 and expenditures to be \$176,291, which results in the Reserves being 55% funded. Reserve expenditures include stair steps, landings, South tennis courts, replace lawn mower, one (1) Segway purchase, and electrical equipment for regulating attic fans.

Mr. Patterson recommended patching the tennis courts and postponing the resurfacing.

There was a discussion regarding the necessary steps to maintain the value and quality of the property. Mr. Walker suggested that a little extra spending could go a long way to improve the quality of some aspects of the property (including cleaning/upgrading of tiles, tennis courts, pool furniture and coverings upgrade, and doors and soffits). He recommended that the Board be

cautious in postponing projects and noted that there is a cost to maintain Makena Surf at a quality level.

Mr. Brooks is in the process of performing a comparative analysis of the per square foot maintenance fees for properties in Wailea and Makena. Historically, analysis has been done on an annual basis and has shown that the maintenance fees at Makena Surf are competitive.

Mr. Brooks and Mr. Johansen will further research the warranty and guarantee for material needed to re-tile the second and third floor landings.

Treasurer Sullivan noted that the projected \$110,000 surplus has been added to the Capital Reserves.

Motion: *To spend \$176,291 from the Capital Reserves for the following items: office restrooms, stair steps, landings, tennis courts, lawn mower, Segway, and attic fans. (Sullivan/Walker)*

CARRIED unanimously.

Motion: *To approve the 2013 Budget with a 7.38% increase in the maintenance fee. (Sullivan/Johansen)*

CARRIED unanimously.

B-207 Delinquency Update

Mr. Aipa reported that B-207 is \$6,500 delinquent through October 31, 2012. For the last three (3) months, the Owner has paid the monthly maintenance fee. However, the legal fees and late fees remain unpaid. The Owner is required through the bankruptcy court to pay these fees.

When the Owner filed bankruptcy in January, she was given by the court a “stay” to keep creditors from doing anything bad to her when she didn’t pay on previous debts but after that she is required to stay current. When she doesn’t, creditor can go back to court to ask for a “relief from the stay” that protected her. President Anderson will request a “relief from the stay” on the post-bankruptcy petition debts that was previously granted to the Owner.

New State Bill

Mr. Aipa reviewed the new State bill that requires owners who offer property as transient rental to provide Mr. Brooks with contact information of a local representative for their unit. Further, the bill requires that the owner display or link the property ID number (TAT number) to all website advertisements of the rental. Compliance is required by January 1, 2013. The bill ensures that transient accommodation condominium units pay the appropriate tax. President Anderson will include information regarding the bill in the newsletter.

Manager’s Report

Mr. Brooks reviewed his written report as submitted to the Board of Directors. There have been no security incidents.

Fan motors and controls for the updated attic fans are installed and working. The test phase has begun. Yesterday’s readings indicate 116 hours on the system and reduced power usage by approximately 98%. Projected runtime on the system is one (1) hour per day. Noise reduction has been successful. It should be noted that the test period has been too short to make hard predictions.

COMMITTEE REPORTS

Construction & Maintenance

Mr. Johansen presented the Construction & Maintenance report. Eight (8) projects are scheduled this year. With some exceptions, all projects will be completed on time. He noted that several units have disregarded the rules, application process, and construction schedule.

Motion: *To allow Carson, F101, to complete his project during the period of November 26, 2012 to December 7, 2012; and to allow Osgood, F304 to complete his project during the period of November 26, 2012 to December 7, 2012 subject to receipt of application and approval by Mr. Brooks. (Johansen/Sullivan)*

CARRIED unanimously.

Policies and Procedures

Mr. Walker has researched methods to subsidize the cost of the Annual Owners Party. The option of a potluck has been eliminated due to a negative response from owners.

Bev Gannon presented a new scaled-back menu which could result in a \$1,200 savings. Café O Lei was researched and determined to be expensive. Dani's (affiliated with Takamiya Market) offers a Hawaiian menu which could result in a \$3,000 savings.

Motion: *To select Dani's as the caterer for the 2013 Annual Owners Party. (Pannier/Patterson)*

CARRIED unanimously.

Security

Mr. Morgan reported that there have been no security incidents.

OLD BUSINESS

Insurance Comparison Review

This item was removed from the Agenda.

KABA Lock Systems for Front Doors

Rob Wengel, President, Secure Lodging Systems, was invited to the meeting to provide information on the KABA lock system. The cost is \$365 per lock plus \$75 installation fee. An owner may choose the "Online Ready" option (agent can manage from a website and provides an audit) for an annual fee of \$84 per lock or the "Standalone" option (no fee and no audit).

There was a discussion regarding making the KABA lock system the Board-approved standard for an alternative entry system to the existing key system for owners who wish to upgrade their current key system. The Board agreed to further discuss this item at the February Board of Directors Meeting.

FEMA Problem

Roger Pannier attended another FEMA meeting. Francis Ceriso, County Representative, recommended installing a berm to meet the FEMA requirement.

Motion: *To build a curb wall across Units F109 and F110 and to build up the ground and grass from Units F105 to Units F111 in order to*

meet the standard of those areas on the survey map that are less than 15 feet. (Walker/Sullivan)

CARRIED unanimously.

Affected owners will be consulted. Mr. Brooks will develop a drawing and research costs. It is projected that this project will be completed toward the end of 2013.

Kayak Storage

Mr. Brooks has indicated that owners should be allowed to have of a second kayak as he feels it is important to kayak in “numbers” for safety purposes. It was clarified that the existing policy allows for an owner to have a second kayak by using a neighbor’s kayak space provided that the registration fee is paid and the second kayak is labeled with the neighbor’s unit number.

A102 Entryway Tiles

The only entryway on the property that has old tiles instead of pavers or flagstone is between A101 and A102. Mr. Olson has made a written request to install pavers at the entrance of A102.

Motion: *To install pavers at the entrance of Unit A102.
(Patterson/Johansen)*

CARRIED unanimously.

NEW BUSINESS

Front Door Painting

Mr. Brooks reported that the doors are in the process of being painted dark brown.

Motion: *To instruct the Resident Manager that any doors being painted on the property need to be painted dark brown. (Patterson/Walker)*

CARRIED unanimously.

Policy Re: AOA Insurance Claims

The leak incident from Unit G206 to G106 has not been fully resolved. A check in the amount of \$18,000 to address that leak and another in E building is being issued to the AOA.

Mr. Brooks has proposed steps for handling insurance claims on Makena Surf property. The Board reviewed the steps and agreed that the official policy for handling insurance claims on Makena Surf property is as follows:

- Refer to Lowe Enterprises' *Property Claims Packet*.
- Take photographs of the damage and surrounding environment.
- Retain all damaged materials for inspection.
- Document all damage.
- Initiate any mitigation procedures necessary.
- Notify homeowner.
- Complete an incident report and email it to Rachel Pederson of Lowe Enterprises.

- Collect copies of all invoices and forward to Rachel Pederson. Maintain a spreadsheet.
- Work with Rachel to support the adjuster's requirements.
- Once the loss report, along with the money, has been received, distribute the funds indicated and forward the loss report to the appropriate owners so that their insurance company can be advised of any deductible amount for which they are responsible.
- Continue to monitor progress until completion.

Mr. Torchiana will research if an H0-6 policy will cover the deductible and what savings could be achieved on behalf of the Association if the deductible on the AOA policy is increased.



Slate of Candidates for Election

The terms of Betty Kay Anderson, Paul Johansen, Joe Patterson and Roger Morgan are expiring. Each individual has agreed to run for re-election.

DATE OF NEXT MEETING

The next Board of Directors Meeting is scheduled for Thursday, February 21, 2013 at 8:00 a.m. (Hawaii Standard Time).

RECESS TO EXECUTIVE SESSION

The Board unanimously agreed to recess to Executive Session at 12:21 p.m.

ADJOURNMENT

Motion: *To adjourn the meeting at 12:29 p.m. (Patterson/Morgan)*

CARRIED unanimously.

Respectfully submitted,

Enza Froio

Aloha Office Services

Recording Secretary

Respectfully submitted:

Reviewed and accepted by:

Maynard Torchiana

Managing Agent, Makena Surf AOAO

Betty Kay Anderson

President, Makena Surf AOAO

MAKENA SURF AOA

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November 14, 2012

MOTIONS

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The cost will be applied to the maintenance fee under “limited common element”. Mr. Aipa will draft a letter for the owners to explain how the cost is applied. (Johansen/Walker)

CARRIED unanimously.

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CARRIED unanimously.

Motion: *To select Danni's as the caterer for the 2013 Annual Owners Party. (Pannier/Patterson)*

CARRIED unanimously.

Motion: *To build a curb wall across Units F109 and F110 and to build up the ground and grass from Units F105 to Units F111 in order to meet the standard of those areas on the survey map that are less than 15 feet. (Walker/Sullivan)*

CARRIED unanimously.

Motion: *To install pavers at the entrance of Unit A102. (Patterson/Johansen)*

CARRIED unanimously.

Motion: *To instruct the Resident Manager that any doors being painted on the property need to be painted dark brown. (Patterson/Walker)*

CARRIED unanimously.

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