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MAKENA SURF AOA

BOARD OF DIRECTORS MEETING

Thursday, August 1, 2013

Time: 10:00 a.m.

Place: Handlery Hotel, San Francisco, California

Directors Present:

Mrs. Betty Kay Anderson, President

Mr. Roger Morgan, Secretary

Mr. Paul Sullivan, Treasurer (Via teleconference)

Mr. Paul Johansen (Via teleconference)

Mr. Jack Patterson

Mr. Joe Walker

Directors Absent:

Mr. Spike Anderson

Management:

Mr. Robert Brooks, Resident Manager (Via teleconference)

Mr. Kevin Keane, Landscape Manager (Via teleconference)

Destination Resorts Hawaii, Inc.:

Mr. Maynard Torchiana, Managing Agent, Destination Resorts Hawaii

Mr. Kui Aipa, Controller, Managing Agent, Destination Resorts Hawaii (Via teleconference)

Ms. Enza Froio, Recording Secretary (Via teleconference)

Call to Order: President Anderson called the meeting to order at 10:03 a.m.

Proof of Notice: President Anderson verified that meeting notices were posted on property in two places on July 8, 2013 and emailed, faxed and/or mailed to all Board Members on July 8, 2013.

Determination of Quorum: A quorum was established with 6 of the 7 Directors present.

Approval of Minutes:

Motion: *To approve the minutes of the February 21, 2013 Board of Directors meeting as presented. (Patterson/Morgan)*

Motion **CARRIED.**

Abstained: Sullivan

REPORTS OF OFFICERS AND MANAGEMENT

President's Report

President Anderson presented her report.

Motion: *To validate the email decision to have Spike Anderson fill the vacancy on the Board of Directors created by Roger Pannier. (Walker/Patterson)*

CARRIED unanimously.

Motion: *To validate the adjustments to the kayak policy regarding renters using kayaks that were made via email in March. (Patterson/Johansen)*

CARRIED unanimously.

Motion: *To validate the email decision to have Mr. Brooks purchase a tile cleaning machine. (Johansen/Patterson)*

CARRIED unanimously.

Delinquency Issue

President Anderson provided an update on Unit B207. The judge finally signed the document making the receiver official. Moving forward, the receiver will be paying the maintenance fees for Unit B207.

In the interim, Mr. Aipa did not send the May 24th letter with the 60-day warning and there was some confusion about whether Mr. Brooks should change the locks on Unit B207, so Ms. Tricia Morris was able to keep the money from a guest who entered the unit. Then, a new guest was checking in to Unit B207 with a 24 hour notice. President Anderson sent an email to the Board of Directors as to what action should be taken. Due to a lack of response and/or a clear majority in either direction, President Anderson had a conference call with Mr. Torchiana and Mr. Brooks. Based on the advice of Mr. Torchiana, President Anderson made the executive decision to accept the \$3,800 and to allow the guest into the unit.

Mr. Aipa reported that Ms. Morris owes \$3,923.09 which includes June, July and August maintenance fees. Currently, June and July are delinquent and August will be delinquent on the 15th. The receiver will pay the current dues moving forward and distribution of any excess monies collected will be determined by the courts. The approximate amount of \$2,700 is potentially uncollectable; this figure reflects August being paid by the receiver. Mr. Aipa confirmed that the receivership was signed by the Judge on July 16, 2013.

Mr. Brooks reported that the locks to Unit B207 were changed on July 26, 2013. The keys have been given to the receiver. Ms. Morris' cleaners were not allowed into the unit. Outside cleaners were hired to clean the unit after the last guest left at the expense of the receiver.

Mr. Johansen requested legal counsel to confirm when the receiver will start writing checks to the Association and if the receiver is legally obligated to abide by the Association's Bylaws. President Anderson recommended that Mr. Johansen and Mr. Torchiana hold a conference call with legal counsel to clarify these issues.

Landscape Committee

Mr. Keane presented the Landscape Committee report. He reported on the following issues:

- There was no damage from the tropical storm to the landscape.
- Tree trimming continues.
- Submitted soil analysis for Hibiscus hedge along perimeter of property. Collecting additional plants to redo the area by the North tennis court. This item will be further discussed at the November meeting after receipt of test results.
- Vines are growing on the public access fence line and filling in nicely.
- The Areca palms in the parking lot will be trimmed to prevent obstruction of lights.

Spike Anderson has requested the installation of an additional heliotrope tree. The policy requires the permission of the stack and the adjacent stack prior to installation of a new tree. The Board agreed to table this item to the November Board of Directors meeting in order to obtain further information from Mr. Anderson.

President Anderson stated that a delinquency fund was created. However, in her tenure there have only been two (2) owners in 14 years that have been delinquent. Further, the Morris delinquency has been resolved. She suggested the Board to consider using funds from the delinquency fund to address the parking lot. Mr. Keane will update Treasurer Sullivan with regard to the hedge project in order to determine how funds are being used.

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

Treasurer's Report

Treasurer Sullivan reported receipt of a positive report from the new auditors who completed a surprise unannounced verification, which is a standard good practice procedure. The auditors stated that “no matters came to our attention that caused us to believe that the specific amounts should be adjusted”.

Treasurer Sullivan reviewed the June financials as follows:

- The Association had slightly more revenue than budgeted.
- Miscellaneous receipt items are \$3,700 which is the storage fee for kayaks.
- The Association is ahead on utilities by \$19,000 overall.
- Payroll reduced due to the loss of one (1) custodial patrol.
- Workmen’s comp and employee health insurance is under budget as a result of the loss of a custodial patrol.
- Outside maintenance is over budget due to sprinkler repair work.

Overall, the Association is ahead by almost \$20,000 due to the increase in revenue and keeping operating expenses in line.



Mr. Brooks reported that the process of cleaning the entry lanai tiles is progressing well.

Manager’s Report

Mr. Brooks reviewed his written report as submitted to the Board of Directors. He highlighted the following items:

- The replacement of the landings is complete.
- Pool pumps have been changed.
- The gas company will install a separate meter for the pool heater in order to track how much propane is being used for each appliance.

Security

Due to incidents with juveniles and vagrants, an additional temporary security guard was hired to work every Friday, Saturday and Monday nights to ensure adequate coverage. The Director of Public Works Park and Recreation has indicated his intent to remove all unauthorized campers. It is hopeful that the Association will have the County's support in resolving this issue. Mr. Brooks continues to closely monitor security issues and will keep the Board informed in order to determine if additional action needs to be taken.

Exhaust Fan Motor System

Mr. Brooks provided graphs that illustrate the reduction in electricity consumption and expenses due to the installation of attic fans, pool pumps and LED lighting. The Board discussed options for the exhaust fan motor system. Mr. Brooks noted that there is a bug in the range circuit of B302. He has upgraded the current switch to a variable switch to make the system less sensitive. He noted that the fans are running about 12% of the time which would be an annual savings of about \$63,000 per year. The current system is the simplest system which does not allow for the quickest way to detect potential issues due to the fact that someone physically has to go into the attic to check. Mr. Brooks recommends upgrading to a system to use PLCs (Programmable Logic Controls) rather than Time Delayed Relays that are used by the current system. The PLCs can be networked and allows complete control of the system without having to enter the attic or disturb guests. This option is \$187,000, and with an anticipated annual savings of \$63,000, is a 2.9 years payback on the investment.

Motion: *To proceed with the PLC operation at \$187,000 to be implemented at the discretion of Mr. Brooks, as*

expeditiously as possible to achieve a savings without compromising the reliability of the system.

(Johansen/Sullivan)

CARRIED unanimously.

The Board directed Mr. Brooks to communicate with MECO regarding rebates and report back to the Board with his findings.

Tennis Courts

The Board discussed options to repair (approximate cost of \$40,000) or to replace (using solar, approximate cost of \$170,000) the tennis courts; Mr. Brooks indicated that he couldn't recommend the solar option at this time and that other options should be researched.

In addition to the tennis court replacement, it was noted that the second/third floor lanais project could present another case for a potential assessment. President Anderson noted that a poll was sent to the ownership after the 2013 Annual Meeting and reviewed results as follows: of the four (4) questions on the poll, the only question in the poll that had a serious difference between the "yes" and "no" responses was related to the second/third floor lanais. The poll received 67 responses, of which less than 35 identified themselves. To make the poll viable, it was optional for people to identify themselves. Out of the 35 identified responses, 20 responded "no" and 15 responded "yes". The remaining responses indicated a request for additional information about the second/third floor lanais. This item will be discussed at the next Annual Meeting.

Motion: *To repair the South tennis court in the year 2013 with a completion date no later than December 15, 2013; and that*

Mr. Brooks obtain multiple bids for the project. (Sullivan/Patterson)

CARRIED unanimously.

Motion: *To develop a three (3) to five (5) year plan to build up the Reserves by increasing the maintenance fees for projects including tiles, attic fans, a permanent solution to tennis courts, and to identify any other projects. (Sullivan/Walker)*

CARRIED unanimously.

Mr. Brooks and Treasurer Sullivan will provide numbers for the Board's review. Mr. Aipa will contact Barrera & Company regarding an updated Reserve Study.

COMMITTEE REPORTS

Construction & Maintenance

Mr. Johansen presented the Construction & Maintenance report. There were 12 applications for remodels, of which five (5) are completed and others are underway with no issues.

Mr. Johansen is in contact with a vendor who has recommended a new material to address the second/third floor lanais. He will invite the vendor to the November

Board of Directors Meeting in order to provide a comprehensive package of information, including costs, application procedure details, and samples.

Mr. Torchiana will further research and provide information regarding the material/product used at Grand Champions Villas.

Policies and Procedures

Mr. Walker reported that technology advances, the high cost of electricity, and tax incentives make the installation of solar voltaic panels on property an economic choice.

The installation of panels on the roof is problematic due to the location of HVAC and of tiles. Rather, the installation of panels on top of carports is recommended. Covered carports are a desire of some owners in light of the debris from trees and birds left on vehicles.

Haleakala Solar has indicated that based on Makena Surf's electricity consumption, solar on carports is an economic choice. No trees on property would need to be cut. Each carport would accommodate six (6) vehicles. A detailed report on savings is forthcoming from Haleakala Solar.

The Board concluded that the committee will continue to explore aggressively the installation of solar panels on carports.

Mr. Walker and Mr. Brooks will continue to research the following topics: timing of application, aesthetic impact (including preliminary drawings), maintenance of panels and financial sources, such as investors. This issue will be further researched with Haleakala Solar and an alternate company.

The Board then considered if it is appropriate to establish a system of allocation for covered carports assuming there would not be enough carports for every owner. The Board agreed to further research this item including the following issues: change in use of common elements and legal aspects of leasing; the cost to add covered parking for all owners; and implications of having more covered parking spaces on property.

Annual Homeowner Party

President Anderson contacted several caterers on-island including Maui Community College (MCC). MCC indicated that they belong to a group of more than 50% of the caterers on-island that do not provide offsite catering without an upfront \$50 per person fee before the charge for the food.

President Anderson was referred to speak with Theresa, a caterer with a great history and references. Theresa submitted delightful menus and does not require a contract for her services. Theresa indicated that the estimated maximum cost for a 90-person party is \$3,700, which is about \$1,000 more than last year but \$2,000 less than Bev Gannon's cost two (2) years ago.

Security

As discussed.

OLD BUSINESS

A. FEMA Problem

President Anderson reported that Mr. Jaoa Santos has indicated his position as follows: because Makena Surf was permitted to build under the pre-FERM in 1979 and construction occurred according to permits, then Makena Surf is considered a pre-FERM location designation; and that insurance providers would interpret Makena Surf's status as pre-FERM.

It was noted that Mr. Brooks, in his research, discovered that Mr. Santos is the undisputed Hawaii expert on the FEMA issue.

President Anderson will request further email clarification from Mr. Santos. She will then draft a letter to E and F building owners and distribute by email to the Board, Mr. Torchiana, and Mr. Brooks for review. The letters will be finalized with legal counsel.

Motion: *To finalize the submission of Building E for FEMA and to be excluded from the flood zone. (Johansen/Morgan)*

CARRIED unanimously.

Mr. Brooks will contact Elaine Tamaye (the FEMA submitter from Oahu) accordingly.

B. A102 Entryway Tiles- Owner Wants Flagstones, not Pavers

The owner has not provided additional information as requested.

NEW BUSINESS

A. Paddle Board Storage

Mr. Brooks felt that there were security issues with placing the paddle board storage on the mauka side of the North tennis courts. The Board agreed to table this item to the November meeting.

Mr. Torchiana was excused from the meeting at 1:45 p.m.

B. New Parking Lot Configuration

Mr. Patterson reviewed the revised diagrams regarding the parking of covered vehicles on property during extended absences, as provided to the Board of Directors. Estimated total cost is \$20,000, including the cost to relocate the existing trash area. The revised diagrams address Mr. Brooks' safety concerns with the original drawings.

Mr. Brooks noted that covered vehicles have been dispersed around the property and that the number of covered vehicles on property is increasing.

Mr. Patterson will arrange for a simulation of the diagram for the Board's further review in November. This item will be further discussed at the November Board of Directors meeting.

DATE OF NEXT MEETING

The next Board of Directors Meeting is scheduled for November 5, 2013 at 8:00 a.m.

ADJOURNMENT

Motion: *To adjourn the meeting at 2:10 p.m.*

(Sullivan/Patterson)

CARRIED unanimously.

Respectfully submitted,

Enza Froio

Aloha Office Services

Recording Secretary

Respectfully submitted:

Reviewed and accepted by:

Maynard Torchiana

Betty Kay Anderson

Managing Agent, Makena Surf AOA President, Makena Surf AOA

MAKENA SURF AOA

BOARD OF DIRECTORS MEETING

MOTIONS

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