

Association of Apartment Owners of The Palms at Wailea
Board of Directors' Meeting Minutes
March 11, 2016

Board Members Present: Bill Newport, President; and Mike Mullens, Secretary
(In Person)

Board Members Present: Donald Leis, Curtiss Chan, Jan Davidson, Janna
(By Telephone) Caughron, and Bill Rehwald

Board Members Absent: Chris Balog, Vice President; and Don Hamstra, Treasurer

Other Attendees: Alexander Gat, Destination Maui, Inc.; Jeff Marsh, Site
Manager; and Deidre Rockett, Recording Secretary

I. DECLARATION OF QUORUM

There was a roll call, and a quorum was declared with six Directors present in person or by telephone. Director Rehwald joined the Meeting in progress, as noted in the Minutes.

II. CALL TO ORDER

President Bill Newport called the Association of Apartment Owners of The Palms at Wailea Special Board of Directors' Meeting to order at 1:07 p.m. The meeting was held in the offices of Destination Maui, Inc., Wailuku, Maui, Hawaii.

III. PROOF OF NOTICE

It was certified that Notice of the Special Board of Directors' Meeting was emailed to all Directors of record, in accordance with the Association governing documents, and it was posted on property in compliance with Hawaii State Law.

IV. AGENDA REVIEW

The President noted that he would like to add one item to the Agenda under New Business: the Fine Policy.

V. APPROVAL OF MINUTES

The Board reviewed the Minutes of the December 4, 2015, Board of Directors' Meeting. Changes were noted.

MOTION: To approve the Minutes of the December 4, 2015, Board of Directors' Meeting, as corrected.

Chan/Caughron Unanimous Approval

MOTION: To approve the Minutes of the December 4, 2015, Organizational Board of Directors' Meeting, and January 18, 2016, Special Board of Directors' Meeting, as presented.

Caughron/Davidson Unanimous Approval

VI. PRESIDENT'S REPORT

The President said that during the last three months, his focus has been on negotiating a new landscaping contract with Island Plant. He believes the Association has the first performance-based compensation contract with the company. The President and Mr. Marsh have spent a lot of time determining measurement parameters to evaluate the landscapers' performance and set their fee. The Site Manager also has a new management system that determines when landscaping work is scheduled, when the Association needs it done and when the work has been completed.

Another priority has been moving the Oceanic Time Warner Cable contract. The Secretary will detail progress in his report.

The President has also been researching locations for the next Annual Meeting; Mr. Gat will explain in his report.

He said the Board has been updating the House Rules. Director Davidson did a great job working on the rules, and she will provide an update later in the Meeting.

The President has worked on establishing policies to deal with situations that arise between Board Meetings, so the Board won't have to call Special Meetings. Late payments of maintenance fees, comfort animal requests and unacceptable guest behavior will be discussed today.

He has also worked on reducing distractions for the Site Manager. He added that Mr. Marsh gets many requests from owners and others that he should not have to handle.

The President has been in contact with the Directors, Mr. Marsh and Mr. Gat to discuss matters as they arise.

VII. TREASURER'S REPORT

Standing in for the Treasurer, the President said the Association is on-schedule with its budgeted vs. actual expenses. The Association is currently in negative cash flow territory, but that was anticipated in the budget. The President and Mr. Gat answered questions Board members had.

VIII. RESIDENT MANAGER'S REPORT

Mr. Marsh sent the Board recent incident reports involving alcohol and disruptive guests at the pool.

He did a revised estimate for Unit 602, which had a water intrusion. He estimated that renovations would cost \$5,000 to return the unit to a rentable condition.

Mr. Marsh did an inventory and found that the Association has about 590 square feet of surplus pool tile on-hand. Owners have said they really like the tile and are interested in

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purchasing some. This will be discussed in New Business.

Mr. Marsh will chart the performance of the photovoltaic system during certain times of the year; the position of the sun and shading are factors that impact solar production. The research will help him determine if removing a specific tree will help reduce shade and boost PV production.

As the President noted, he and Mr. Marsh have been working extensively on the Landscape Tracking Spreadsheet. It takes observable aspects of the property — plant material and encroachment on the buildings, for example — categorizes them, gives them an acceptable response rate, a due date, a way to quantify the landscapers' performance once work is observed, the time the job is reported and the time it is completed. Tasks within the spreadsheet are communicated to the landscapers and performed within their weekly schedule. Around the end of the month, the process will be locked in, and the Site Manager can begin rating their performance.

Discussing recent and upcoming activities, the staff began cleaning awnings; the annual fire hydrant maintenance and certification was completed; and a variable speed fountain pump was installed in the waterfall. The water flow has been reduced by about 50 percent to save energy. Mr. Marsh purchased the pump for about \$400 below the Reserve allotment.

Painting the front doors is a \$19,000 Reserve item slated for this year. Mr. Marsh inspected the doors and believes full repainting is unnecessary at this time. The staff will touch-up paint the doors, and that Reserve item can be deferred for two or more years.

Landscaping work includes completing the orchid trees in January. The shower trees on-property will be finished today, and chips from the wood chipper will be used in mulch beds.

An owner in Building 4 who left the Outrigger program with card swipe key is investigating an alternative door lock system. Mr. Marsh will ask the person who initially put in the locks for Outrigger if owners can swap out the card swipe door entry to another system without buying a whole new lock.

There have been a few leaks and breaks in the irrigation system, but water usage in February 2016 was right on average. There is a small leak in the largest third of the property that can be located by monitoring water pressure and sprinkler coverage in the area.

Pending work includes concrete repairs in two areas: in front of Building 13 and the walkway between Buildings 12 and 13. Mr. Marsh is acquiring bids. (Director Rehwald joined the Meeting at this time.)

Mr. Marsh is researching stairway light fixture replacements, a line item in the budget. Most of the fixtures are in serviceable condition but showing their age.

A ruptured sewer line was repaired by re-lining a six-foot section. The project was performed flawlessly. Mr. Marsh has video of the line for the Board's review. He answered questions Board members had.

IX. MANAGING AGENT'S REPORT

Mr. Gat said that in addition to helping the Board and staff, Destination Maui, Inc. has been dealing with collections.

DMI will soon enhance its reports with sales of units within the Association over the last 12 months, to give owners an idea of the real estate market and property values. He answered questions Board members had.

X. COMMITTEE REPORTS

A. Landscaping

Director Caughron asked the Site Manager to give an update on landscaping. Mr. Marsh reported that he reviewed the landscape plan for 2015-16 concerning noise and visual screening by Building 6, and lanai screening where trees were removed. Planting trees for noise abatement isn't a viable option. Pritchardia trees, similar to what is now planted at the corner of Hokulani Street and Wailea Alanui Drive, can be planted inside the property to provide screening for Building 6. By Building 9, small Fijian Sand Palms growing in the drainage ditch will be removed and replanted on the property for screening.

He also evaluated irrigation for use of landscape plan funds. Installing more economical rotary sprinkler heads in areas may help in spots with low water pressure. He estimated that it would cost \$250 to replace pop-up sprinkler heads with rotary heads near parking stalls, windy areas and other locations where they are more functional.

Mr. Marsh also looked at planting Ruellia Brittoniana into mixed-plant beds by Buildings 3, 4 and 5 as a test. The beds are impacted by lack of water and poor soil quality. The Ruellia Brittoniana are colorful, easy to maintain and don't require much water. If they grow well, the plants can be considered for other areas on the property.

The Site Manager is confident that he can accomplish the improvements slated for 2016 within the current landscaping budget. He answered questions Board members had.

B. House Rules

Directors Davidson and Caughron reviewed the House Rules. Director Davidson made the changes and revised the House Rules as of January 2016. The revised House Rules were sent to Mr. Gat, and they will be included in the new owner packets. She said the House Rules are now current. Director Caughron found an omission and numbering issue within the text on page 21 that will be corrected.

XI. OLD BUSINESS

A. Photovoltaic System

Mr. Marsh said the Association received its warranty validation on February 19, 2016; the warranty coverage for the original installed roof remains valid. He also reported that the photovoltaic system is fully installed. Today, crews were on the roof testing the circuitry before making the final connections. Their next step is to begin measuring the output of the system to determine if they are hitting production goals; he will report the results to the Board. Plans to add an additional panel over the top of a roof vent were scrapped, because it would violate County Code.

B. Plant Encroachment Status

The President and Treasurer turned the matter over to the Association's attorney, who sent an email to the owner concerning the encroaching trees. The attorney will now serve as the point of contact.

C. Oceanic Contract

The Secretary said the Association recently reached an agreement with Oceanic Time Warner Cable regarding the technical/product performance of the firm's offering and cost about three weeks ago. The Association's attorney reviewed business terms and conditions of the contract, and he found a number of issues. He was given authority to negotiate directly with Oceanic's attorney subject to review and approval by Director Mullens and President Newport. The President noted that Charter Communications recently acquired Oceanic, so it is implementing its own contracts.

D. Island Plant Contract Implementation

The new contract was covered in the reports by the President and Site Manager. The President noted that the contract is a big behavioral change by for Island Plant. The company has good workers, and the company is on the same page as the Association concerning what they want to achieve. Island Plant is currently being given time to learn this new system. The goal of the system is to give the Association the value it is paying for its landscaping work. The new arrangement is a motivational tool for the workers and gives Mr. Marsh ways to manage the Island Plant crew and supervisors in their work. Immediate goals include fixing areas and removing weeds, then improving areas where replanting is needed.

XII. NEW BUSINESS

A. Document Retention Policy

The President said the Association lacks a policy on how long it should keep documents. Mr. Gat and Mr. Marsh have boxes of documents, and there are many digital files. Mr. Gat provided a retention policy; most of it deals with financials and contracts. Anything related to governing documents, blueprints, resolutions and related materials must be kept indefinitely. Invoices, financial statements and tax returns must be kept at least two years in

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physical form and at least seven years in some form; DMI keeps these electronic files indefinitely. Mr. Gat said DMI scans and keeps copies of invoices for reference. The President and Mr. Marsh will explore the value of creating a searchable database for Association files. Board members said an indexed logbook of Motions would be useful for quick reference. Board members want to consider what kinds of documents it wants saved, for how long and for what reason before adopting a policy. The matter will be discussed again at the June Meeting.

B. Annual Owners Meeting Location

The Board is considering new locations for the Annual Owners Meeting. Mr. Gat said space is available at the Maui Economic Development Board Tech Park along Lipoa Parkway. The cost for the air-conditioned Meeting room for the whole day would be \$515; DMI can arrange catering for continental breakfast and possibly lunch. Parking was an issue at the Wailea Marriott.

MOTION: To move the 2016 Annual Owners Meeting location to the Maui Economic Development Board Tech Park.

Mullens/Rehwald Unanimous Approval

C. Overdue Accounts Collections Policy

The President is concerned that under the current collections process, the Association isn't specific enough to be able to deal with everything up to, but excepting, non-judicial foreclosure. He wants to make the policy more automatic and prepare owners who are delinquent in payments. Under the new process, if owners haven't paid dues by the tenth of the month, a \$25 late fee is charged. If the payment is 45 days late, Destination Maui, Inc. will contact the owner; that serves as the warning. If the payment is 60 days overdue, owners receive two weeks' notice to pay. After 60 days, if the unit is rented, the Association will send a rent intercept letter to the rental agent to settle the balance. If the unit is not rented, the Association's attorney is notified to send a demand letter; the \$160 fee for the attorney is added to the owner's balance due. If payment isn't received 30 days after the demand letter, the Association will automatically file a lien on the property at an additional cost of \$190 to the owner. Thirty days after the lien is filed, if the Association doesn't hear from the owner, the Board will call a Special Meeting to determine if it should pursue non-judicial foreclosure on the unit. He said the Board has an obligation to ensure the financial integrity of the Association on behalf of all owners. The current process was detailed.

MOTION: To approve the new Collections Policy.

Caughron/Davidson Unanimous Approval

D. Access to Documents

A change in State statutes says that owners may obtain copies of any document that they request upon following a certain process. This excludes business discussed in Executive Session. Owners may request copies of documents through Mr. Gat at the owners' expense, if applicable.

E. Excess Pool Tile

Mr. Marsh said there is 594 square feet of tile on-hand. Owners have requested to purchase the excess tile for projects. He believes the Association should keep at least 400 square feet being able to repair the pool deck if a tall tree fell on it. The tile is worth \$5.70 per square foot.

MOTION: To keep the tile and not sell any of it.

Davidson/Leis Unanimous Approval

F. Comfort Animals

The Association's policy is to not allow animals on the property. The President said an increasing number of people are going to physicians and having their pets registered as comfort animals. Mr. Marsh has received a request from an owner to have a Maui friend visit with two comfort animals (Chihuahuas). The President expects more requests in the future. He proposed adopting a Comfort Animal Policy to guide the Site Manager in handling requests. Mr. Marsh will send a letter to owners that includes requesting a letter from the physician. When the letter is sent in, the requester will be provided the terms and conditions in which they can have a comfort animal on the property.

MOTION: To adopt the Comfort Animal Policy.

Mullens/Caughron Unanimous Approval

G. Fines

The President noted that there have been recent incidents involving people intoxicated at the pool. Mr. Gat suggested that the Board use the Fine Policy to enforce Association rules. Owners are responsible for the behavior of their guests. Under the current policy, owners can be fined \$100 for violations of Association rules. He proposes that for the first violation, instead of just a written warning, owners will be notified of the violation and fined \$100. For a documented second violation in a specific unit, the fine is \$500, and the guest will be removed immediately or within 12 hours, or the police will be called. For every 12 hours the unruly guest remains, the owner will be fined an additional \$500. The fine is \$1,000 for a third violation, plus \$1,000 for every 12 hours the guest remains on the property until leaving.

The President added that the Board has an obligation to maintain the attractiveness of the property, preserve the enjoyment of all owners and guests on the property and deal effectively with people who are disruptive.

One issue is the gap between when staff leaves in the afternoon and security arrives at 7 p.m. The Site Manager explained that unruly people may or may not be Outrigger guests. He said it's important to have someone from the Association on-property to enforce the House Rules through a specific protocol. All owners and managing agents need to be clear that enforcing the no alcohol policy at the pool and other rules is very important, and

violations won't be tolerated.

Board members aren't sure if increasing fines will lead to the result they seek. (Director Rehwald left the Meeting at this time.) The President said rules can be posted prominently on the property, and the Board can consider extending the security guard's hours. The Board and Mr. Marsh will research options and discuss the matter at its next Meeting.

H. Preserving Organizational Memory

The President raised the question of how the Association can preserve its organizational memory. Background information from prior Board members can help the current Board in making decisions. Long-standing Board members usually provide this kind of key information. A logbook of Board Motions could also be useful.

XIII. EXECUTIVE SESSION

The Board adjourned to Executive Session at 4:22 p.m.

Regular business resumed at 4:29 p.m.

XIV. OTHER BUSINESS

MOTION: To authorize the Association Attorney to proceed with non-judicial foreclosure on unit 1406.

Caughron/Chan Unanimous Approval

XV. ADJOURNMENT

MOTION: To adjourn the meeting at 4:30 p.m.

Davidson/Caughron Unanimous Approval

Respectfully submitted,
Louise Rockett
Transcriptionist

Approved for distribution by Bill Newport, President