

Regular Board Meeting

Board of Directors – Wavecrest Resort

Association of Apartment Owners

Kaunakakai, Hawaii

Date: November 14, 2012

Time: 8:00 A.M. HST

Place: Wavecrest Cabana & by Teleconference

AGENDA & ORDER OF BUSINESS

Call to Order: The meeting was called to order by President Mike Nicholls at 8:00 A.M. HST

Determination of Quorum: Mike Nicholls, President – Jon Givens, Vice President – Richard Felkins, Treasurer – Annie Albritton, Secretary – Glenn Lawrence, Director, *Joe Howell, Director – Gary Gonder, Resident Manager

Guests: Bruce Roessler B208 – Suzanne O’Connell B110 – William & Stephanie Wright C211 – Cathy Felkins C108 & C216 – Janet Herbruck A307 – Dixie Durham C104 – Dagmar Hess C111 – *Linda Bergstrom C312 – *Georgia Olson A103 – Jennifer Lawrence A208

Proof of Notice of Meeting: The Secretary reported Notice of Meeting posted Monday, November 5th, 2012 at both the office and cabana bulletin boards and via email to the owner list maintained by the office.

Approval of Minutes: **MOTION** by Glenn, seconded by Jon to waive reading of the minutes of the Regular Board Meeting of September 11, 2012 and approved as submitted. Motion carried by unanimous vote.

OFFICERS REPORTS All reports were read aloud and entered into the record and will be listed on the website for review as attachment to these minutes.

Presidents Report: (copy attached)

Treasurers Report: (copy attached)

Secretary’s Report: (copy attached)

Manager’s Report: (copy attached) Gary noted that he has been asking for bids on the stream cleanout for 4 months and has received only one bid so he is placing an ad soliciting bids in the local newspaper. The single bid received was in the amount of \$13,000. He also explained that Luigi has been working on the permit process for six months and that the county requires a

physical inspection of the site, which we are waiting for. Once we obtain the original permit, we should be able to get *maintenance permits* for future work within 30 days of application.

Committee Updates: Landscape Committee – Glenn noted the number of fruit bearing trees that have been planted and suggested a decision should be made about picking the fruit. He suggested cutting banana stalks could become a liability issue with owners and that perhaps only staff should cut the stalks and distribute at the office on a “first come first served basis”. However, the office does not want to become a fruit stand so we will all have to consider what to do when other fruit becomes available. Jon Givens allowed that the landscape project has been in progress for almost a year and the replanting is doing well.

NEW BUSINESS: Approval 2013 Budget – Mike stated that during the executive budget session in September the Board did not vote to approve the 2013 budget so we will be working on budget approval during regular session today. Our deadline for submission to Hawaiiana is tomorrow.

There was a lengthy discussion about cost of living (COL) increases for staff as a whole with no specific discussion on any one position. Hawaiiana has recommended a 4% cost of living increase which would be about a \$7,775 budget item if approved. Discussion about reducing hours to offset the COL increase. Rich reminded us we added security hours last year at the owners request and that if we cut only 10 hours it would offset the raise. As this is a board budget matter, no input was given by homeowners. Glenn noted that if you offer a raise and then cut someone’s hours the net/net is no raise. Ann and Mike advocated a 4% raise with no reduction in hours. **MOTION** By Joe seconded by Jon to include a 3.5% cost of living adjustment for employees in the 2013 budget and cut 10 hours a week at the discretion of the manager. In favor – Richard/Jon/Glenn/Joe Against Mike/Ann Motion passed with a 4/2 vote.

Jon asked if any spot bonuses were given to employees who gave extra service above and beyond and Gary said that he sees to it that employees are taken care of and they are recognized.

Approve Changes to the Reserve Study – After general discussion, four changes were made to the reserve study as presented: **1** – Generator Lift Station (2015) moved to 2012 and the amount increased to \$8000 **2** – Purchase of a new AED unit was added to 2014 for \$1500 **3** – The Asphalt Slurry (2025) moved to 2022 with dollar value remaining the same **4** – Roof replacement (2030) was increased from \$450,000 to \$477,000.

It was also noted that the **Cabana** Roof figure (2020) showing \$38,938 in 2014 does not include design drawings, structural work or county permits. Gary noted that in the process of getting a permit to replace the cabana roof earlier this year, Luigi discovered there is no permit on file in Maui County and it is therefore “assumed” that back in the late 70’s or early 80’s it was **BUILT WITHOUT PERMIT**. Since it lies within 200 feet of the shoreline, SMA also becomes involved. Since this fact has come to light it was felt the current board believes it has a responsibility to put the Association and future Boards **ON NOTICE** that this issue must be resolved before the scheduled roof replacement in 2020. It was agreed that Richard will ask Luigi how much it

would cost to do the structural drawings to bring the building up to current code so that Gary would at least be able to get a "today's bid price" on what the projected cost might be.

Mike reviewed the fact that there has been no dues increase for the past three years and that his recommendations for incremental increases of \$15 a year have not been approved. Richard noted that we are anticipating savings from our solar project, the potential of sub-metering our electricity and/or raising dues in 2014. General discussion continues. **MOTION** by Joe seconded by Richard to approve the 2013 Budget and Reserve Study as presented by our treasurer including the four changes to the Reserve Study agreed upon by the Board. Motion passed by unanimous vote.

Discussion about the two Reserve accounting methods allowed in the State of Hawaii; one being the accrual method which we use and the other method of cash flow. Hawaiiana reports that 100% of the members they represent use the accrual method and Mike noted that HOA's who used the cash flow method in the past were not able to get bank financing for their units. Richard said although we have been over 100% funded in the past, other HOA's on island are happy at 60% - the State requires no less than 50% funding for reserves. Nicholls stated the goal of a well run AOAO was to be 100% funded in reserves as current owners are paying for reserves as they use them. Any balance less than 100% funding is pushing costs forward to future owners. Richard's Reserve Fund Status Projections indicate the Reserve will be at 48.5% in 2014 including the four changes made to the RS above.

New Generator for Lift Station – Mike and Gary explained the need for this line item earlier during the budget discussion and its placement and cost on the Reserve Study.

Holiday Bonus for Employees – Mike explained that traditionally we allocate \$1500 each year for employee bonus to be divided equally among employees plus any contributions made by individual homeowners. Richard explained that some employees may look forward to this annual holiday bonus and that we really should not wait until November to approve the funds but it should be approved at the first meeting each year. **MOTION** by Richard seconded by Glenn to approved a \$1500 bonus for employees. Motion passed by unanimous vote.

OLD BUSINESS: Wavecrest Unit Rent Review - Richard stated that at the June meeting the Board approved rents for the A Building at \$850 a month and B&C Buildings at \$750 and that if units were currently occupied at a lower rent they would not be raised until vacated. He also noted we are way ahead of our income projections for the year.

House Rules Note from Annie – Wanted owners to know there will be a House Rules discussion at the February 26th Board Meeting that will concern picking fruit and maintenance of lanai's.

Mike Nicholls called for a ten minute break before going into open session. Meeting adjourned at 10:00 AM and reconvened at 10:10 AM HST.

Open Session – Richard said that in discussing replacement of the cabana and pool furniture, if the old pieces are sold, homeowners should be given the first option to buy.....

Mike said that over the past months each board member was charged with paring the budget to save money and some good ideas emerged. One was **sub-metering**. Our complex, built in the late 70's, was group metered and in the past, sub-metering was found to be cost prohibitive. However, with new technology, it may now be possible for us to convert. Looking at our current electric bill divided between the 126 units, we are averaging about \$89 per month per unit. Of course usage for all the common elements is included in this number. New technology provides a device that clips on each units breaker panel to monitor use. The State of Hawaii has given HOA Board of Directors the authority to approve sub-metering without a vote of the homeowners. This could save the Association between \$80,000 and \$100,000 a year by shifting each unit's electrical expense to appropriate owners. Unit owners would be billed monthly thru Hawaiiana and everyone's bill would include the savings produced by our solar project. Gary's preliminary information indicates the cost of net metering could run around \$50,000 for the equipment and software which is the obligation of the Association to pay. Richard noted our common elements use a good portion of electric power and he estimates that out of our \$130,000 annual bill maybe \$70,000 to \$80,000 is owner use.

Richard noted that as things stand right now, we could have to raise dues by \$40 to \$60 in 2014 depending on things like solar use and sub-metering which are both unknown factors at this time, in order to maintain reserves at a minimum of 50%.

Georgia Olsen stated that years ago the stub on our monthly dues payment specified how much went to the general fund and how much went to reserves. That is not done any more. Bruce remembers \$60 used to go to reserves – now monies are being absorbed by the operating budget. Mike said that three years ago \$23 went to reserves and now only \$7 is earmarked for reserves in 2013. He also reminded us that at the end of each year if there are any monies remaining in the general fund they are rolled over into reserves – if there are any to roll over. Jennifer Lawrence said that if we had been paying increases of \$15 a year over the past three years we would not be facing a potential \$40 to \$60 in 2014. Richard said again that depending on unknown factors there may be no raise needed in 2014.

Mike asked for owner input concerning sub-metering and everyone present gave a positive response.

Cathy Felkins asked about the recent four day loss of wifi over the weekend and Mike explained the failure and that we now have a new battery backup. Cathy suggested we have 24 hour personnel backup in case of system failure on weekends or when Gary is gone. Cathy also suggested the garbage containers be moved to the grassy parking area up by the office to eliminate garbage truck wear and tear on our asphalt and also get rid of the flies and stink behind buildings. Small plastic cans could be provided for those residents physically unable to transport garbage to the office area and these could be emptied by staff. She also addressed a disturbance with a full time tenant and after some discussion it was agreed that the party involved should call 911 and that our security staff should not act as police. Security should, however, also call 911 if appropriate. Mike also noted that the Association cannot evict a tenant unless said tenant was in an AOA foreclosure unit. That the owner must initiate the eviction and that a fine has been assessed against the owner of the unit involved.

Mike suggested we consider eliminating our free conference call system and move to use a phone bridge system that would be free to the AOA and paid for by the callers, many of whom have unlimited long distance plans on cell phones. We will discuss this further in February. Regarding the annual meeting in February, Mike asked if Cathy Felkins would set up a food committee again this year anticipating that The Cook House would do the catering. She agreed to take on the job.

Mike also asked homeowners to be thinking of candidates to run for board vacancies this coming February and said he will not stand for re-election. Ann's position also expires and she has not stated yet whether or not she will stand for re-election.

Richard wanted to mention under New Business consideration for getting a golf cart with a commercial back for Wavecrest and he will check into the price. Ke Nani Kai has one and they really like it.

Suzanne asked about the black mold found especially on the B Bldg and Gary said he and Aukai are doing sample spraying with different solutions of bleach and water to determine what best to use. It will kill the mold but does not prevent it from coming back. Shanny asked about loud music coming from the B Bldg and she was asked to fill out a complaint form and turn it in at the office or security for handling.

MOTION by Glenn seconded by Jon to adjourn to Executive Session. Motion carried by unanimous vote and meeting adjourned at 11:20 A.M. HST.

Regular Meeting was opened again at 11:45 A.M. HST. Mike noted for the record that the Board will ask for a rent diversion for unit A112 if available to us. There being no further business, **MOTION** by Richard seconded by Glenn to adjourn the regular session of the Board of Directors. Motion carried by unanimous vote.

Respectfully Submitted,

Annie Albritton, Secretary

President's Report

Board of Directors Meeting

November 14, 2012

Update on Solar PV System – Installation of the first phase of solar panels, a 50kW installation is now complete. We are awaiting the county electrical inspection to finalize the permit and the subsequent installation of net metering instrumentation by MECO. Just as soon as that very minor bit of work has completed we can legally 'light up' our system. Once we are on line, we will immediately petition for an additional 155kW installation, which should cover our AOA needs. (MECO does not allow for additional permitting requests until the first segment is on line.) One of our goals has been to heat the pool, which will have to come under this second application for increased generation. The once restrictive 15% alternative generation per MECO circuit has been lifted by state mandate, so our solar providers are confident we will be able to move forward much more quickly on the second application, installation and implementation.

Internet – iWavecrest – Shortly after my last report in September, Oceanic Cable announced an increase from their present speeds which fall below the 'served category' by the FCC to "up to 10mbps" in November. I called Oceanic last week and am waiting to hear what date the system will be upgraded. Even better news is the fact service will migrate from microwave from Maui to a new undersea fiber optic cable, which will have gigabit capacity sometime after the first of the year – the question remains however, whether Oceanic will install the equipment necessary to provide up to gigabit level service to users who opt in for the increased speed tiers.

Streambed Cleanout – Gary is still soliciting bids, pending county approval to clean out our streambed on the west side of our property. The anticipated cost is about \$13,000 for excavating and hauling the many truckloads of accumulated fill to an approved dumping location.

Reserves – I reported in September our replacement cost for roofing was estimated at \$355,000. Since that time we have double checked with Hawaiiana in order to verify the

number we were using for planning purposes. This was necessary in order to be assured we will have the correct figure for including in reserves one year from now. We were advised roof replacement should be calculated at \$477,000 - a \$122,000 increase from our original thinking. As reported in September, we now are in the accrual process, continuing to build necessary funds to pay for the expensive Parking Lot and Driveway Asphalt Overlay Project slated for 2017 (or perhaps later). The increased cost for roofing, which must be added to our reserves next year will seriously impact the favorable financial status we have all worked so hard to maintain over the past 8 years. Furthermore, an unplanned expense this year your board has to consider at this meeting is authorizing the replacement of our lift station generator, which continues to fail during weekly testing and during unplanned power failures. Replacement is necessary in order to prevent raw sewage from accumulating and overflowing from the lift station adjacent to the B Building (east side) onto our courtyard and possibly B Building lanai areas. I also recommend for redundancy purposes, the purchase of a back up generator in the event the courtyard generator fails to operate. Without the ability to provide electricity to our courtyard lift station, we are "out of business"! We will need to budget \$8,000 for this necessary and critical component to our WWTP operation.

Rent Issues - The board will discuss rental structure during the course of the upcoming meeting. Board members are split evenly on the issue of increasing rents with the possibility of losing tenants or maintaining existing rents until units are vacated.

Budget Approval - Rather than calling a special meeting for budget approval, we will take up this important business in open session today.

Budget & Expenditures	Through September 2012				Annual Budget
	YTD Budget	YTD Revenue-Expense	Variance		
Total Revenue	\$ 634,719	\$ 706,312	\$	71,593	\$ 846,300
Less: Operating Expense	612,318	669,851	\$	(57,533)	844,552
Operating Surplus	<u>\$ 22,401</u>	<u>\$ 36,461</u>	<u>\$</u>	<u>14,060</u>	<u>\$ 1,748</u>
Capital Expenditures		\$ 14,334			
Net Increase (Cash & Reserve Funds)		<u><u>\$ 22,127</u></u>			

Revenue:

Revenue through September is \$706,312.

Operating Expenses:

Operating expenses through September is \$669,851.

Utilities:**Electricity-**

Over for the year \$3,763. We are below our budget estimate for 2012 as there was a bill carried over from Dec. 2011 for approximately \$9,000.

WWTP -

Over through the month of September by \$1,449. Assumptions are that the WWTP operations will level out and fall within our budget in the coming months.

Water -

Water is over budget by \$2,681. Water usage appears to have increased over last year but history shows that this should level out close to our budget within the coming months. Note that the cost of water is projected to increase by 10 percent in 2013 and another 10 percent in 2014.

Gas -

Gas is over budget by \$12,968. It also appears that a bill paid in January 2012 was also carried over from December 2011 for around \$5,000. We do need to note that there has been a tremendous increase in the cost of gas over the last couple of years. Our use has also appeared to increase a small percentage over last year.

Refuse -

Garbage is expected to be over budget by about \$2,000.

Other items-

Building Maintenance

Building maintenance is currently over budget by about \$6,000 due to an unexpected cost for sewer cleanout.

Professional Services:

Expect savings of around \$12,000 do to legal fee reductions.

Payroll

Overrunning our payroll budget due to the increase in security hour (currently over budget by about \$6,134. Office is over around \$2,000.

Capital Expenditures

Our capital expenditures included \$3,800 for gutter repair work, \$5,534 for new water heater. There was also \$5,000 dollars spent for sewer damage to A112/13.

Overall

If the current trend continues wer should end up on the plus side at the end of the 2012 budget year.

Sept. 30, 2012 Cash & Investment Balances

	Total	This Period Operating Fund	Reserve Fund (Invest)
Dec. 31,, 2011 Cash & Investment Balance	\$ 405,661 \$	51,455 \$	354,206
Net Increase (Decrease) in 2012	\$ 22,127 \$	14,137 \$	7,991
Cash & Investment Balance	<u>\$ 427,788 \$</u>	<u>65,592 \$</u>	<u>362,197</u>

Secretary's Report

November 14, 2012

Since our last regular meeting of September 11, 2012, I have received correspondence from four individual homeowners.

Issues of concern dealt with allowed uses of the lanai areas as a limited common element, service animals and the recent work completed in the ground floor units under the Roto Rooter contract.

The front office has sent numerous notices to owners of our ongoing projects keeping them advised of scheduling dates and progress.

Respectfully Submitted,

Annie Albritton]
Board Secretary

Managers Report For Wavecrest Board Meeting 11/14/2012

Buildings:

- Looking into the cost of sub-metering electric for all units
- Sewer line cleanout went well, pipes look good with no breaks. Some toilets were not re-caulked. If you would like us to caulk your toilet base, give the office a call.
- Annual testing the backflow prevention valve, completed
- Green Global completed the solar panel installation, waiting for county inspection.
- Approx 5 violation sent out
- MECO will be installing new meters for solar. On order
- Solar e-metering equipment installed, completed at Office, A,B, and C buildings
- Repaired broken cast iron pipe in several units
- Repaired A building concrete walkway
- Hawaiian Telcom trimmed the trees around the phone lines and installed new phone lines completed.
- Installer showed up and completed the carpet repairs.
- Miscellaneous touchup painting
- Replacing & repairing railing pickets as needed

Grounds:

- Installed two new benches, ocean front lawn
- Working on riverbed cleanup permit
- Coconut trees, next trimming December 6th
- Replaced two irrigation control panels, main valve and replaced 1 irrigation valve
- Planted tealeaf along river wall
- Installed 10 Plumeria and 3 Coconut Palms around property
- Repaired 1 broken irrigation lines
- Potted at WWTP 2 palm trees, 2 Manila and 7 coconut palms 10 Plumeria
- Pressure washed courtyard walkways
- Ongoing irrigation testing and repairs
- Fertilized all lawn area every 4 months
- Reset irrigation timers seasonally
- Replacing walkway lights as needed
- Installing cinders in planter areas

Wastewater treatment plant

- Installed 2 electric fans over drying bed.
- Tuned up both generators (completed)
- WWTP drain field controller panel replaced
- Remove bushes, trim trees and organize compound
- Annual pumping of lift station and WWTP (completed)
- Setup weekly testing schedule for lift station phone line, pumps and control panel
- Test both backup generators weekly
- Serviced control panel at WWTP
- Completing injection well report to State, due October 2012
- Clean lift station and test weekly
- Clean and service Tanks A,B & C daily
- Wasting holding tanks A,B & C monthly

Swimming Pool and Cabana:

- Installed potted trees and plants around pool, Mihpel's idea
- Installed new pool signs (New House Rules) at pool
- Check and clean laundry room daily
- Changed pool gate code Nov 1st to (2468)
- Backwashing pool to maintain Cyanuric acid level
- We check and clean the pool and cabana area daily
- BBQ's deep cleaned Mon, Wed and Fri