

September 25, 2024

Special Board of Directors Meeting to Meet with PONO

Board Members Candy Dann, Greg Swanson, Kathy Yesh, Victoria Follette, Eleanor Burke

Guests: Troy Rudd, Gillian, Julie Mae Muiderman, Brian Clewes, Daniel PONO representative

Quorum of Board Members present

Meeting called to order at 9AM

Meeting began with introductions. Daniel from PONO indicated that he had been working with the agency for about one year and had created our most recent report.

The goal of the meeting was to clarify a number of issues with the report. There was no plan to take action. The next board meeting will take place on October 14, 2024 at 6:30.

Brian (a homeowner) started the questions with a number of issues that he had mentioned in group emails.

What was the cause for the increase in the escalation of costs for the 2054 costs that included painting, siding and windows (by 22%)?

Daniel did not have an answer and it was agreed that he would research all questions and report back to Troy.

Additional questions:

What was the reason for the increased costs in touch up painting? Some of this was because the soffits were painted. In addition, touch up painting was added to ensure that the fascia boards, corbels, and other trim areas are painted as needed each year because they would be expensive to replace if there is rot.

Mulching seems to have gone up a lot. Troy indicated it was inflation. The board suggested that we should consider having individuals do mulching on their own if they want it because many owners already manage their own trimming and mulching.

Brian asked about dry well maintenance. Troy indicated that the city requires this to be inspected. We need to schedule filter replacement every two years and put that in the budget.

Brian asked about the painting inflation costs. 6% in 2025 and 2026. Then 4% in 2027. Troy indicated that there was an error in pricing and it had been held the same from the original contract year 2 but would need to be re-bid for Year 3 and would likely go up.

Candy asked that Troy give us the house numbers of the houses that have been painted for our notes.

It was suggested that we check the numbers from Verhalen and Pono will verify painting bids.

We should get competitive bids for all work. Four houses are scheduled for next year.

Brian asked why the 2024 Reserve allocation was up by 25%. Candy indicated that this was due to having depleted our Reserves for the roofing costs and having to phase in the painting over 5 years to manage cash flow. In 2023, our painters recommended that 7 homes needed to be painted so those were done. So we did more than the four scheduled and the painters deferred the bill for the other 3 until 2025. We have four more to paint in 2025.

We discussed the Reserve levels of Red, Yellow and Green reflecting low, medium and high levels of reserve funds. There was some discussion about our current situation, we are in the red zone and will be for the next 2-3 years but we were not in full agreement because of a number of factors including the need for siding to be included in the reserve study.

Pono did two reserve studies with and without siding.

There are very different quotes on siding replacement. Moreover, Greg pointed that that not all siding needs to be replaced at once. We can do portions of one house and we don't need to do all houses at once according to some sources. So there is a lot of discussion about whether we will need siding at all and if we do, at what rate will and cost will we do replacement. Daniel said that PONO thinks that some installers will not do a warranty if they don't do all the siding replacement.

In addition, it was noted that construction companies need special insurance to work on HOA projects.

Troy stated that reserve studies typically list costs all at once, even if they are not actually done that way.

The general contingency is built in to the overall study. There was a discussion of the need to replace decks and balconies over time as they deteriorate.

The "envelope" study was done in 2019 by PONO. The envelope study is done every 7-8 years and the next one is scheduled for 2028. These are through and include the inside of homes. Brian noted that the cost of the envelope study went from 3K to 7K and there were concerns about this big increase. The reserve study is done in three levels and next year we are scheduled for a level 2 visual inspection study.

There was a question about the contingency landscaping being 10K. Candy indicated that this cost was intended to provide funds to fix some issues with the south side lawn. However, that issue seems improved since the watering has been reduced. There was also a discussion about which inflation rate should be. Daniel suggested that builders generally plan for 4 % and there was a discussion of different models. Three percent may be sufficient according to some models.

The reserve studies shows a plan for 4 balconies to be repaired next year and 3 the following year. This was based on Troy's evaluation of the photos that were sent to him by homeowners.

There was a discussion of the contingency being used for things such as repair of underground utilities.

Daniel will re run the model and get back to us with notes and comments. This will be discussed in the next board meeting.

Meeting adjourned at 11 AM. Board meeting time was October 10 but was adjusted via email to October 14, 2024.