

**MAKENA SURF AOA
BOARD OF DIRECTORS MEETING
Wednesday, November 8, 2017**

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

Place: Makena Surf Boardroom

Directors Present:

Mr. Donald Baron, President
Mr. Dick Clotfelter, Secretary
Mr. Paul Imwalle, Treasurer
Mrs. Betty Kay Anderson
Mrs. Dusty Pence (Via Teleconference)
Mr. Mark Joseph
Mr. Paul Kepler

Management:

Mrs. Ann Shipman, General Manager
Ms. Enza Froio, Recording Secretary, Aloha Office Services

Owners Present:

Mr. and Mrs. Nathan Kellogg, F307
Mr. and Mrs. Joe Walker, F308
Mrs. Gymme Frank, E106
Mrs. Patricia Baron, C206
(For all of part of the meeting)

Call to Order: President Baron called the meeting to order at 8:04 a.m. (HST)

Proof of Notice: President Baron verified that meeting notices were posted on property in two (2) places and emailed to all Board members on October 6, 2017.

Determination of Quorum: A quorum was established with 7 of the 7 Directors present in person or by teleconference.

Approval of Minutes:

The July 25, 2017 Board of Directors meeting minutes were presented for approval. Corrections were noted.

Motion: *To approve the minutes of the Board of Directors meeting dated July 25, 2017, as corrected. (Anderson/Clotfelter)*

CARRIED unanimously.

REPORTS OF OFFICERS AND MANAGEMENT

President's Report

President Baron presented his report.

Carbanaro CPAs & Management Group Plus, Pro Services Payroll/Insurance for Employees

The change to Carbanaro CPA and Pro Services from Management Consultants Hawaii (MCH) for bookkeeping services has resulted in significant improvements. Mrs. Shipman has verified that for the last month, there have not been any calls from a vendor or supplier regarding receipt of a late payment.

The initial estimated cost for the transition to Pro Service was \$3,000 to \$3,750. However, four (4) invoices have been received, of which Mrs. Shipman has approved two (2), and two (2) have not been approved. Carbanaro CPA has billed a total of \$7,500 due to the need to resolve outstanding items that were not previously addressed and the need to perform more work than anticipated.

About six (6) years ago, the Association overpaid its' taxes and was refunded for 2015 for the 941 return approximately \$36,000 from the IRS. This amount will be placed in the Reserves at year-end 2017 under "Other Income" as three (3) different entries. This action will be approved via a motion presented by the Treasurer at the Annual Homeowners Meeting.

Mrs. Shipman noted that MCH received the check from the IRS and tried to research but was not successful in having the IRS verify any details. Mrs. Pence requested Mrs. Shipman to consult with accounting personnel to verify there is documentation of phone calls and attempted efforts to research this issue. Mrs. Shipman stated it is not feasible to obtain such documentation from MCH.

President Baron explained that Carbanaro CPA is requesting total payment of \$7,500 and efforts will be made to negotiate that amount down to \$5,500. He further clarified that the contract with Carbanaro CPA included a clause for excesses.

New Legislature

Mrs. Shipman reported on the following legislative items, as learned at a recent Condominium Community Council meeting:

- Act 81 requires that the Notice of Board Meetings include a list of items expected to be on the agenda.
- Unapproved final draft minutes of board meetings must be available to the association within 30 days of the meeting.
- Clarified in Act 73 that any proxy forms not properly marked that are submitted to the association will be counted for quorum purposes only.

Motion:

To make clear that owners are welcome to attend Board Meetings and to participate in discussion of agenda items at the time determined to be appropriate by the Chair of the meeting, subject to possible limits of three (3) minutes per owner per subject, such limits to be determined by the Chair. Owners may also provide a written statement in lieu of a verbal statement. Participation may be terminated by the Chair in the event of personal attacks, vulgarity, or offensive language. (Anderson/Pence)

CARRIED unanimously.

It was clarified that the motion is the result of Hawaii State Legislative Act 81 HRS 514B-125 and does not reflect any problem now or in the past having occurred at Makena Surf.

Treasurer's Report

Treasurer Imwalle presented his report.

2018 Budget

The proposed 2018 budget reflects an increase of 4.5% in the maintenance fees and an increase of 4% in the reserves fees. The increase to the Reserves considers an aging property. The 2018 Budget allows for funding of the Fitness Center in 2018. Overall there is a 6% increase in Revenue some due to leases negotiated to tenants (automatic increase of 3%).

Expenses were reviewed. There is an 8% increase in insurance. FEMA and Excess Flood represents a 17% increase, which is beyond the Board's control.

F110

Mrs. Anderson noted that the escrow for F110 occurred about two (2) weeks ago and that the current prospective buyer was notified by the FEMA problem as follows:

Makena Surf Disclosure – per Board motion at 2/23/2017 meeting

When FEMA (Federal Emergency Management Agency) re-drew the 100-year flood levels from nine feet (9') to fifteen feet (15') in 2008 as a result of the problems related to Katrina in New Orleans, Units F109 and F110 were determined to lie below the new flood levels. This has a potential of causing increased insurance premiums, building permits being restricted by Maui County and mortgage lender problems.

Fitness Center

The estimated cost for the build out of the fitness center is \$90,000. There is \$35,000 in the Reserves (part of the assessment for the tile) that can be put toward the fitness center, which leaves an unfunded balance of \$30,000 plus \$25,000 for equipment resulting in \$55,000 remaining to fund from the budget for the fitness center.

Solar

President Baron noted that solar panels provide roughly 90% of Makena Surf's common area power at 22.9 cents per kilowatt (rate locked in for 22 years). The solar company did not emphasize the fact that the demand fees are quite high on Maui. Even with high demand fees, Makena Surf will benefit from an estimated savings of \$50,000 per year in electrical expenses.

2018 Budget Approval

Motion: *To approve the 2018 budget and no longer have a landscaping contingency in a Reserve line item. (Clotfelter/Anderson)*

CARRIED unanimously.

Treasurer Imwalle acknowledged Mrs. Shipman for her efforts.

Reserve Items to be done in 2018 include the following:

- Pool Deck Coating – North and South Pool, \$6,000
- Seal Coat Parking Lot and Stripe, \$45,000
- Gates Entrances, \$14,000
- Golf Cart and Golf Long Bed, \$10,000

Treasurer Imwalle noted that there are items that are expected to fail that are not reflected in the Reserve Study. Mrs. Shipman noted examples as painting, electrical and plumbing due to aging buildings. Treasurer Imwalle and Mrs. Shipman recommend that Hawaii Inspection Group perform a Reserve Study for Makena Surf in 2018.

MANAGER'S REPORT

Mrs. Shipman provided a written report to the Board of Directors. She highlighted the following items:

- Unit F301 (Coflin) is in foreclosure and was supposedly going to be auctioned on November 13. The commissioner has indicated that the person who is foreclosing is on their second mortgage. Unit F301 is up to date on maintenance fees at Makena Surf.
- Mrs. Pence will review ideas for improving employee work relations and employee performance.
- Pro Services offers classes on various different subjects at no charge.
- A spalling inspection will be done at the same time as the roof inspection.
- Owners of units with lanais that are affected by the setting sun requested a solution. Mr. Kellogg, F307, stated that the lanai cannot be used from 2:00 p.m. to 5:00 p.m. because there is no shade. Umbrella mounts did not result in much shade. He is now experimenting with metal posts and Sunbrella fabric and is hopeful that this is an adequate solution. The Board requested Mr. Kellogg to keep Mrs. Shipman informed during the evaluation process and to provide the Board with a final recommendation. Mrs. Anderson noted that the third, second and first levels have different distances from the overhang, which needs to be considered in the solution.
- The plan for car covered storage parking will be implemented at the end of the construction period. Mrs. Shipman will report back to the Board any comments as received and noted that she has not received any suggestions for improvements thus far.
- Mrs. Shipman already sent emails to owners explaining the procedure for the high-risk component inspection fee by Hawaii Inspection Group.
- The Board agreed to change the code for the gates on a quarterly basis. Mrs. Shipman will notify owners via email. Any unit owner that does not have an email will be provided information in another format.

Mr. Kellogg, F307, discussed the Association website and system that keeps track of rentals. Former Manager Bob Brooks used a system of Excel spreadsheets to keep track of rental information; this data was used to generate reports for security and for reporting required information to the State. Mr. Kellogg re-wrote the system in modern software,

which is stored on a server in the office. Mr. Kellogg recommends using WordPress, a blogging software that is easily adaptable to Makena Surf's needs, to improve the web site to be more current, more interactive and password-protected. The estimated cost is \$15 per month, which could increase depending on the physical storage space needed. The Board agreed for Mr. Kellogg to proceed with the project, in collaboration with Mrs. Shipman.

COMMITTEE REPORTS

Landscape

Mrs. Anderson provided a written report. The property shows continued improvement. The red hibiscus along Makena Alanui is looking much healthier. The crew, under Ann and Elizabeth's direction have adopted the hibiscus and results can be seen. It is expected that another year of patience and work will be necessary before it will look as good as it did twenty years ago.

Mr. Kepler inquired of the status of replacing the hibiscus with the vines similar to Mr. and Mrs. Frank's unit. He stated that the hibiscus requires a high level of maintenance and is not an effective sound barrier.

Mrs. Anderson stated that she and Elizabeth agreed that the vines take a few years to take effect and once they become lush and beautiful, the vines start to lose the bottom portion resulting in stalks without leaves and flowers. Over time the result would be a hedge that is bare on the bottom. Mr. Joseph stated that previous discussion was to plant the vines on the opposite side of the fence along with the hibiscus, and directing the vine up and over. Mr. Joseph and Mr. Kepler requested that a test section of the vine be done between now and February.

Elizabeth (consultant) joined the meeting to discuss this issue. She stated that the vines could work in most of the sections of the hibiscus hedge but in the areas of the fence line where there is vegetation, the vines will climb whatever is nearby causing it to look "messy". Vines and shrubs do not grow well together as the nature is for the vine to swallow up the vegetation. She further stated that the hibiscus wants to be big and does not want to be confined in a small space. She suggested removing the hibiscus, replacing the soil and replanting the hibiscus. New plantings were installed at A building and will take time to grow.

Elizabeth further noted that the vine is not a readily available plant but will explore where it could be grown in quantity.

The Board asked Elizabeth what is the ideal hedge plant to provide an aesthetically pleasing screening of the area as well as sound prevention. Elizabeth stated that Hau is a hardy bush and responds well to trimming. Green Hau or Verrigated Hau would provide a dense green fence line. Another option is Panax. These plants are not flowering options and would have to be planted in front of the fence. Another option is Red Euphorbia.

The Board agreed that Mrs. Anderson and Elizabeth will do a test of two (2) to three (3) options discussed (including the vine option) in a 20-foot area and provide a written plan for the Board's review by February.

Construction & Maintenance

Mr. Joseph reported that there are 10 construction remodels, of which five (5) are now completed. President Baron and Mrs. Shipman have sent emails to the remaining contractors to verify completion by November 17th. With the exception of Unit E304 it is anticipated that the remaining remodels will be completed on time.

GUEST SPEAKER – COMMERCIAL FITNESS EQUIPMENT:

Mr. Joseph noted receipt of three (3) quotes for fitness center equipment, of which the preferred vendor is Commercial Fitness Equipment.

Tanner Brittan, Hawaiian Islands Territory Manager of Commercial Fitness Equipment joined the meeting. She presented two (2) layout options according to room size (450 square feet and 650 square feet).

Construction & Maintenance (cont'd)

Construction Guidelines

Motion: *To clarify the Construction Guidelines to verify that first floor bedrooms are always permitted to have hard surface floors. (Pence/Anderson)*

CARRIED unanimously.

Unit F308 Request

Mr. and Mrs. Walker, F308, will perform a remodel of their unit next year in their allowed construction year. Preliminary approval by the Construction Committee has been received. Mr. and Mrs. Walker requested a variance to the existing rule so as to not install carpet on the bedrooms, but to install tile according to the new soundproofing standards. Both downstairs units have provided written approval. Mrs. Walker further noted that there have been leaks from the roof that caused damage and odor to the existing carpet which resulted in a poor review on Trip Advisor.

President Baron stated that the 3rd floor unit bedrooms (of which there are eight (8) on property) are not lined up over another bedroom but rather are over a living room, dining room, or bathroom. He proposed that this is the basis for allowing the variance to install tile in the bedroom, subject to the new soundproofing specifications being met. He clarified that the Board is awaiting final plans from Mr. and Mrs. Walker prior to any approvals being granted.

Mrs. Anderson noted that the E304 south bedroom is directly above her master bedroom. She is not willing to make a "blanket statement" about the 3rd floor unit bedrooms not

lining up over another bedroom and recommends exceptions be made on a case-by-case basis.

Mr. Kepler and Mr. Joseph questioned the need for the Board to become involved if the owners below have agreed to the variance. Mrs. Shipman noted that the existing guidelines specifically state that tile is not allowed in bedrooms even with neighboring units' approval.

The Board agreed to review the existing policy, to seek owner input and to further discuss at the February Board meeting. Mr. and Mrs. Walker agreed to order the tile now and to wait until February to order and install the carpet in the case that the variance is declined by the Board.

Motion: *That should the Walker's (Unit F308) decide to increase the size of a sliding glass window by 6" during their remodel that they are permitted to do so because it is not visible from any other exterior place on the property; and the owner is responsible for the cost of moving the drainpipe. (Anderson/Clotfelter)*

CARRIED unanimously.

The meeting recessed at 12:30 p.m. for lunch and reconvened at 12:50 p.m.

Board Vacancies

President Baron stated that Mr. Clotfelter had just informed him of the need to leave the meeting to board a plane. Mr. Clotfelter has stated that he wants to make a few remarks.

President Baron stated that in his President's Report he omitted asking Board members of their intent to re-run for election to the Board in February. There are three (3) expiring positions. He first asked Mrs. Pence of her intent to run for re-election. Mrs. Pence stated she will not run for re-election.

President Baron asked Mr. Imwalle of his intent to run for re-election. Mr. Imwalle stated that he would re-run for election.

President Baron asked Mr. Clotfelter of his intent to run for re-election. Mr. Clotfelter stated that he has "very big problems" to voice to the Board and explained concerns he has about Mrs. Anderson's behavior related to the use of proxies at the Annual Meeting and toward employees. He stated his position that he "will not sit on a board with other people who have the reputation that Betty Kay has and so therefore will not run again unless Betty Kay is not on the Board".

Mrs. Shipman was provided the opportunity to speak on the matter.

Mrs. Anderson was provided the opportunity to speak on the matter. She stated that she “did not ever solicit a proxy” and noted that owners voted her in with 75 votes at the Annual Meeting in a democratic process.

Mr. Kelper, Mrs. Pence, and Mr. Imwalle commented on the matter. Mrs. Pence stated that Board Meetings are not appropriate for the discussion of personnel matters and for “picking apart somebody’s style”.

Homeowners present were provided the opportunity to speak on the matter. Mrs. Gymme Frank commented.

Mr. Clotfelter left the meeting at 1:17 p.m.

Security

Mr. Kepler reported that he, President Baron, and Mrs. Shipman have made some language modifications to the job description of the security staff. In general, security staff must understand how to:

- Take control of a situation; call the police when they feel necessary; and inform the General Manager of the situation.
- Assist an owner/guest who is dealing with a difficult security situation; and continue to assist that owner/guest to ensure they get through the situation.
- Further, any person who is asked to leave the property is not allowed to return to the property without the General Manager’s approval.

The Board agreed that at the Annual Meeting, Mr. Kepler will recommend to owners the installation of a video doorbell for an approximate cost of \$200 as an additional level of security.

President Baron noted that according to the Maui Police Department, Makena Surf is known to have one of the best security systems on island. The purpose of the camera system is to identify persons coming up from the ocean and to know who is exiting the property by capturing the make of the vehicle and possibly the license plate.

Mr. Kepler is investigating the quality of the web cam video.

Mr. Kepler and Mrs. Shipman have discussed camera placement and recommend one (1) additional camera that points to the pool. The concern is any potential liability. Mrs. Shipman will verify with the experts if the camera that points toward the pool has to be turned off after 9:00 p.m.

Mrs. Shipman will determine the cost of a separate camera system from Costco that would allow for two (2) cameras in the fitness system and one (1) camera on top of the roof as an inexpensive manner to cover more areas. Some Board members felt that the existing camera system should not be “cheapened” with one from Costco. Mr. Kepler and Mrs. Shipman will explore all options.

Newsletter

Mrs. Pence stated that there have been changes in her Montana community that will require more of her personal time, so she is not able to continue writing the newsletter. Mrs. Shipman identified a company called Illustratus that will produce a newsletter. Multiple persons can enter content/photos and Illustratus will proof and mail the newsletter. An electronic newsletter is also available. There is a \$150 set up fee and \$174.90 per newsletter thereafter. Mrs. Shipman is willing to handle the logistics.

The Board agreed for Mrs. Shipman to proceed and noted a preference for both online and print newsletters. She will confirm the cost for quarterly distribution from Illustratus. The first newsletter would be distributed after the Annual Meeting.

Mr. Kellogg, F307, stated the possibility of generating a newsletter from WordPress software. He will further research and provide information prior to engaging Illustratus.

UNFINISHED BUSINESS

FEMA

As discussed in the Treasurer's Report, the new potential purchaser of F110 in escrow has been notified of the FEMA issue.

Mrs. Anderson stated that the Board had what was believed a successful way to mitigate FEMA's issues. However, the person from the County who recommended the method has retired. Due to the cost of increased insurance because of a FEMA violation on the property, Mrs. Anderson recommends that someone who understands construction meet with either Elaine (the independent FEMA person from Oahu) or a person from FEMA who could come to the property and recommend a solution. Mrs. Shipman will start the process.

Questionnaire Results

Mr. Joseph reported that a 10-question survey was open from September to the end of October. The survey reached out to 100% of owners, of which 82% responded (or 86 responses received). Building E had 100% participation. Building A had the lowest participation with 43%. Mr. Joseph distributed a detailed informational document of the questionnaire results. He will email the document as a PDF to the ownership and the newsletter will indicate that this information can be obtained from Mrs. Shipman.

The issue of the sports court is tentatively on the agenda for the Annual Meeting.

Fitness Center

The questionnaire results indicate that the fitness center will be lightly used. The Board agreed to utilize the smaller room for the fitness center which does not affect rental income.

Motion: *To proceed with Option #1 Small Room, commercial grade, with the Prism accessory rack (rather than the Escape) subject to common TVs instead of individual monitors for*

approximately \$25,000, Quote #20127934 from Commercial Fitness Equipment. (Joseph/Anderson)

Motion **CARRIED**.

Abstained: Kepler

Wailea Interiors & Remodeling has provided a bid of \$58,300 to \$62,000 for the build-out of the fitness center in the small room. Mrs. Shipman noted that a minimum of three (3) contractors were solicited to provide a bid, but declined because the project is considered “small”. Other contractors who refused to bid on the project are Pono Construction; Triple S Construction; Grand Design; and AH Builders LLC. Mr. Joseph pointed out that one of the contractors who did not choose to bid did so because he couldn’t come close to the cost figure of \$58,300.

President Baron stated that Wailea Interiors would commence the project the week after Thanksgiving and “demo the room” during the 15-day grace period. Wailea Interiors would then have one (1) to two (2) persons for the next month-and-a-half finish the room to be ready for equipment installation in early 2018.

The Board later discussed that the fitness center should wait for the owners’ acceptance before going forward.

Motion: *To accept the bid from Wailea Interiors & Remodeling for the construction of the fitness center subject to acceptance of the 2018 budget at the Annual Owners Meeting in February. (Joseph/Anderson)*

CARRIED unanimously.

Lanai Glass A railings

President Baron and Hawaii Inspection Group (HIG) inspected the lanai glass A railings and concluded there are no risk factors or liability factors and that the project can be delayed by two (2) to three (3) years.

Mr. Kepler recommends that this issue go to the ownership. He believes that in the past, the homeowners were told that all buildings would be done whether or not a safety issue. He stated his opinion that this caveat was not in the original discussion and there are no minutes that reflect this point. Mr. Kepler proposed moving forward with changing the railings regardless of the findings by HIG.

Mrs. Anderson agreed to research past minutes in hopes to further clarify this issue. She will email her findings to the Board within two (2) weeks. If past minutes are inconclusive, the project will be scheduled for year 2019. Owners who may oppose this will have the opportunity to build their case at the 2018 Annual Meeting and may request that this item be placed on the agenda of the Annual Meeting.

Compensation Philosophy and Employee Incentives

Mrs. Pence and Mrs. Shipman will provide the Board with a list of proposed actions with the goal of establishing Makena Surf as one of the most desirable places to work on Maui. Mr. Joseph recommends avoiding taxable items or to cover the taxable portion for the employee.

President Baron stated that all employees are given a 2% increase as reflected in the budget. Additionally, Mrs. Shipman has the flexibility to offer 2% to 3% more of an increase on the lower scale new employees per her discretion subject to keeping within the budget. The Board agreed.

Insurance – Atlas Claims

President Baron provided an update on the five (5) units in the B building. Dongbu denied the claims because there was no indication that the leak came from a non-storm situation.

Mrs. Anderson stated that each owner is required to have a homeowner's insurance policy. The evidence of "failure to maintain" legally is the responsibility of the insurance company if they will deny coverage. There is no evidence that there has been failure to maintain. Mrs. Anderson indicated concern that the Board is paying large amounts of money to insurance companies and individuals paying out of their H06 while allowing insurance companies to set a dangerous precedent.

Mrs. Anderson requested the Makena Surf office develop and provide an ongoing database of all units that have contacted the insurance company based on leaks or other issues, including the date of the claim, cause of the claim, and how much was paid out in each incident.

President Baron will research the amounts paid out by Sullivan and Freyer. President Baron, Mrs. Anderson and Mrs. Shipman will discuss this issue with insurance agent Ron Tsukamaki.

Review Storage Parking

As discussed.

Entry Gates

The Board agreed for Bill Hunt to proceed with designing in cardboard and displaying for owners' review in February. The proposed design is one turtle that splits in the middle when the entry gate is open. The design would be placed on the existing entry gate. The estimated cost is \$1,200 expense.

NEW BUSINESS

Responsibilities of a Makena Surf Board Member

As discussed.

A/C Ductwork Cleaning and Sanitizing

Mrs. Anderson stated that per the recommendation of Ali'i Resorts, she hired Vent Tech to clean the air-conditioning ductwork in her rental unit. She recommends the Board consider this be done in all units for a cost of \$350 plus tax to be done at the owner's expense. The Board agreed to recommend to owners that cleaning and sanitizing of A/C ductwork be done in all units. Mrs. Shipman will research if a bulk price is available.

DATE OF NEXT MEETING

The next Board of Directors Meeting is scheduled for February 22, 2018 at 8:00 a.m. in the Makena Surf Boardroom. The Annual Owners Meeting is scheduled for February 24, 2018 at 9:30 a.m. at Mulligan's on the Blue.

ADJOURNMENT

Motion: *To adjourn the meeting at 4:08 p.m. (HST)
(Joseph/Imwalle)*

CARRIED unanimously.

Respectfully submitted,
Enza Froio
Aloha Office Services
Recording Secretary

Reviewed and accepted by:

Reviewed and accepted by:

Ann Shipman
General Manager, Makena Surf AOA

Donald Baron
President, Makena Surf AOA

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MOTIONS
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Motion **CARRIED**.

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DRAFT