

Antigua Condominium Association

Minutes of the Meeting of the Board of Directors

(Executive Session)

September 8, 2024

The meeting of the Board of Directors of the Antigua Condominium Association, in executive session, was called to order by Randy Ditch, president, on September 8, 2024, at 7:00 p.m. The meeting was held via conference call. The following directors were present: Randy Ditch, Mike Falkner, Kat Ilkhani, Robert Mayer, Bonnie Medford, Sheri Miller and Ellen Schweiger. Mike Keenan was late. Mar Dischinger was not present. A quorum was present.

PKS Management Letter

The PKS Management Letter for the 2023 audit was the first matter on the agenda. Randy stated that the board authorized the release of the financial audit at its June 12, 2024 meeting. It was sent to the owners. The board did not authorize release the Management Letter because more time was needed to review and evaluate it. Randy asked Robert to comment on the Management Letter.

Robert reported that the board took the matters raised in the Management Letter seriously and took the necessary time to examine it to determine what, if any, action should be taken. He reported that after the review, the opinion was that the Management Letter was unacceptably flawed. The principal points were:

- PKS said that the draft Management Letter “does not affect our report dated April 20, 2024 on the financial statements of Antigua Condominium Council of Unit Owners.”
- PKS did not test or attest to the validity of the questionnaire responses with a few exceptions noted.
- The 2024 budget was properly approved by the owners.
- PKS found that the operating budget was balanced.
- All invoices were approved in accordance with the policy in effect when approved.
- The two-signature policy for signing checks was followed. Checks only needed one signature because the board was actively involved in approving contracts and checks over \$500, or the checks were for utilities or other approved recurrent expenses.
- All financial reports were sent to all directors every month before the board meeting directly by the bookkeeper. The bookkeeper prepared the reports.
- All contracts were approved by the board. Since May 26, 2023, when Mike Falkner was elected president, all contracts were approved at open board meetings and none were approved by email between meetings.
- The treasurer maintains a T-bill spreadsheet and emails it and other T-bill information to all directors when a T-bill reinvests which happens several times a month. After examining the spreadsheet and T-bill statements, PKS agreed with the values and earning on the T-bill account “without exception.”

The draft Management Letter concluded or suggested to the contrary in many instances.

Robert recommended that the draft Management Letters together with the directors' comments on the letter he reported on be sent to the owners. There have been a few inquiries about it. Transparency is enhanced if it is released.

Robert also reported that PKS sent a bill dated June 28, 2024. In order to evaluate the bill, it was necessary to review PKS' audit report and Management Letter which has now been done. In reviewing the bill, Robert saw a charge for \$850 for time spent in preparing and discussing the addendum to the engagement letter. Robert feels that this is an inappropriate charge. PKS requested an amendment to its January 18, 2022, engagement letter. The engagement was for annual audits for a three-year period, 2021 to 2023. The Board did not request the amendment. The first proposal was modified by deleting everything, including an indemnification provision, except for an acknowledgement that PKS uses foreign employees in the Philippines. Further information was requested, and, in the end, we were told that no foreign employees were used on our engagement. In addition, the time devoted to the matter as reflected by the charge seems high. Robert recommended that the matter be referred to counsel for advice.

Robert also recommended that the representation letter also be referred to counsel for review and advice.

Kat felt that in addition to the Management Letters, the document entitled "Required communications with those charged with governance" should be approved. Basically, it sets out PKS' responsibilities to communicate certain matters and sets out certain disclaimers. She also felt that if we were of the opinion that there was an error in the report that PKS would correct it. Robert said that he did not recommend approval of anything, only the release of the draft Management Letters.

Robert moved and Ellen seconded that the draft Management Letter and revised draft Management Letter together with the director's comments be released to the membership; that the PKS bill be referred to counsel for advice; and that the representation letter PKS asked us to sign be referred to counsel for advice. The directors voting in favor were: Randy Ditch, Mike Falkner, Robert Mayer, Sheri Miller and Ellen Schweiger. The directors voting against the motion were: Kat Ilkhani and Bonnie Medford. Mike Keenan joined the conference call at the end of the vote. Without objection, he voted for the motion. Mary Dischinger was absent. The motion passed with 6 in favor; 2 opposed; and 1 absent.

East Coast Construction

Randy asked Robert to report on this week's developments with the coating contract with East Coast Contracting.

Robert reported that on Wednesday, September 4, 2024, Tom Merson, the president of East Coast Contracting, emailed him saying that he was putting the coating project on hold

because he “did not have a clear vision of what is expected of us” with respect to the substrate. The issue with the substrate is the material, if any, that is or should be applied between the concrete and the silicone coating, that is, how the concrete is prepared for the silicone coating.

There was a meeting held via conference call on Wednesday afternoon to find out more about what was at issue. Four board members (Mike Keenan, Mike Falkner, Randy Ditch and Robert Mayer), Kirk Parsons (our engineering consultant) and Cindy Mooney (our property manager) met with Tom Merson (East Coast Construction) via conference call. The issue, as he presented it, is not only the substrate requirements but also the cost of applying the substrate. After Tom left the call, the matter was discussed further. Kirk left the call and there was further discussion. After Cindy left the call there was further discussion.

We have been operating on the premise that the existing “coating” will be removed to the concrete; that a new “texture” or “skim coat” will be applied; and that the silicone coating will be applied over the “texture” or “skim coat.” Tom said that the contract did not include a “parge” coat. A “parge” coat is the material that is between the concrete and the silicone coating. Since it was not in the contract, he did not include it in his bid. He submitted a change order created August 7, 2024, and expiring on August 14, 2024, to Kirk for a parge coat. Kirk did not respond. Kirk said he did not receive it. The proposed change order was for \$265,000. He emailed a copy to us after the meeting.

At the conclusion of the meeting, Tom was asked what it would take to get the project back on track. He agreed to do that by Friday. On Friday, September 6, 2024, he replied. He needs to know what is expected including having the surface preparation materials specified. He also needs “A cost line item to use on our schedule of values.” Finally, he wanted a modification of invoice approvals. All invoices go through Kirk. Under the contract Kirk has 15 days to approve them, disapprove them or seek additional information from the contractor.

East Coast Contracting has put up mock-ups to provide several alternatives in the use of materials and finishes. We need to select one. The current finish with the twists and twirls will be replaced by one of the finishes on the mock-ups. The mock-up may not be complete. The completion of the mock-ups will help determine what work needs to be done. There will still be the question of who is financially responsible for the increased cost and the amount of the additional cost.

Robert presented some information about the situation:

East Coast Contracting was the lowest bid. The bids were:

	All States	East Coast	EV-Air	Northern
Base Costs	1,824,389	1,066,611	1,581,000	1,545,482
Balcony Soffits	31,680	20,224	103,000	65,664

Balcony Decks	105,665	112,592	351,550	221,312
Total Costs	1,961,734	1,199,427	2,035,550	1,832,458

Kirk went back to the bidders for their best and final offers. No one changed anything except East Coast which reduced its bid by about \$50,000.

Kirk went to the other three bidders and asked if they included a parge coat in their bids. They all said that had.

Ev-Air-Tight repaired three leaks in the spring. They removed all the texture, reapplied a new texture and applied a silicone coating over that. They also prepared a board showing a coarser and a smoother finish which was shared with all bidders.

There as a pre-bid meeting of all prospective bidders with Kirk. The job was extensively discussed and they inspected various areas of the building. Kirk had conversations with the bidders individually.

There are imperfections in the concrete, from small “bug holes” to grinding marks to repaired cracks to irregularities in the finish. The purpose of a skim coating is to cover these imperfections. A silicone coating alone does not tend to cover these imperfections. We won’t know how many imperfections there are or how they are distributed over the building until the existing texture is removed.

Kat and Bonnie asked Robert if the parge coating was necessary, whether it helped in the waterproofing of the building. Robert said he could not give a definitive answer and would have to ask Kirk. Kirk had told him that the silicone coating was the primary waterproofing element. The “parge” coating is not intended to be the waterproof coating. While it may add some protection to the concrete, the primary protection of the concrete is the silicone. The primary purpose of the parge coating is to cover imperfections in the concrete. Kat asked about the bubbles. Robert thought that they were the delamination of the “texture” material from the concrete, not the separation of the acrylic-based coating from the “texture” material but could not be definitive. Kat and Bonnie thought that the existing coating material had been applied in 1999, but Mike Falkner thought it was original to the building. Kat commented that applying a parge coating was only introducing something else that could fail and, if it was not necessary for waterproofing the concrete, could be omitted.

Questions were asked and comments made about responsibility for the situation.

Randy briefly summarized the situation and said that we have many questions right now, and few answers. We need to get more information.

At present, the mock-ups can provide more information. We need to understand how they were made and the options available. We need to speak with the association’s attorney.

Adjournment

Robert moved and Randy seconded that the meeting be adjourned. The motion was passed on a voice vote without objection. Mary was not present and Mike Keenan's connection was lost. The meeting was adjourned at 8:12 p.m.

Respectfully submitted,

/s/ Robert Mayer
Robert Mayer
Secretary