

KANALOA AT KONA – ASSOCIATION OF APARTMENT OWNERS
2022 ANNUAL OWNERS’ MEETING | APRIL 29, 2022
KANALOA AT KONA CLUBHOUSE (PHYSICAL LOCATION)
ZOOM (VIRTUAL – OBSERVE ONLY)

A. CALL TO ORDER

The Annual Owners Meeting of Kanaloa at Kona was called to order by President Bill Lamberton at 10:00 am (HST).

There were currently no state or county COVID gathering restrictions, so the annual meeting was held in-person at the Kanaloa Clubhouse. As a courtesy, the Board made Zoom videoconferencing available for owners who wanted to observe-only the meeting virtually.

B. ROLL CALL

Present (Board): President Bill Lamberton, Vice President Steve Tanberg, Secretary George Pittman, Treasurer Wayne House, Director Judy Wormington, Director Wendy Benson, and Director Mikel Bryan.

Present (Invited Guests): Castle Resorts & Hotels – Jim Heather (Association Property Manager), Jeff Caminos (SVP Operations), Dean Yamamoto (VP Finance), Taisha Alvaro (Interim Resort Manager), Mark Bandsma (Regional Director of Engineering), Glen Shimabukuro (Director of Information Systems), Violet Carlsberg (Director of Business Development), Renette Carpio (Director of Condominium Administration).

Owners present in person introduced themselves.

C. PROOF OF NOTICE OF MEETING

President Lamberton welcomed owners in attendance (physically and virtually) and noted that a quorum of 62.0803% had been established.

D. APPROVAL OF MINUTES OF PRECEEDING MEETING

2021 annual meeting held on 4/30/21:

MOTION (1): A motion was made by Bill Dallenbach (3401) to approve the minutes as presented; the motion was seconded by John Page (2106) and approved by unanimous consent.

E. REPORT OF COMMITTEES AND OFFICERS

a) President’s Report – Bill Lamberton commented that he was pleased to see so many owners in attendance at today’s annual meeting. He reported that 2021 was a challenging year due to changes in property managers however the Board has been confident with the hire of Jim Heather and properly welcome him back to Kanaloa. In just his short time at the property, there have been quite a few improvements in operations and management of reserve projects. He’s also heard from many owners with positive comments about Jim and is encouraged by open communication.

b) Treasurer’s Report – Treasurer House reported on the financial highlights for the period January – December 2021:

Operating Fund Balance	\$492,706.57
Regular Reserve Account Balance	\$1,919,724.16
Special Reserve-ADA Compliance	\$78,456.14
YTD Operating Fund Surplus	\$(43,997.91)
Other Income (including late fees, Interest, gate fees)	\$5,882.68
Total Reservation Fee	50,521.24
Less Expenses	\$17,693.33
Net Registration Fee Income	\$32,827.91
Reserve Account Interest	\$2,906.78
Income from Castle Rental Program	\$38,022.00
General Assessment to Operating	\$1,631,593.44
General Assessment to Reserves	\$563,003.52

Favorable Budget Variances Included:

a) Reservation Fees

Variances due to Front Desk Reservation fees for Jan to Dec 2021. YTD fee exceeds expenses by \$32,828.

b) Grounds & Grounds Supply

We saved \$17,512 (53%) on supplies due to limited plantings and purchases. Irrigation supplies purchased in June were made in preparation of repairs. Also, the new contractor for grounds services is responsible for some supplies.

c) Salaries - Maintenance

This variance is due to a vacant position, saving \$73,215 year to date for a 23% savings.

d) Salaries – Manager & Admin

We are under budget by \$20,253 or 24%. Variance due to resignation of AOA Manager. 12/1 open position, new manager started 1/11.

e) Salaries - Grounds

We had a savings of \$108,681 (56%). Variances due to Grounds outsourced to Puna Certified Nursery in August. Also contributing to the YTD variance is vacant positions throughout the year.

f) Vacation

Variance of \$28,812 or 105% is due to reduction in adjustments for terminated employees.

g) Payroll Taxes & Benefits

Variance due to lower salaries, benefits and outsourcing resulted in a \$39,304 savings, 23%.

h) Recovery - Reserve

Variance of \$19,791 (40%) due to specialized carpentry work to replace rotted wood on buildings, gatehouse project and repairs to stairs and railings. Also rebuilt trash enclosures and pool gates. Additional variance due to Main Pool Railing work and entrance stairs repairs.

i) Board of Directors Travel

We had a savings of \$9,116 (33%) due to fewer Board members traveling to the January, April meetings, a result of the pandemic. Also, only 6 of 7 current BOD members reside off-island.

Unfavorable Budget Variances Included:

a) Water

We are \$72,977 over budget (78%) due to severe leaks in two water mains, one in January and one in March. Irrigation timers have been adjusted reducing the watering duration of the 60 zones. Additional variance due to irrigation valve leaks at the entrance by the gatehouse and repaired in the first week of January 2022.

b) Grounds Contract

Variance of \$94,975 due to outsourcing of Grounds Department (This is an unbudgeted item offset by Grounds labor savings net of \$13,706).

c) Pool

Unfavorable variance of \$3,768 (66%) due to scarce supply of chlorine we are purchasing more than normal if it is available. In November, outsourced pool chemical servicing as employee on FMLA.

d) Refuse

We are \$13,680 over budget (26%). Variance due to monthly charges higher than budgeted and extra bins ordered in May, June and July for disposal of multiple hedge and shrub clippings. 12/31– additional bins needed to dispose of debris and trash after 12/5/21 storm.

e) Contract Services

YTD Variance of \$15,449 (31%) includes \$1,576 to Bezona consulting for inspection of irrigation clocks and \$3,770 to Kelly’s Services for removal of Palm Trees. Exterior window cleaning in May \$978. 12/31 - \$6,922 outsource pool maintenance.

f) Salaries – Security

YTD \$13,715 or 11% over budget. Staffing levels have been increased to 24 hours/day and labor rate increased due to labor cost increases island wide.

Delinquencies as of 12/31/20

1	units 1-90 days late	\$	2,242.08
1	units more than 90 days late	\$	<u>2,366.39</u>
	Total	\$	4,608.47
	Doubtful Account Balance	\$	<u>5,965.74</u>
	Difference	\$	(1,352.27)

c) Investment Report – Wendy Benson reviewed the highlights as of April 25, 2022:

The value of the Kanaloa Reserve Account March 31, 2022 was \$2,151,933.86. Included in this amount were Certificates of Deposit (CD) totaling \$792,702.39, cash reserves in the UBS Business Bank Account of \$1,357,556.82 and \$1,674.65 in Credit Union Money Market accounts. \$127,897.96 was owed to the operating account by the reserve account at the end of March.

The \$792,702.39 in CDs were invested in 4 separate CDs from 4 different banks and credit unions. No CD exceeded the \$250,000 FDIC/NCUA insurance limit. Maturation dates ranged from April 2022 to September 2022. Interest returns varied from .02% to .65%.

We will be investing in the following CDs: 6-Month at \$250,000 at .85%, 9-Month at \$250,000 at 1.1% and 1-YR at \$250,000 at 1.7%.

Your investment committee for 2022 is composed of Bill Lamberton, President, Wayne House, Treasurer and Wendy Benson, Director.

- d) Grounds Report – George Pittman provided highlights of the past year including the completion of the curbing project. The next capital reserve project is exterior building painting starting with the oceanside buildings.
- e) Property Manager’s Report – Jim Heather prepared a detailed annual report and emailed it to all owners for their review ahead of the annual meeting. The report included background info and updates on grounds (outsourced labor to Puna Landscaping, tree trimming, and irrigation), security (incidents of note, reoccurring issues, emergency plans, security camera system, and entry badge system), maintenance (staffing, online maintenance request form), reserve projects (exterior painting project, roof leaks, updated reserve study), and other items including pest control, dry wood termites, unit entry door key control, water leaks, Facebook page, Kanaloa Communique.

F. ELECTION OF DIRECTORS

President Lamberton stated that Kanaloa’s bylaws provide for a board of directors of seven (7) persons. The seats of Bill Lamberton, Steve Tanberg and Judy Wormington are expiring, each for 3-year terms.

A total of three (3) seats will be elected at this year’s annual meeting.

The three incumbents agreed to stand for election and additionally a candidate statement was received from George Papazian.

Dean Yamamoto confirmed that there was 58.7807% of the ownership represented in proxy and in person and a voting quorum was established.

Inspectors of Election: Two owners volunteered to serve as Inspectors the Election. Charles Gross (2501 & 2803) and John Page (2106).

Election Results:

Candidates	Votes Cast
Steve Tanberg*	37.6206
Judy Wormington*	35.9832
Bill Lamberton*	33.9115
George Papazian	32.3165

Steve Tanberg, Judy Wormington and Bill Lamberton were each elected to 3-year terms.

G. UNFINISHED BUSINESS

a) None.

H. NEW BUSINESS

a) Tax Resolution – President Lamberton noted that IRS Revenue Ruling 70-604 is an association tax tool that permits funds/income to be carried over to the following tax year, without any tax implications.

MOTION (2): A motion was made by Suzanne Schuelke (2905) to approve any excess member assessments not used by the Association during 2022 be applied toward the 2023 assessments as provided by IRS revenue ruling 70-604; the motion was seconded by Susan Tilling (1703) and approved by unanimous consent.

b) Invited Guest – Sue Savio, Insurance Associates – Sue reminded the owners of having appropriate insurance coverage for the interior of their units known as Home Owners Condo insurance or HO6 coverage. She reviewed circumstances where the AOA covers common elements while owners should cover items in their own unit, including pipes that serve their unit.

I. OWNERS' COMMENTS

There were a variety of questions and comments from owners. The AOA was thanked for the pickleball court. Suggestions were made for a bike rack installation, EV charging stations, and more frequent cleaning of dryer vents. ADA compliance, building painting rotation, and solar paneling were also discussed.

J. ADJOURNMENT

The meeting was adjourned at 12:16 pm (HST).

Respectfully submitted,



Renette Carpio

Recording Secretary

Director of Condominium Administration, Castle Resorts & Hotels

As Agent for Kanaloa at Kona AOA

Signed: /s/ George Pittman Date: 4/28/23

George Pittman, Board Secretary

