

**KANALOA AT KONA
ASSOCIATION OF APARTMENT OWNERS
MEETING OF THE BOARD OF DIRECTORS - MINUTES
OCTOBER 27, 2023 | 9:00 AM HST
KANALOA CLUBHOUSE AND ZOOM VIDEOCONFERENCING**

I. CALL TO ORDER

President Stephen Tanberg called the meeting to order at 9:02am.

II. ROLL CALL/ ESTABLISH QUORUM

Board of Directors Present in Person: Stephen Tanberg, Bill Lamberton, Wayne House, George Pittman, Wendy Benson, Judy Wormington & Mikel Bryan.

Managing Agent Representatives: Castle Resorts & Hotels – Jim Heather, Beeper Nakamaejo, David Saito, & Renette Carpio.

III. PROOF OF NOTICE OF MEETING

Notice of meeting was posted on October 20, 2023.

IV. APPROVAL OF MINUTES

MOTION (1): Wendy Benson moved to approve the minutes of the 7/28/23 regular board meeting as presented; seconded by Bill Lamberton. The motion was approved by majority consent; Judy Wormington abstained from the vote.

V. PROPERTY MANAGER’S REPORT (Jim Heather)

- a. Grounds – Puna has continued to be consistently staffed and the property has been well maintained. Irrigation maintenance has transitioned from Puna to Irrigation Solutions.
- b. Irrigation – With the return of the summer dry season, the water savings tactics applied during the rainy season had to be adjusted. Longer run times had to be added to the daily sprinkler timer as well as additional manual day time waterings to revive burnt out grass areas on the fairway side of the property. Moving forward, the greatest water savings opportunities will come from being able to shut off the irrigation system for multiple days per week. We have the action plan to maximize water savings when possible but must realize that major savings is dependent on rain and is not possible every month.
- c. Security – Incident of note between July 1 through Sep 30: Entry gate damaged by stolen car driving through gate; no other damage. Gate arm has since been repaired.

Recurring Complaint Log - July 1 through Sep 30: Parking violations – 21; noise complaints – 18; House Rules violations – 26; smoking on property violations – 7; locked out of unit – 6.

Security has been diligent in making sure all cars parked on property have the required parking pass displayed. There have been 37 “Resident” stickers issued to owners that have cars permanently on-island. They have also been ticketing cars that are being parked long term in the guest parking spaces.

Staffing: Remains status quo and stable.

- d. Maintenance – No changes in staffing. All staff contribute to maintaining the BBQ and trash enclosure areas.
The maintenance department has done very well this year in billable hours for unit interior work. Bigger projects include lanai door replacements, room extensions onto the lanai, louver window replacement, window framing, air conditioning chase run covers, unit painting and water damage repairs.

- e. Reserve Projects – Exterior painting project, Phase II, buildings 13-16 and 30-37 was completed at the end of September. Roof repairs have been completed by Kona Roof Remedies on units 2203. Reports of roof leaks showed significant decrease due to the dry season. Remaining structural post repairs for buildings 15-37 are budgeted in the 2024 reserve study. Irrigation Solutions has started preparing Phase II, buildings 29-37 in October; it is budgeted in the 2024 reserve study and will be scheduled at the earliest open date in 2024. Ocean Pool Roof replacement will be done by Kona Roof Remedies by the end of year.
- f. Unit Plumbing Inspections – The Water Leak Remediation Committee recommended having a licensed plumber conduct regular inspections of plumbing fixtures in unit interiors. Plumbing Strategies, Inc (PSI) provided a quote to inspect all units for \$21,077 or \$127 per unit. This is a visual inspection by a journeyman plumber to assess the components of the plumbing fixtures and connections within the unit. A two-page checklist for each unit will be provided to the AOAO and Owner detailing current condition and recommendations, if needed. Owner is not obligated to use PSI for any repairs. This inspection project has been accounted for in the 2024 operating budget.

VI. OFFICERS / COMMITTEE REPORTS

- a. President's Remarks (Stephen Tanberg) – President Tanberg congratulated owner Heather Johnson and Puna for the appearance of the front gate area. Irrigation Solutions has completed its irrigation update in that area, and it is having a positive impact.

President Tanberg also reported on increases in the 2024 budget including Puna (5%), trash removal (refuse at 16%), insurance premiums (estimated average of 17%). As a result of these increases, monthly maintenance fees will increase 6.39% in 2024.

Air Conditioning units – multi-split systems are a great improvement; however, it requires chases (refrigerant, electric, condensate) on the outside of the buildings that need to be done properly for aesthetic reasons and to minimize opportunities for rodents and termites to get into the exterior of the buildings. Board approval is needed for new or replacement equipment affecting common areas.

Security – The security supervisor position held by Ken N. has seen a much better, proactive approach. Security is issuing more parking tickets.

- b. Treasurer's Report January through September 2023 (Wayne House) – Treasurer House presented a report on the financial highlights for the period January - September 2023. See Exhibit A attached to these minutes.
- c. Special Projects Report (George Pittman) – Chair Pittman reported on the recently completed Phase II exterior painting project with Phase III anticipated for 2025; structural post spalling for buildings 15-37 to be done in 2024; asphalt replacement to be done in September 2024; ocean pool pavilion roof replacement to be done in November 2023; and irrigation Phase III in February 2024 for buildings 8-14.
- d. Investment Report (Wendy Benson) – Chair Benson reported that the value of the Kanaloa Reserve Account as of September 30, 2023, was \$1,476,996.05. Included in this amount were Certificates of Deposit (CD) totaling \$1,365,000 cash reserves in the UBS Business Bank and investment accounts of \$128,914.21 and \$3,216.41 in Credit Union Money Market accounts.

The committee continues to monitor and reinvest CD's as they mature. In August, funds were reinvested at UBS for 6, 9 and 12-month CD's at interest rates between 5% and 5.3%. Also, CU Hawaii Federal Credit Union auto-renewed a 12-month CD at 0.40% to mature on 9/8/24.

Your investment committee for 2023 is composed of Stephen Tanberg, President of the Kanaloa Board, Wendy Benson, Director and Wayne House, Treasurer.

- e. Water Leak Mitigation Committee – No new updates.

- f. Termite Mitigation Committee – Committee member Wendy Benson provided an update reporting that a FAQ sheet and SBAR was distributed to owners in early August. There has been lots of interest from owners. \$40k is budgeted from the 2023 operating surplus (neutral in 2024 dues). Project allows for tenting 2, 3 or 4 buildings with a plan to allow for maximum notification period for rentals (9-12 months preferred). The committee exploring items that hadn't been considered is the primary driver for slow start in 2024. Next steps include: 1) assemble plan for 2024 and beyond in Nov/Dec; 2) review details with the Board and discuss / decide funding mechanism(s); 3) this is not a replacement item so it is not accounted for in the reserve study – this is an operating budget item, and a special assessment may be considered.
- g. Fine Policy Committee – Committee members continue to gather more information before presenting its recommendations.

VII. UNFINISHED BUSINESS

- a. Planned Maintenance Update – Jim asked owners to report any dryer vent issues to him.
- b. Unit Plumbing Inspections – Jim reported that Plumbing Strategies, Inc. (PSI) will be conducting the high-risk plumbing component unit inspections.

VIII. NEW BUSINESS

- a. Consent Calendar (board approved by email items for ratification)
 - 1. Spectrum Bulk Agreement with Signing Bonus (email approval 8/26/23)

MOTION (2): Wayne House moved to ratify the Spectrum Bulk Agreement with Signing Bonus for a 5-year term at a bulk service fee of \$7,896 plus tax and fees and a one-time signing rebate of \$12,600 that was approved by email on 8/26/23; seconded by Judy Wormington. The motion was approved by unanimous consent.

- 2. Insurance Associates – 2023 – 2024 policies with premiums totaling \$209,842 (email approval 10/4/23).

MOTION (3): George Pittman moved to ratify the approval of the 2023 – 2024 insurance policies renewal that was approved by email on 10/4/23; seconded by Wayne House. The motion was approved by unanimous consent.

- 3. Kona Roof Remedies – Ocean Pool roof replacement; proposal not to exceed \$25,550 that was approved by email on 7/29/23.

MOTION (4): Wendy Benson moved to ratify the approval of the Kona Roof Remedies Ocean Pool roof replacement proposal, not to exceed \$25,550, that was approved by email on 7/29/23; seconded by George Pittman. The motion was approved by unanimous consent.

- b. 2024 Operating and Reserve Budget – The Board reviewed the 2024 draft budget and reserve study.

MOTION (5): Wendy Benson moved to approve the 2024 operating and reserve budget, with an increase in maintenance fees of 6.39%; seconded by George Pittman. The motion was approved by unanimous consent.

- c. Laundry Equipment – Dryer replacement proposal for approval.

MOTION (6): Wayne House moved to approve a proposal submitted by WLSN Pacific LLC for a new commercial dryer in the amount of \$11,727.74; seconded by George Pittman. The motion was approved by unanimous consent.

AOAO Financial Highlights
January through September 2023

Key Financial Data

Operating Fund Balance	\$350,766.19
Regular Reserve Acct Balance (net)	\$1,381,039.98
Special Reserve-ADA Compliance (net)	\$95,956.07
YTD Operating Fund Surplus/(Deficit)	\$165,664.86
Other Income (including late fees, Interest, gate fees)	\$5,774.21
Total Registration Fee	\$49,082.85
Less Expenses	\$44,880.30
Net Registration Fee Income	\$4,202.55
Reserve Account Interest	\$20,170.86
Income from Castle Rental Program	\$43,856.00
General Assessment to Operating	\$1,728,519.21
General Assessment to Reserves	\$526,849.47

Registration Data for Non-Castle Rentals (NCR)	Q1	Q2	Q3	Q4	Total
Total NCR Rentals	543	592	638		
Total Reported in advance to FD	268	323	314		
Percentage in compliance	49%	55%	49%		

Favorable Budget Variances

Rental Income

Better than budget by \$13,112, or 43% due to payment of front desk rent during force majeure period. This is a one-time payment.

Electricity

Under budget YTD by \$7,254 or 10%. Variance primarily due to KWH usage and energy cost recovery budgeted higher than utilization.

Water

YTD under budget by \$31,726 (25%). Master Valve switch installed on irrigation mains, turning off irrigation after rain, Phase I irrigation repairs completed, reduced minutes per station.

Contract Plumbing

Under by \$58,050 (100%). Leak Detection System budgeted but cancelled by BOD due to high cost and lower cost alternatives available to individual owners.

Life Safety

Under by \$3,814 (94%). Reduced first aid kit purchases due to close monitoring by staff.

Repairs & Purchases

\$24,137 Under budget or 86%. Premier Restorations water leak invoices paid by AOAO in AR then billed to owners. Inventory purchased in 2022 billed out in 2023.

Salaries - Maintenance

Short a Pool Tech position which causes overage in Outside Contract charges. \$35,077 year to date for a 17% savings.

Salaries - Manager & Admin

We are under budget by \$15,455 or 23%. Change in AOA Manager to GM salary split between rental/AOAO.

Recovery - Work Orders

YTD variance of \$27,105 (72%). Increase in interior work orders and 2022 work orders billed in 2023.

Legal Fees

Variance of \$2,923 (162%) due to retainer fee returned from Carlsmith Ball LLP.

Unfavorable Variances

Cable/Internet

Increase in Network Broadcast fees results in overrun to budget of \$5,473 or 7%.

Salaries – Security

Unbudgeted security supervisor position approved by BOD. Promoted Ken Nakamoto to Security Supervisor in April, \$10,282 or 9% over budget.

Payroll Taxes and Benefits

Variance YTD due to a unbudgeted increase in SUI rates. Over by \$7,097 or 7%.

Recovery Reserve

The condition of the building exterior of the Phase II painting project was better than anticipated resulting in less repairs compared to Budget. – Exterior paint project finished in August. No major Reserve work projects budgeted for the remainder of the year. Lower YTD Recovery by \$13,308 or 23%.

Insurance

\$4,424 over budget to date or 1% variance due to renewal slightly higher than budgeted.

Vacation

Vacation accruals budgeted in payroll accounts. Accruals are \$7,049 (100%).

Contract Service

YTD variance due to additional outside pool cleaning expense incurred but recovered in reduced maintenance wages. \$7,441 over budget or 14%.

Other Professional Fees

Over budget by \$6,590 or 117% due to 2022 audit invoice under accrual.

Office Supplies

Unbudgeted purchase of new GM laptop. HI state flag purchased. Over budget by \$2,344 or 41%.

Delinquencies as of 9/30/23

4 units 1-30 days late	\$ 3,926.51
3 units 30+ days late	2,441.45
4 units 60+ days late	3,919.54
3 units late fees 90+ days late	<u>2,090.42</u>
Total	<u>\$ 12,377.92</u>

Doubtful Account Balance	<u>\$ 3,599.35</u>
Difference	<u>\$ 8,778.57</u>