

KANALOA AT KONA – ASSOCIATION OF APARTMENT OWNERS
2023 ANNUAL OWNERS’ MEETING | APRIL 28, 2023 | 10:00 AM (HST)
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 Steve Tanberg at 10:01 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 Steve Tanberg, Vice President Bill Lamberton, Secretary George Pittman, Treasurer Wayne House, Director Judy Wormington, Director Wendy Benson, and Director Mikel Bryan.

Present (Invited Guests): Castle Resorts & Hotels – Jim Heather (General Manager), Ken Albert (Maintenance Supervisor), Dean Yamamoto (VP Finance), Beeper Nakamaejo (Property Accountant), Nate Allen (Regional Director of Facility Maintenance), Glen Shimabukuro (Director of Information Systems), Erin Martyn-Mann (Business Development Manager), Renette Carpio (Director of Condominium Administration).

Owners present in person introduced themselves.

C. PROOF OF NOTICE OF MEETING

President Tanberg welcomed all owners and noted that a quorum of 67.9201% by owners present in-person or by proxy had been established.

D. APPROVAL OF MINUTES OF PRECEEDING MEETING

2022 annual meeting held on 4/29/22:

MOTION (1): A motion was made by Jim Lisy (2904) to approve the minutes as amended; the motion was seconded by Bill Dallenbach (3401) and approved by unanimous consent.

E. REPORT OF COMMITTEES AND OFFICERS

a) President’s Report – President Tanberg thanked the Owner Party Committee which consisted of Judy Wormington, Debra & Jim Stout, John & Julie Hunsaker, and Bernadette Tanberg. Appreciation was also extended to David Miller (sound system), Steve Solberg (tables & chairs) and, also to LUVA Real Estate for providing wine, beer, and soft drinks.

President Tanberg acknowledged some of the owners who have been working for the betterment of Kanaloa: Mary Cowen Beitner, George Papazian, and Kathy George for their work on the Water Leak Mitigation Committee; Wendy Benson and Bud Johnson for working

on how best to deal with the termite problem at Kanaloa; Heather Johnson and Jim Lisy on maintaining the flower boxes on the guard shack for a beautiful, welcome appeal.

President Tanberg also conveyed wishes and warm aloha from Karen Gulick, daughter of Al Gulick, a long-time owner who recently passed away.

- b) Treasurer's Report – Treasurer House reported on the financial highlights for the period January–December 2022; the annual financial report is attached to these minutes as Exhibit A.
- c) Investment Report – Wendy Benson reviewed the highlights of the investment report. The value of the Kanaloa Reserve Account as of March 31, 2023 was \$1,811,842.74. Included in this amount were Certificates of Deposit (CD) totaling \$1,173,918.41, cash reserves in the UBS Business Bank Account of \$554,553.89 and \$2,350.84 in Credit Union Money Market accounts. \$81,019.60 was owed to the operating account by the reserve account at the end of March.

We continue to monitor and reinvest CD's as they mature. Funds are being re-invested for 3, 6, 9 and 12 month CD's at interest rates between 4.5% and 5%

Your investment committee for 2023 is composed of Steve Tanberg, President, Wayne House, Treasurer and Wendy Benson, Director.

- d) Grounds Report – George Pittman provided highlights of the past year including repairing the piers on buildings 1-14. The next capital reserve project is the Phase II exterior building painting project scheduled to start in May 2023. The Grounds Committee will be renamed Special Projects moving forward.
- 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 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, water leaks, Facebook page, Kanaloa Communique.
- f) Water Leak Mitigation Committee – Mary Cowen Beitner, George Papazian, and Kathy George. A comprehensive report was presented in power point format which included information on data collection, research and analysis and recommendations based on the data analysis. While leak detection is key, the committee does not recommend a whole-property system for Kanaloa at this time. Instead, suggested leak prevention actions were recommended such as annual plumbing inspections of all units with written results to owners who then make necessary repairs, where needed.
- g) Termite Mitigation Committee – Wendy Benson and Bud Johnson. The committee reported that data was still being collected and once prepared, information and FAQ's would be distributed to all owners in the next few weeks. Owners were asked to observe and report (through Kanaloa maintenance) any activity in the exterior and interior of their units.

F. ELECTION OF DIRECTORS

President Tanberg stated that Kanaloa's bylaws provide for a board of directors of seven (7) persons. The seats of Wendy Benson and George Pittman are expiring, each for 3-year terms.

A total of two (2) seats will be elected at this year's annual meeting.

The two incumbents agreed to stand for election and were recognized as nominated.

As there were no further nominations from the floor, a motion was entertained to waive the secret ballot process and elect by acclamation.

MOTION (2): A motion was made by Barbara Dallenbach (3401) to waive the secret ballot process and elect Wendy Benson and George Pittman by acclamation, each to serve 3-year terms; the motion was seconded by Suzanne Schuelke (2905) and approved by unanimous consent.

G. UNFINISHED BUSINESS

- a) President Tanberg announced that the Board approved the ADA Compliance Policy; it will be published on the Communique and a copy distributed to all owners. He also announced that the Board has approved the extension of the Castle AOA property management agreement and front desk lease agreement for another five (5) years.

H. NEW BUSINESS

- a) Tax Resolution – President Tanberg 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 (3): A motion was made by Suzanne Schuelke (2905) to approve any excess member assessments not used by the Association during 2023 be applied toward the 2024 assessments as provided by IRS revenue ruling 70-604; the motion was seconded by Karen Estrella (2604) and approved by unanimous consent.

- b) Board Reimbursement for Travel (continuing policy) – There were no changes to the board directors' reimbursement for travel and the policy shall continue.
- c) Revised Collection Policy – A ballot vote was held; 100% of owners in-person or by proxy voted in favor of the revised collection policy. It will be published on the Communique and a copy distributed to all owners.
- d) Fine Policy – Following discussions about the structure of this policy it was agreed that a Fine Policy Committee shall be established to review and recommend a policy acceptable to the owners. President Tanberg will provide the main objectives for this committee. Owner volunteers consists of: Mikel Bryan (2202), Christi Ernst (1704), Judy Wormington (2404), George Papazian (2804), Jim Lisy (2904) and Joe Chambers (3502).

I. OWNERS' COMMENTS

There were a few comments from owners about enjoying the owners' party once again and look forward to many more social events.

AOAO Financial Highlights

January through December 2022

Key Financial Data

Operating Fund Balance	\$224,133.24
Regular Reserve Acct Balance (net)	\$1,625,698.51
Special Reserve-ADA Compliance (net)	\$88,456.10
YTD Operating Fund Surplus/(Deficit)	\$-253,027.01
Other Income (including late fees, Interest, gate fees)	\$ 6,511.60
Total Registration Fee	\$67,059.58
Less Expenses	\$96,418.74
Net Registration Fee Income	-\$29,359.22
Reserve Account Interest	\$4,979.21
Income from Castle Rental Program	\$39,360.00
General Assessment to Operating	\$1,787,184.96
General Assessment to Reserves	\$562,992.48

Registration Data for Non-Castle Rentals (NCR)	Q1	Q2	Q3	Q4	Total
Total NCR Rentals	469	665	665	533	2,332
Total Reported in advance to FD	162	463	409	251	1,285
Percentage in compliance	35%	70%	62%	47%	55%

Favorable Budget Variances

Ground and Grounds Supply

We saved \$7,327 (81%) on supplies due to lower-than-expected extra charges from Puna through December.

Life Safety

Saved \$2,466 (40%). First aid supplies replacement less than budget.

Salaries - Maintenance

Variance due to one employee out on leave. \$58,652 year to date for a 19% savings.

Salaries - Manager & Admin

We are under budget by 4,988 or 6%. Variances due to new manager starting on January 11, 2022.

Salaries – Security

YTD \$44,366 or 27% under budget. Staffing levels have been increased to 24-hours/day. Variances YTD due to Security wages adjusted to cover for the Registration Expenses. For remainder of the year, one security shift covered by Registration Expense.

Recovery - Reserve

Variance of \$25,243 (51%) KAK maintenance focusing on carpentry repairs in conjunction with the exterior painting project.

Recovery - Work Orders

YTD variance of \$17,775 (37%) Interior work orders completed and billed in November. YTD better than budget.

Vacation

\$6,136 (29%) under budget due to employee eligibility and terminated employees.

Board of Directors Travel

YTD variance of \$5,028 (21%) as average of 5 directors travelled to quarterly meeting versus budget of 6.

Unfavorable Variances

Reservation Fees

Variances due to Front Desk Reservation fees for Jan to Dec 2022. YTD expenses exceeds fees charged by \$31,549.

Electric

YTD \$17,762 over budget (23%) Rate increase over last year. Usage slightly lower than last year. Rate increase from \$0.1137/kwh in 2021 to \$0.1544/kwh in 2022 for a 35% increase over last year.

Water

We are \$55,774 over budget (46%) due to insufficient budgeting. Irrigation Solutions conducted a study to review the irrigation system to correct the irrigation system and maximize water use efficiency with system repairs and replacements. We continue to investigate and fix leaks in the system and adjust the number of minutes per watering cycle.

Cable/Internet

\$3,697 (4%) over budget, Lobby/Security Internet not budgeted.

Pest Control

\$22,580 (59%) over budget. August was the first month of Terminix doing interior pest treatment at \$1800 (budget \$1200) per month that included a one-time charge of \$900 for rodent bait station anchors. Dry wood termite interior treatments twice a month and owners chargeable is lower than expected. Ant and roach treatments up \$800/month.

Refuse

YTD Variance of \$3,927 or 6% over budget due to cost per bin increase and unbudgeted green waste removal fees. – Credit of \$2,742 received in Dec. due to missed trash removal service

Insurance

YTD Variance of \$76,128 (20%) due to increase in Property Insurance by over \$10K per month as of June 2022 renewal.

Legal Fees

YTD Variance of \$4,684 due to processing of 2021 invoices not received until June 2022.

Contract Service

YTD Variance of \$25,461 (47%). Variance due to unbudgeted tree trimming. Included one-time calcium removal on hot tub tile \$879 and added pool cleaning due to short staff in maintenance \$780, Coconut tree trimming in March, \$12.6K and Dec. trimming of \$9.3K

Office Supplies

YTD variance of \$4,407 (56%) due to purchase of entry gate badges, new water cooler, and other office supplies.

Miscellaneous Expense

Variance of \$10,992 (100%) due to primarily a new Reserve Study with Barrera (\$4,900) and Irrigation Solutions audit (\$5,104).

Delinquencies as of 12/31/22

1 unit more than 90 days late	2,366.39
1 unit 30 days late	1,200.15
2 units late fees	<u>100.45</u>
Total	<u>\$ 3,666.99</u>
Doubtful Account Balance	<u>\$ 5,965.74</u>
Difference	<u>\$ 2,298.75</u>