

**Minutes of the  
AOAO Kanaloa at Kona Annual Meeting**  
*Friday, October 27<sup>th</sup>, 2017 – 9:00am*  
*Main Pool Lobby*

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 9:04 a.m.
- II. **Roll Call:**  
*Present:* Forbes Burdette, Bill Dallenbach, Jerry Ernst, Bill Lamberton, George Pittman, Rex Sawyer, & Steve Tanberg. Quorum was established.  
  
*Guests:* Castle Resorts & Hotels Members; Robin Graf – VP of Operations, Dean Yamamoto – VP of Finance, Violet Carlsberg – Business Development Manager, Stephen Hicks – General Manager.
- III. **President's Comments:**  
Bill Lamberton, President, welcomed all in attendance, commenting this meeting would involve various property and project updates, as well as serve to review the 2018 Budget and Reserve Study. Bill also thanked Castle Resorts and Hotels for their partnership and attendance to each meeting.
- IV. **Approval of the July 28<sup>th</sup>, 2017 Minutes:**  
Bill Lamberton, President, asked for approval of the July 28<sup>th</sup>, 2017 minutes.  
*A motion was made by Steve Tanberg to approve the minutes. A motion was made by Forbes Burdette for further discussion on the wording of section two. An amendment was made, and a motion to approve the amendment was made by Forbes Burdette. Jerry Ernst seconded the motion. The motion carried unanimously.*
- V. **Report of Officers**  
a. **Treasurer's Report**  
i. Steve Tanberg, Treasurer, reported an Operating Bank Balance of \$139,871 and a Reserve Fund balance of \$1,357,434. The Special Reserve – ADA Compliance balance is \$35,956.  
ii. Steve Tanberg referred to additional income received, detailing income from the activities desk to total \$9,375.03 and income from the Castle Rental Program to total \$9,379. Other income accounted for \$190.92, with \$120 of this amount received from charges for lost gate passes.  
iii. Steve commented the year to date operating fund surplus account to have a balance of \$-19,821.84, stating this negative variance was in part due unfavorable insurance, and miscellaneous expenses like the credit card system installed along with the gates.  
iv. It was noted among the favorable variances that the activity desk continues to be positive due to the contract re-negotiated by Forbes Burdette, with over \$2,300 savings so far this year. Refuse is another continuing favorability since Stephen Hicks negotiated a better contract with this vendor as well. This alone, amounts to over \$19,000 in savings year to date.  
v. Water is amongst the other favorable variances, due to lower use as a result of rains earlier this year, in addition to more recent water restrictions mandated by the county.  
vi. Amongst the unfavorable variances, Steve Tanberg listed electricity to have increased use, possibly due to increase use of the pool and pool pumps.

- vii. Legal fees were noted to be high due to the on-going litigation against homeowners for violations of the no-pet policy. These fees also include collecting for delinquent homeowner assessments. The Board has agreed to take a more aggressive stance on collecting the homeowner's assessment. Steve noted this would be discussed later in the meeting.
- viii. Steve Tanberg indicated salaries for both security and maintenance were lower costs due to the inability to hire a security guard, necessitating hiring contract guards. This however, resulted in higher contract costs for watchmen. Steve noted that Bobbie Keliikoa was a new member of the team, and was doing a great job. The earlier savings were offset by Contract Services expenses because of the desire to keep Bobbie onboard as a full-time employee. Recent savings are due to a staff member leaving without the position being filled.
- ix. Extra effort has been made to control costs of repairs and purchases, keeping us over \$8,000 under budget this year. Similarly, pool costs are almost \$4,000 under budget, principally due to researching vendors to obtain better pricing on pool supplies.
- x. Steve Tanberg mentioned delinquencies, with 7 units being over 30 days late amounting to approximately \$6,000, 5 units are 60 days late at \$4,000, 4 units are 90 days late at \$3,000, and 6 units are more than 90 days late to total \$110,384. One of the units more than 90 days late, owes approximately \$77,476 in fees. All delinquencies total approximately \$123,576, and it was noted that the Board is realistically only able to collect \$32,633 of this amount. Steve mentioned that the Association's attorney has sent letters to those with delinquent accounts and are working on ways to change the By-Laws to fine Owners for this delinquency.

## VI. **Committee Reports**

### a. *Grounds and Safety: George Pittman*

- i. George Pittman commented the quarter was relatively uneventful in comparison to others, this was the first in a long time that Kanaloa did not experience a water leak.
- ii. The Grounds team recently finished trimming the palm trees and removing the lauhala trees. Removal is done slowly, with a few at a time, so there is adequate time to buy plants to replace those being removed.
- iii. The biggest issue faced this quarter was the water restriction all along the Kona coast. George noted the loss of several plants due to this, however with restriction level now to 25%, Grounds should be able to maintain all the current flora.
- iv. Each time Kanaloa experiences a storm, several palm trees are lost. The Grounds team is now starting to look at where trees have been lost, and are starting to do some replanting. It has been several years since this process has taken place, and George mentioned the importance in assuring the Kanaloa grounds had palm trees.
- v. George proceeded to briefly mention a personal item on safety. A few nights prior to the meeting, at 11pm he had received several phone calls. On the line was George, the guard, calling to let Mr. Pittman know his smoke alarm was going off. The guard was over immediately to assist, and George noted the great work that was done communication and service-wise, by the staff for this situation.

### b. *Investment: Rex Sawyer*

- i. The Kanaloa Capital Reserve Value as of September 30, 2017 was \$1,388,276.02. This amount included \$25,542.93 owed to the Reserve Account by the Operating Account and \$5,298.49 accrued interest earned and receivable from the CD investments held in the Reserve Account.

- ii. The bulk of the funds were invested in 9 Certificates of Deposit from 9 different banks totaling \$1,180,000 and \$177,434.60 in the UBS RMA Government Portfolio. No CD exceeds the \$250,000 FDIC insurance limit.
- iii. CD maturities range from November 2017 to August 2018 and have interest rates varying from 1% to 1.45%.
- iv. The reserve value has decreased by \$108,151.00 from the July quarter as we continue to fund the painting project.
- v. Rex Sawyer commented that subsequent to the last meeting, there were four CDs that matured with reinvestment approved by the Board in to new CDs. This was approved to be at the discretion of the Investment Committee with coordination with the Corporate Treasurer. \$150,000 was invested in a 12-month CD with MB Financial Bank, maturing August 23, 2018. Two CDs were invested for \$100,000 with Goldman Sachs Bank in a 12-month CD, paying 1.45% and maturing August 23, 2018. Two CDs for \$100,000, each matured in September and these funds were deposited in the government money fund to contribute to the painting project on an as-needed basis. The decision was made not to invest these funds in coordination with the Corporate Treasurer, with concurrence of Mr. Tanberg, another Member of the Investment Committee. The remaining due for completion of the painting project could amount to approximately \$75,000.
- vi. Prior to our next meeting on January 26<sup>th</sup>, 2018, we have four CDs maturing. \$100,000 on November 6<sup>th</sup>, \$150,000 on December 14<sup>th</sup>, \$100,000 on December 19<sup>th</sup>, and \$235,000 on January 12<sup>th</sup>. CD rates at UBS presently are at 1.15% for three months, 1.30% for six months and are around 1.45% for 12 months. Rex recommended that the CDs be re-invested in new 12-month CDs as they mature. Current funds in the government money funds appear adequate to complete funding with the painting contract and other reserve projects.

***Rex made a motion to reinvest the proceeds of maturing CDs in new 12-month CDs at UBS. Bill Dallenbach seconded the motion. Steve Tanberg noted that, per the prior meeting on July 28<sup>th</sup>, Rex had the authority to make these decisions without a motion to the Board. The Board agreed, and as such, the decision was made by Rex to reinvest the proceeds as detailed above.***

c. *Safety/Pier Report: Jerry Ernst*

- i. Jerry Ernst proceeded to update Ownership on the on-going pier revitalization project. He noted a few years ago the Board began looking into assuring they were well maintained, and started to replace the piers that were in the worst shape. 28 have been completed, eliminating those that were the in the poorest condition first.
- ii. This project has been budgeted for the next two years, approximately \$27,000 in 2018 and \$28,000 in 2019.
- iii. Jerry noted that the piers on the ocean side have concrete-block walls, so a different approach will be used in those repairs.

d. *Managers' Report: Stephen Hicks*

- i. Stephen thanked the Board and the attending Ownership for their support and partnership of him and his team. He also proceeded to thank his team for their continuous hard work and dedication to the property and Owners.
- ii. The Reserve Study was completed in August, with all information to be presented to the Board.

- iii. Stephen noted he has been working on effective communication with his staff, as that is key to a successful operation. He holds daily, and monthly meetings with the Supervisors to coordinate all property operations.
- iv. Ken Albert is a new team member in Maintenance, as Ken Miller, the previous Maintenance Supervisor left. It was noted he was not in good health, and Stephen encouraged Ownership and the Board to wish him well if they see him.
- v. Alberto Salmo, another great employee, was unfortunately hired away by the company that performs tree-trimming at Kanaloa.
- vi. Stephen mentioned the internal projects his team was working on, to include trimming trees around the main drive. The indicate the lauhala trees between buildings 27 and 28, as well as between buildings 22 and 23, have been completed.
- vii. With the new installation of the automated gate, Stephen reported the new gate procedures have been successful overall. Even with a few minor bugs in the system, the previous concern on the inconvenience, has not been realized. The current issue that is being addressed, involves the gate not closing when certain vehicles enter. There are only a few vehicles with this issue, 95 out of 100 times it closes. Stephen mentioned it has been very effecting in reducing the numbers of unwanted guests. 346 gate cards were issues in August and September, and four of those were un-returned to total other income of \$120. Stephen and his team will continue to track this monthly and report to the Board.
- viii. In the third quarter training, Hurricane safety was covered to assure the staff was fully prepared for any natural disaster. Fourth quarter trained occurred a week prior to today, and as Hurricanes are now a large nationwide issue, we decided to do additional training on this subject.

## VII. Action Items

### a. Budget Approval

- i. Bill Lamberton noted the budget was presented to the Board. It was mentioned insurance rates increased, assuring the Board meets and maintains Ownership expectations.

***Steve Tanberg made a motion to approve the budget as presented to the Board, with a 4.05% overall increase. Bill Dallenbach seconded the motion. Dean Yamamoto, of Castle Resorts and Hotels, commented the additional fee to Owner will increase approximately from a low of \$29 to a high of \$45. The motion carried unanimously.***

### b. Reserve Study Approval

- i. Steve Tanberg stated there was an automatic contribution to the reserve study every year as a percentage.

***George Pitman made a motion to approve as presented above, and Jerry Ernst seconded the motion. The motion carried unanimously.***

### c. Unit 1205 Settlement \$11,000 - Release of Lien.

- i. Steve Tanberg noted that the bank addressed the Board after the sale and negotiated a \$5,000 increase over the funds that would normally be provided. A lot of monet was spent on legal issues to foreclose. Based on Hawaii law, it was stated that only \$6,200 could be collected by the Board for this unit, and an additional \$5,000 was added to cover the expenses incurred. The Board will be looking into renting the unit for revenue in the future. The total amount owed by this unit is \$94,000.

***Steve Tanberg made a motion to sign a release of lien with information provided above. Bill Dallenbach seconded the motion, and was carried unanimously.***

- d. Unit 101 Extension Approval
  - i. Owner of unit 101 would like to install a window instead of a sliding glass door. Steve Tanberg noted this extension approval has been done for many of the units at Kanaloa. ***Steve Tanberg made a motion to grant extension approval to unit 101. Forbes Burdette seconded the motion. No discussion ensued, and the motion carried unanimously.***

## VIII. Discussion Items

- a. New Gate Procedure
  - i. Stephen Hicks mentioned his previous report, indicating the issue that had been discussed, and reporting the new procedure is an overall success. The Board is pleased by the way it is currently operating.
  - ii. It is reducing number of people who are not permitted to be on property and who are not registered guests.
  - iii. The Board asked the Ownership in attendance for any suggestions to improve the new system.
    - 1. One Owner commented the black box that authorizes entrance, should be moved a bit closer to cars, or to increase the sensitivity so it reads entry cards from farther away. Currently, there are times Guests and Owners need to open their door to reach out to the box in order to operate it. Stephen Hicks confirmed he and his staff are looking into the issue, hoping that they can increase the sensitivity to fix it.
  - iv. Stephen Hicks noted that currently a sticker is available for cars, however does not suggest it for rental cars. The best way is to obtain a card for the duration of the stay. He also noted guests will still have to come to front desk to activate the card. Even if an Owner hands a card to a friend, at that time it will be disabled.
- b. By Law Change
  - i. Steve Tanberg discussed a change that was made in 2015, when the Board voted to adopt 514B. The Board came to the realization that there are several references to 514A in the By Laws, so an amendment is needed. As the Board went through the terms, it was noted that they are more outdated than anticipated. Some procedures are not consistent, and there have been several amendments since the By Laws were adopted. The Board has decided to completely re-do the By Laws, re-typed the version and made suggested changes where appropriate. All Board Members currently have a copy to look over and make changes. Once all changes and comments have been received, an attorney will review. Once approved by the attorney, Ownership will receive a copy for vote.
- c. Proposed Pool Bar
  - i. Bill Lamberton noted that after an update was email to Ownership, the Board received several concerns on the proposed pool par. He assured Ownership in attendance that nothing had been approved, but that the Board was exercising options and reaching out to different parties for suggestions.
  - ii. In the past, there was a restaurant by the pool, and there were many complaints when it closed. An Owner reached out with interest to convert the space into a bar, and the Association agreed it would be a good asset and advantage to the property amenities. The Board granted permission to this Owner to go forward with the research process, as it will not cost the Association anything to do so.

1. Steve Tanberg noted we will not have to increase insurance to cover this new addition. There would be no outsiders allowed at the bar, and any entertainment would need to be pre-approved by the Board.
2. George Pittman stated one of the concerns that were voiced, indicated that Ownership would no longer be able to bring their own wine to that space. However, he mentioned this was not the case, and this would still be an option for Owners to do so. Nothing will change as far as Owners use, and it is important to look at it as an additional service provided at the property.
- iii. A question was raised in the audience on the liability issue, and if the person looking to create this new bar space, would need to obtain insurance for this purpose.
  1. Steve Tanberg replied that, yes, this individual would be obtaining their own insurance, and there would be no additional cost to the Association. He noted that the Board would work with an attorney and their insurance company to assure all liability was covered.
- d. Thurston Request of Extension
  - i. Steve Tanberg noted this would be discussed in Executive Session.

IX. **Next Meeting: Friday, January 26, 2018 at 9:00a.m.**

X. **Adjournment:** Bill Lamberton, President, adjourned the meeting at 10:16 a.m.