

**Minutes of the
AOAO Kanaloa at Kona Quarterly Board Meeting**
Friday, July 26, 2019 – 9:00am
Main Pool Lobby

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 9:01 a.m.
- II. **Roll Call:**
Present: Forbes Burdette, Bill Dallenbach, Bill Lamberton, George Pittman, Rex Sawyer, & Steve Tanberg, Jerry Ernst
Quorum was established.
- Guests:* Castle Resorts & Hotels Members; Robin Graf – VP of Operations, Dean Yamamoto – VP of Finance, Violet Carlsberg – Director of Business Development, Dale Mustard – General Manager.
- III. **President’s Comments:**
Bill Lamberton, President, welcomed all in attendance. He noted the Board had been working with the solar consultant to keep updated on new technology and cost-effective options for Kanaloa. Bill announced that there will be proposed new HVAC guidelines for re-installations to keep noise and disturbance at a minimum for all Owners and Guests, which will be reviewed and voted on later in the meeting. In addition, he noted there are several buildings with tipping/sliding piers, and the Board recognizes is of great importance to fix immediately. This would also be detailed later in the Committee Reports and put to vote for action.
- IV. **Approval of the January 26th, 2019 Board Meeting Minutes:**
Bill Lamberton, President, asked for approval of the January 26th, 2019 minutes.
A motion was made by Steve Tanberg to approve the minutes. The motion was seconded by Forbes Burdette, and the motion carried unanimously.
- V. **Committee Reports**
- a. *Treasurer’s Report: Steve Tanberg*
- i. Steve Tanberg reported that he will review the key financial data, and noted a handout detailing the full financial report was passed out to all in attendance and available to all Owners not in attendance.
 - ii. The Operating Fund Balance, comprised of immediately available investments in addition to the checking account, is \$191,604.90
 - iii. The Regular Reserve Account, which is for long-term recurring projects, has a balance of \$1,438,173.13
 - iv. The Special Reserve – ADA Compliance balance is \$53,456.24
 - v. The year-to-date Operating Fund Surplus is -\$17,854.64
 - vi. Other income received, detailing income from late fees, interest, and the any lost front-gate cards, totaled \$1,753.51.
 - vii. Reserve Account Interest totaled \$10,835.98.
 - viii. Income from the Castle Rental Program totaled \$8,955.
 - ix. General Assessment to Operating is \$424,891.62, and General Assessment to Reserves is \$77,197.89.

- x. Among the favorable variances was Building, at \$2,401 under budget for savings of 19%. Steve noted this is due to buying supplies on an as-needed basis.
- xi. Ground and Grounds Supply had a savings of \$5,415, or 33%.
- xii. There was a 23% savings in Salaries for the Manager, or \$6,027, because of a period where no General Manager was on site.
- xiii. Salaries in Grounds had a savings of \$2,823 due to a vacant position in January and February.
- xiv. Payroll Taxes and Benefits had a 15% savings, or \$10,004, due to several employees not capitalizing on the benefits that are offered and were budgeted for.
- xv. Termination of three employees and an adjustment of vacation accruals led to a savings of \$15,520 for the year.
- xvi. For legal fees, the Association is \$3,225 under budget year to date for a 72% savings.
- xvii. For unfavorable variances, due to the termination of the Activity Desk Contract, there will be a loss of \$35,000 for the year, as the possibility of a new contract appears slim.
- xxviii. Water is over budget by \$17,099, or 30%, this year due to a rate increase and an increase in usage. Three irrigation leaks were discovered that contributed greatly to this and have since been repaired.
- xix. Repairs and Purchases is currently \$2,179 over budget, however this will be billed-back to Owners for having done the work inside their units.
- xx. Salaries in Maintenance is 11% over budget, amounting to \$16,416. This is due to the carport project and bonuses, which were about \$5,000 over what was budgeted.
- xxi. Salaries in Security is 7% over budget, due to bonuses for employees that were previously approved by the Board.
- xxii. Recovery Work Orders were 8% under budget for what was expected from work-orders and owner project work, amounting to a loss of \$7,611. This was partially due to a higher occupancy of units limiting the ability of the maintenance team to complete projects.
- xxiii. And finally, for unfavorable variances, property insurance was \$7,068 over budget due to increased insurance rates.
- xxiv. Ownership delinquencies have greatly improved. The Association is now charging legal fees directly to the Owner, in addition to interest. No units are 30-days late. Two units are over 60-day's late for \$1,131.34, and an additional two units are 90-days late for \$97.50. Three units are more than 90 days late for \$57,776.89
- xxv. Steve noted that some of these delinquencies are likely recoverable. The doubtful account balance is \$47,509, with the likely recoverable amounting to \$11,496.45.

b. *Grounds and Safety: George Pittman*

- i. George Pittman noted there have been a lot of improvements made recently, with one of the accomplishments around the housekeeping area to remove the shrub around the perimeter. It has been replaced with grass, and the Grounds team will be looking to complete similar projects around the property and remove more of those shrubs.
- ii. The propane tank will be replaced and relocated in the next six to eight months.
- iii. A number of years ago the team planted citrus trees, and now that the soil chemistry has been monitored and improved, the trees are producing a lot of limes. Another citrus tree was just planted by building 26.
- iv. A new lawnmower (X Martin) was recently purchased and is performing well. The old Walker Lawnmower was taken in to a mechanic to replace the engine, and now the Grounds team can more efficiently work around the property.

c. *Investments: Rex Sawyer*

- i. The value of the Kanaloa Reserve Account at the close of the second quarter was \$1,491,629.37. Included in the amount were CD's totaling \$1,330,000, cash reserves in the UBS Bank Business Account for \$145,513.00, accrued interest of the CDs for \$12,319.91, and \$3,796.46 owed to the Reserve Account by the Operating Account.
- ii. The CDs for \$1,330,000 were invested in 10 CDs from 10 different banks. No bank investment exceeded the \$250,000 FDIC insurance limit. Maturities ranged from September 2019 to May 2020. Interest rates ranged from 2.35% to 2.65%. Interest rates continue to decline and are currently about 2% on 3-month CDs and are relatively flat with 2% on 12-month CDs. This is a decline of over 50 basis points since the first of the year. The market is predicting a further decline in the federal funds rate of at least a quarter (.25) percent next week, with further rate cuts over the next 12 months.
- iii. Subsequent to the last meeting, the Association purchased three 12-month CDs. Two CDs were re-invested from maturing CDs and the 3rd from funds of the 2.7% JP Morgan CD that was callable. We purchased a 12-month CD from Customers Bank for \$100,000 with an interest rate of 2.4%. Also, a 12-month CD from BMO Harris Bank for \$125,000 at 2.4% and a Bank OZK for \$100,000 at 2.4%.
- iv. The CD for \$100,000 that matured on June 20th, was not reinvested to provide funds for possible Capital requirements and is in the UBS Bank making up the majority of the \$145,513 reported earlier. There will be further discussion on a project later in this meeting which may require around \$40,000 of these funds.
- v. There are two CDs maturing in September. A CD for \$100,000 with Discover Bank matures on September 6th, 2019 and a CD for \$170,000 with Wells Fargo Bank matures on September 16th, 2019. These CDs can likely be re-invested in new CDs. Since we do not have any August maturity of any CDs, the Board has decided not to invest any of the cash in the UBS Bank Business Account at this time. Rex noted he will monitor the cash flow with Dean Yamamoto through August to see if it becomes prudent to invest any of that cash.

VI. **Managers' Report:** *Dale Mustard*

- a. Dale thanked the property team, Owners, and the Board for a warm welcome, and commended the on-site staff for being so helpful as she assumes her new role as General Manager.
- b. New Hires at the Front Desk include Jenny Zimmer, Front Desk Supervisor, and Diane Thomas as a Front Desk Agent. Our goal is to have a more efficient, guest focused operation, have happier guests and to bring in more revenue!
- c. Dale also welcomed new hires in Maintenance, John Mallen, and in Grounds, Nakalohe Gersaba.
- d. Leeshea is still on medical leave, which has now extended to 2020. Dale will keep the Owners apprised of her condition and expected return date, if any.
- e. The new gate system has proved to be safer for our Owners and Guests and has been working quite nicely.
- f. The carport project is ongoing, and the goal is to complete an average of 2.5 per month for the remainder of the year.
- g. Dale requested that all Owners communicate any requests to her via email so she can keep a written record. She is also available anytime via text or call, and asked Owner not to hesitate to reach out should they need anything.

- h. The irrigation issues and repairs have been an on-going challenge in the past, but the team is now keeping a close eye on the issues and implementing preventative maintenance efforts to minimize any further leaks.
- i. The Grounds team is continuing to trim trees around the property and noted lemon trees will be planted as well.

VII. Action Items

- a. *Bill Lamberton, President, read and/or discussed the following Action Items for approval by the Board:*
 - i. Approval of the expenditure of \$40,000 to repair 37 foundation piers that are cracked and have been identified in critical need of repair on the ocean side of the property.
A motion was made by Bill Lamberton to approve the \$40,000 cost to repair the 37 foundation piers. Forbes Burdette seconded the motion, and the motion carried unanimously.
 - ii. Approval new Guidelines for the installation of new or replacement Air Conditioning Systems.
 - 1. Steve Tanberg read the following new Air Conditioning Policy for approval and noted the Board believed it was a reasonable policy to benefit all:
 - a. All outside replacement and new air conditioning compressors must be approved by the General Manger to insure proper placement and condenser type.
 - b. The Kanaloa Maintenance Administrative Assistance should be notified as to the installation date of a new or replacement outside condenser and the name of the company doing the installation. The Maintenance supervisor will verify the installation is being done as approved and any chases, conduit, wires and refrigerant and drainage tubes are acceptably camouflaged, with any installed chases constructed and finished to match existing architecture and building design.
 - c. Any condenser placed under or near a neighbor's window shall be a modulated scroll-type compressor with a variable speed and shall expel warmed air sideways, away from the building.
 - d. Condensing units under a building shall be installed near an outside wall so as not to release excessive heat into the apartment above it and shall direct heated air away from the building, not upward.
 - e. Air conditioner condensers must be low-noise units.
 - f. Deviations from the standards set forth herein must be approved by the Board.
 - g. Because Kanaloa's buildings were not designed for air conditioning and the cost of electricity is so high on the island, Owners are encouraged to consider the new "mini-s[lit]" ductless air conditioning systems. Owners who have installed these have found them to be cost effective.
A motion was made by Steve Tanberg to approve the new AC policy as stated above and read aloud to the audience. George Pittman seconded the motion, and the motion carried unanimously.
 - iii. Approve house rule on parking: Owners who rent their units need to leave their assigned covered parking open for the renter's use. Personal vehicles cannot be parked in open spaces during the absence of the Owners.

A motion was made by Bill Dallenbach to approve the above update to the house rule on parking. Rex Sawyer seconded the motion, and the motion carried unanimously.

- iv. Steve proceeded to request an additional action item for approval and made a motion to write-off \$55,487 in delinquencies from unit 2802, Owner Don Gieseke.

A motion was made by Steve Tanberg to approve this write-off, noting it was highly unlikely the Association would every receive the delinquent funds. George Pittman seconded the Motion. Forbes Burdette and Bill Lamberton did not approve of the motion, but it passed with a vote of 4 to 2.

VIII. Discussion Items

- i. Bill Dallenbach announced the Castle Resorts and Hotels would look into creating an Association website for all Owners. This site would provide the weekly updates from the General Manager, as well as meeting notices, and a forum for all Owners to easily communicate with one-another. Castle would report back at the next meeting on the status and timeline for completion.
- ii. Employee parking was of great discussion, as Owners in the audience felt employees should not be allowed to park on premises in premier parking area for guests. Discussion ensued and it was agreed that employees should either park outside of the front entrance gate to Kanaloa, or in the designated stalls and areas assigned by the General Manager. Dale Mustard stated she would discuss with all employees and assure the guidelines are followed.

IX. Executive Session

X. **Next Meeting, Annual: Friday, October 25, 2019: 9:00am.**

XI. **Adjournment:** Bill Lamberton, President, adjourned the meeting at 10:14 a.m.