

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

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, Wayne House, George Pittman, Judy Wormington, Wendy Benson & Mikel Bryan. Bill Lamberton was absent from the meeting.

Managing Agent Representatives: Castle Resorts & Hotels – Jim Heather, Ken Albert, Dean Yamamoto, Beeper Nakamaejo, Violet Carlsberg, & Renette Carpio.

III. PROOF OF NOTICE OF MEETING

Notice of meeting was posted on January 17, 2023.

IV. REAL ESTATE MARKET UPDATE

Kimi Nagatoshi of LUVA Real Estate provided a brief update on the real estate market in Kailua-Kona.

V. APPROVAL OF MINUTES

MOTION (1): Wendy Benson moved to approve the minutes of the 10/28/22 regular board meeting as presented; seconded by George Pittman. The motion was approved by unanimous consent.

VI. PROPERTY MANAGER'S REPORT (Jim Heather)

- a. Grounds – Puna's staffing has been running short in Q4 with two Puna Angels and one regular guy supported by Gary as the working supervisor. The three workers who are constant are very good and efficient with their time so the property care has not been falling behind.
- b. Security – A new server has been installed to run the entry badge system and security cameras with great results.
- c. Maintenance – The Mule will be towed to Kiser Motorcycle to get an estimate for needed repairs. If the repair costs are reasonable, we will repair the Mule and return it to service with the maintenance team. The Mule without the engine will be sold and removed from the property. Wendy is working with Ken to establish a fair market value for the two lawn mowers. Randy has continued to replace the pool gates with two more remaining to be done with one at the Quiet Pool and one at the Main Pool. Many directional signs, entry steps, propane tank hut and lanai rails have been replaced in Q4. Most of the three-story building stairwells have had the cracks sealed and floors and steps repainted. Lanai 4x4 support post replaced on the 5 building. Ken's team has done many large interior projects for owners, including repainting, fabricating window casings, louver window replacements and water leak post remediation repairs.
- d. Reserve Projects – Phase II exterior painting is on schedule with buildings 13-16 and 30-37 starting on 5/1/23, continuing until 9/7/23. The schedule was distributed to owners impacted by the project with reminders being sent on a regular basis.

VII. OFFICERS / COMMITTEE REPORTS

- a. President's Remarks (Stephen Tanberg) – President Tanberg reported that Jim Heather continues to do an excellent job managing the association. Now that we have migrated back to the traditional management model of having a general manager oversee both the property and on-site rental program, the AOAO can begin to see some cost savings.

Recognized and thanked owners Bonnie Goldsmith, Wendy Benson, Judy Wormington, Diane Pittman, and Steve Solberg for organizing the Employee Luncheon. It was a good start to re-establishing the camaraderie of owners, and the feeling of 'ohana that is traditional at Kanaloa.

Additionally thanked owners who have offered to assist the association in other ways: David Miller (sound system for meetings), Mary Cowen (volunteered to do research on alternatives to Envirosmarths for our leak detection system), Heather Johnson and Jim Lisy (flower boxes at front gatehouse and ocean herb garden), Bill and Barbara Dallenbach (maintaining Kanaloa Communique), Bud Johnson (educating board and owners on termite problem), Kurt Goldsmith (working with Wendy Benson to develop Guest Registration database).

Lastly, President Tanberg reminded owners of the owners' party in April.

- b. Treasurer's Report 4Q 2022 (Wayne House) – Treasurer House presented a report on the financial highlights for the period January - December 2022. See **Exhibit A** attached to these minutes.
- c. Grounds and Safety Report (George Pittman) – Chair Pittman reported that the Phase II painting project is on schedule to start May 1, 2023 with respective repairs to the entryways and lanai railings to continue during this phase. The paving project is being planned for 2024.
- d. Investment Report (Wendy Benson) – Chair Benson reported that the value of the Kanaloa Reserve Account as of December 31, 2022, was \$1,879,782.05. Included in this amount were Certificates of Deposit (CD) totaling \$1,723,204, cash reserves in the UBS Business Bank and investment accounts of \$152,986 and \$2,184 in Credit Union Money Market accounts. \$12,719 was owed to the operating account by the reserve account at the end of September.

Interest rates have risen since our last meeting, we continue to monitor and reinvest CD's as they mature. There was a CD that just matured this month, and we will be reinvesting this shortly.

Your investment committee for 2022 is composed of Stephen Tanberg, President of the Kanaloa Board, Wendy Benson, Director and Wayne House, Treasurer.

Due to a family emergency, Director Mikel Bryan departed the meeting.

VIII. UNFINISHED BUSINESS

- a. Termites – Bud Johnson is providing assistance with this project. There were several questions from the owners.
- b. ADA Policy – President Tanberg noted that a reply was just received from the Association's counsel and the Board will need to review.
- c. Planned Maintenance Update – Ken Albert provided an update on electrical inspections and dryer vent cleaning (no cost to owners).
- d. Envirosmarths Update – President Tanberg reported that the Board performed its due diligence on references on Envirosmarths and will need to determine a more in-depth action plan.
- e. Irrigation Solutions Contract – The Board decided to defer action until more information is received.

IX. NEW BUSINESS

- a. Collection Policy – The Board discussed the draft collection policy.

MOTION (2): Wendy Benson moved to approve Items 1-7 of the draft collection policy, with Item #8 to be presented and approved by majority owners at the annual meeting in April; seconded by Judy Wormington. The motion was approved by unanimous consent.

- b. Auditor Proposals – Dean Yamamoto explained that the auditor who was previously providing auditing services for the AOAO is retiring from condominium audits. Proposals are being procured from other auditors and one has been received so far.

X. MEETING SCHEDULE

- a. Next Board & Annual Meetings – Friday, April 28, 2023, 8:00am (HST) / 10:00am (HST).
b. 2023 Annual Meeting Owners' Party – April 2023

XI. EXECUTIVE SESSION – Delinquency fees, legal matters.

The regular session was adjourned at 11:15am and the executive session was called to order at 11:45am. The executive session was adjourned, and the regular session was reconvened at 12:46pm.

MOTION (3): Wendy Benson moved to approve reallocating 2023 reserve funds against three (3) projects, those being 1) 100% piling replace and repairs with 28 remaining of which \$1,100/piling has been paid for 5; 2) Master valve installation included in Irrigation Solutions' proposal for \$10,500 which is \$3,500 x 3 plus tax; 3) Proceed with Controller B replacement not to exceed \$67,449 from Irrigation Solutions' proposal; seconded by George Pittman. The motion was approved by unanimous consent.

XII. ADJOURNMENT

Meeting adjourned at 1:05pm.

Respectfully submitted,



Renette Carpio, Director of Condominium Administration
Castle Resorts & Hotels
As Managing Agent for AOAO Kanaloa at Kona

Approved and signed: /s/ George Pittman
George Pittman, Board Secretary

4/28/23
Date

AOAO Financial Highlights January through December 2022 (Corrected)

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 exceed 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>