

Minutes for the Board of Directors Meeting
AOAO of Kanaloa at Kona
January 27th, 2017 – 9:00am
Kanaloa Lobby Clubhouse

- I. **Call to Order:** Forbes Burdette, President, called the meeting to order at 9:03 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:**
Forbes Burdette commented this meeting would be a preview to the Annual Meeting, as many ongoing projects will be approved and presented at that time.
- IV. **Approval of the July 29th, 2016 Minutes:**
Forbes Burdette, President, asked for approval of the minutes. Minutes were deferred approval from the October 28th, 2016 Meeting.
A motion was made by Steve Tanberg to approve the minutes from July 29th, 2016. Jerry Ernst seconded the motion. The motion carried unanimously.
- V. **Approval of the October 28th, 2016 Minutes:**
Forbes Burdette, President, asked for approval of the minutes.
A motion was made by Steve Tanberg to make an adjustment to the minutes before approval. The adjustment is as follows:
Section VIII: a. ii. currently reads: Bill Lamberton stated that a credit card deposit would be required for those checking-in, and all information would be registered at the front desk. This would be to hold liability against damages to the property, or smoking on-site.
Steve Tanberg motioned to change the last sentence of the section to read: “This would enable us to collect against damages to the property, or smoking on-site.” Bill Lamberton seconded the motion. The motion carried unanimously.
- VI. **Treasurer’s Report**
a. Bill Lamberton, Treasurer, reported a balance of \$88,444.14 in the Operating Account, and \$1,569,367.71 in the Capital Reserve Account. Currently, the total amount of funds that the Operating account owes the Capital Reserves is \$115,532.44.
b. Bill Lamberton reported on maintenance fees and electricity. He indicated the current balance of Maintenance Fees to be \$1,457,844.48, with a year to date variance to budget of \$154,295.52. This is largely due to surplus carry over from 2015. Maintenance salaries have decreased year to date, with a variance of \$14,312.63. These savings are due to having one less maintenance employee on staff. Electricity costs have a year to date variance of \$11,774, which is due to electricity cut-backs in addition to lower fuel costs. LED lights have also been installed to all carports.

- c. Bill Lamberton reported there was a major water leak in January, with an additional two water leaks in May. There was also an issue with the water meter, resulting in a year to date surplus to budget of \$9,725.
- d. In regards to delinquencies, Bill Lamberton reported that 4 units are over 30 days late, 4 are over 60 days late, and 7 units are over 90 days' date. 5 of the 7 have been sent to collection. The total balance amount of delinquencies is \$117,218.
- e. Jerry Ernst reported on various structural issues throughout the property that required immediate attention and were unexpected costs.
 - i. Third floor lanais were examined last year. The Board hired a structural engineer for professional guidance. Four were fixed immediately, two more were done in house and two more will be done in the future. The association is responsible for fixing the railings, and the Owner is responsible for any repairs needed for the actual deck.
 - ii. The round, concrete, foundation piers in all 37 buildings have been evaluated. There are 19 buildings with a total of 47 pillars that will need to be replaced over the next two years. The concrete is spalling and exposing rebar. Maintenance identified those that need immediate repair and are acting accordingly to fix as soon as possible. The approximate cost per pier is \$1,200.
 - f. Bill Lamberton then noted the excellent performance by Stephen Hicks to cut costs, reducing the pool chemical fees by half.

VII. **Committee Reports**

a. *Grounds: George Pittman*

- i. George Pittman noted the excellent work of the staff, as the grounds are spectacular, and have really come to fruition. A new staff member, Randy Oleyte has replaced Steven Sacay, and his experience in landscaping is working extremely well for our grounds.
- ii. New edging started at the Ocean Pool and has now been complete from buildings 24 through 27, as well as building 1. The Grounds team plans to continue replacing all edging.
- iii. For all the lawns near the fairway building, turf tires were ordered for the mules to prevent grass damage. The Grounds team will continue to use one set of off-road tires to access the ocean side of the property.
- iv. All the new irrigation clocks have been working flawlessly. It was learned our team can now control these by cell-phone, and it is hoped once wi-fi capabilities are increased, this feature will be available to us.
- v. In March, there is a plan to trim the palm trees on property to maintain health and open views to certain rooms.

b. *Safety: George Pittman*

- i. Two new electric carts have been purchased, although used they are much better mechanically and in appearance..
- ii. The team has cleaned the dryer vents in 15 buildings, and will continue until all are complete.
- iii. There were three safety harnesses purchased for the Maintenance staff for working on 3rd level lanais. Donny Iokepa has led the staff in a one hour safety class to assure the teams safety and understanding.
- iv. George Pittman congratulated Steve Hicks on a job well done, as he was able to re-negotiate the trash pickup, saving us approximately \$27,000. In addition to a pool chemical savings of approximately \$7,000.
- v. Jerry Ernst reported he has been working with an engineer on the concrete piers around the property.

1. By removing paint, structural issues were discovered and the Board decided to hire a structural engineer to investigate further.
 2. Upon investigating, each pier was categorized 1 through 5, 5 indicating the highest priority. 11 piers are a 5 category, and there are 36 at 4.
 3. Once further testing was done by jackhammering the pier, it was discovered that the reinforcement steel is rusting.
 4. A plasticized concrete mix was suggested for repair, and the Board is waiting on the results of the strength to see feasibility.
 5. This is projected to cost approximately \$1,200 each. There have been 20 budgeted for next year.
 6. The Board will now make it so the piers are inspected annually in hopes to maintain and prevent future damage.
- vi. Forbes Burdette commented that he had re-negotiated the lease for the activities desk.

c. *Investment: Rex Sawyer*

- i. The Capital Reserve Value as of December 31, 2016, was \$1,569,367.71. The Reserve Fund invested amount was \$1,449,779.97.
- ii. A balance of \$115,532.44 was owed to the reserve fund by the operating account.
- iii. Investments consisted of ten, 12-month CD's, with eight different banks.
 1. \$304,779.97 was in the UBS government fund. A \$235,000 CD matured on December 28th and was invested on January 5th, reducing the amount in the government fund to \$69,779.97.
 2. All investments were in government guaranteed investments with no bank investment exceeding the \$250,000 FDIC limit.
 3. No investment exceeded 1 year in duration, with maturities varying from February 2017 to December 2017.
- iv. Subsequent to the October meeting, we had three CD's that matured. Three motions were approved to reinvest these funds in new 12-month CD's.
 1. A CD for \$150,000 was made with Discovery Bank at 1% maturing December 17th, 2017.
 2. A CD for \$100,000 was made with Bank of India at 1.05% maturing December 19th, 2017.
 3. A CD for \$235,000 was made with Bank of California, at 1%, maturing January 12th, 2018.
- v. There are no excess funds to invest at the current time. However, there are CD's maturing before the next meeting. A CD for \$150,000 matures on February 22nd, 2017, a CD for \$100,000 on March 2nd, 2017, a CD for \$125,000 matures April 20th, 2017, and a CD for \$120,000 on April 20th, 2017.
 1. The third phase of the building painting project will cost about \$360,000 and the foundation pillar project about \$24,000. Payment will be phased throughout the year as work is completed. Funds will be accruing, and we have three additional CD's maturing in May, August and September.
 2. Rex Sawyer made a motion that the Board re-invests \$150,000 in a 12-month CD to replace the CD maturing February 22nd, 2017.
Bill Lambertson seconded the motion, followed by Jerry Ernst. The motion carried unanimously.
 3. Rex Sawyer made a motion to reinvest \$100,000 in a 12-month CD to replace the CD maturing March 2nd, 2017.
Steve Tanberg seconded the motion, followed by Bill Lambertson. The motion carried unanimously.

4. Rex Sawyer made a motion to reinvest \$125,000 in a 12-month CD, to replace the CD maturing April 13th, 2017.
Bill Dallenbach seconded the motion, followed by Jerry Ernst. The motion carried unanimously.
5. Rex Sawyer made a motion to reinvest \$120,000 in a 12-month CD to replace the CD maturing April 20th, 2017.
Jerry Ernst seconded the motion, followed by Forbes Burdette. The motion carried unanimously.

VIII. **Managers Report:** *Stephen Hicks*

- a. Donny Iokepa has been awarded Maintenance Employee of the Year for all Castle Resorts and Hotels properties.
- b. There was a major leak in building 7 that damaged all four units. This was caused by a pipe exiting the water heater and a solder joint that gave way.
- c. Darren has been using the greenhouse to grow new plants, which he then transplants to locations throughout the property.
- d. The wristbands are continuing to be used on key three day weekends, and we have seen an improvement in security thus far.
- e. The third phase of painting will begin on April 3rd, with buildings 1 through 11. The final building in the project will be the office building.
- f. A question was posed by the audience on the persistence of pursuing termites. Stephen Hicks commented that they had been researching three companies and are looking to continue to maintain and control the pests.

IX. **Old Business**

- a. Lanai Repair Update
 - i. Forbes Burdette commented that 8 of the three-story building lanais are currently being looked at and worked on for repair. It appears to be consistent on the lanais for the master bedrooms, as this is exposed to weather extensively and therefore deteriorate at a faster rate.
 - ii. Jerry Ernst reported that six out of the eight have been repaired. Four of those were repaired by an outside contractor at \$4,800 apiece. Two were just completed in house, for a cost of just under \$3,000.
 - iii. Steve Tanberg commented that these new lanais are expected to last 30 plus years. This is an ongoing project that the Board will reassess over the next year.
 - iv. George Pitman urged all Owners to watch the tile on their lanai in order to help the staff address deterioration issues immediately.
 - v. Steve Tanberg noted that the AOA is responsible for the railing, but the decking is the responsibility of the Owner.
- b. Foundation Update
 - i. Forbes Burdette reported this had been discussed earlier in the Committee Reports.
- c. Property Security and Entry Gate Automation
 - i. Forbes Burdette commented that this has been a past issue, and has grown over the years. Bill Lamberton will now address the issue in more detail.
 - ii. Bill Lamberton reported that the main issue has been the man power needed to man the gate 24/7, and it not being a logical expense.
 - iii. A new proposal has been made, that will allow the front desk to monitor, with individuals required to sign in and check-in at the front desk. Part of this new proposal, will provide either a pass or a car tag to Owners for convenience.

- iv. This new procedure will require guests to sign the house rules, so the Board and Front Desk can fine the guests who are not abiding by the rules.
 - v. A question was posed for property manager access, to assure those who are managing the unit also have easy access. Steve Tanberg addressed the question, saying that the Board would certainly look into this to make it a flexible system for all.
 - vi. Forbes Burdette reported that there has been a situation that the Board has had to deal with, involving an Owner consistently breaking the house rules. It has caused a significant impact on the community and surrounding buildings, and is now costing all the Owners money in legal fees. At the next meeting, the Board will be looking at changing the by-laws, to allow the Board to fine those Owners in violation of the House Rules.
- d. Perimeter Chain Replacement
- i. Forbes Burdette made a motion to approve the purchase of a new perimeter chain link fence, for \$2,287.67.
Steve Tanberg seconded the motion, followed by Bill Dallenbach. The motion carried unanimously.
- e. Lobby Furniture Replacement or Recondition
- i. Forbes Burdette motioned that the lobby furniture be refinished and recovered. New furniture might need to be purchased, and motioned to approve \$6,500 for the project.
Steve Tanberg seconded the motion followed by Jerry Ernst. The motion carried unanimously
- f. Approval Ratifications
- i. The Board approved the A/C installation of 401, 404, and 160, and all have been ratified.

X. New Business

- a. Tinting
- i. George Pittman reported that for all tinting requests, the Board will recommend a film to use and require that it be installed by a professional contractor. The Board will also set standards and specifications for the Owners to provide to the contractor.
- b. Conduit Building
- i. George Pittman reported that the electrical cables were degraded in the conduit for building 30 to 35, and complete replacement of the conduit was necessary.
 - ii. Over Christmas, there was another failure in buildings 35, 36, and 37. An electrician was called and discovered break in the line that runs between the buildings. A proposal was made for \$3,385 to repair or replace the cable and conduit.
 - iii. George Pittman made a motion to approve a cost of \$3,385.41 to further investigate the issue.
Bill Dallenbach seconded the motion, followed by Steve Tanberg. The motion carried unanimously.
- c. AOA Collection Policy
- i. Forbes Burdette reported that the collection policy was drafted by a lawyer and Castle to inform Owners on delinquencies. This will come up in the annual meeting, and will require Owner approval.
 - ii. Steve Tanberg asked that Owners assure all Special Ballots are sent in if they are not to be present at the following meeting. He also encouraged all to vote yes, as this is negatively affecting all Owners.
- d. Auditor Engagement Letter 2016/2017

- i. Forbes Burdette made a motion to approve the audit cost for 2016 of \$6,910 and for 2017 of \$7,052.

Steve Tanberg seconded the motion, followed by Bill Lamberton. The motion carried unanimously.

XI. **Next Meeting: Friday, April 28th, 2017.**

XII. **Adjournment:** Forbes Burdette, President, adjourned the meeting at 10:43 a.m.