

**KANALOA AT KONA
ASSOCIATION OF APARTMENT OWNERS
MEETING OF THE BOARD OF DIRECTORS - MINUTES
JANUARY 28, 2022 | 9:00 AM HST
KANALOA CLUBHOUSE AND ZOOM CONFERENCING**

I. CALL TO ORDER

President Bill Lamberton called the meeting to order at 9:01am.

II. ROLL CALL/ ESTABLISH QUORUM

Board of Directors Present in Person: Bill Lamberton, Stephen Tanberg, George Pittman, Wayne House, Judy Wormington, & Wendy Benson. Mikel Bryan participated via Zoom.

Managing Agent Representatives: Castle Resorts & Hotels – Jim Heather, Mark Bandsma, Glen Shimabukuro, Lori Young, & Renette Carpio. Jeff Caminos, Dean Yamamoto, and Violet Carlsberg via Zoom.

Owners: Various owners observed via Zoom and a few sat outside the lobby clubhouse.

III. PROOF OF NOTICE OF MEETING – Notice of meeting was posted on January 25, 2022.

IV. APPROVAL OF MINUTES

MOTION (1): Wendy Benson moved to approve the minutes of the 10/29/21 regular board meeting as presented; seconded by Judy Wormington.

The motion was approved by unanimous consent.

V. PROPERTY MANAGER’S REPORT (Jim Heather)

- a. Grounds – Puna continues to do a good job at stabilizing landscape maintenance and will remain focused on weeding and trimming, particularly in the area adjacent to the main entry road as it is the most visible. Trimming of trees and shrubs over ten feet in height will be addressed with a separate proposal for Board approval and scheduled as soon as possible.
- b. Security – Staffing levels are solidified with four guards available for full time hours plus one part timer. Security has been assisting in addressing irrigation and lighting issues by marking locations and creating work orders, particularly on the night shift. They have also been assisting with clearing common area trash bins and arranging pool furniture while on rounds. Security has been logging unexpected arrivals by non-Castle rental guests (with no prior notification); need to improve on this communication breakdown.
- c. Reserve Study and Reserve Projects – Curbing replacement project is 98% complete with irrigation repairs to commence in early February. Inspection of all front entry steps has been

conducted and prioritized for the maintenance team to repair. Unit railing repairs are ongoing. Thirty chaise lounge chairs have been replaced at the various pools. Major projects for 2022 are the asphalt replacement and building exterior wood repair and painting.

- d. Building Maintenance – New hire maintenance trainee will be trained on taking over pool cleaning duties and with proper pool certification. Street lights and tennis court lights will be retrofitted with LED bulbs by the first week of February. Roof repairs have been scheduled for various units for the first half of March and fence repairs at the Ocean Pool will be completed the first half of February. All barbeques are 100% operational after finally receiving special order parts from the mainland. There is also a par stock of replacement parts that we now have in inventory. Reiterated maintenance priorities again with the team: common area functions, first; assist with reserve projects, second; and owner interior maintenance, third. Underground water leaks from the main water supply line and irrigation lines need to be addressed. Landscaping company is addressing the irrigation leaks, but leak detection specialist may be needed to address main water supply line.

VI. OFFICERS / COMMITTEE REPORTS

- a. President’s Remarks (Bill Lamberton) – A brief report was provided by President Lamberton – operational improvements in landscaping and maintenance are being made throughout the property and he remains cautiously optimistic. Zoom meeting procedures have been working well the past few months and the Communicate website will be updated with board meeting minutes. A discussion followed about updating the reserve study to include solar costs.
- b. Treasurer’s Report (Wayne House) - Treasurer House reported on the financial highlights for the period January – December 2021:

Operating Fund Balance	\$492,706.57
Regular Reserve Account Balance	\$1,919,724.16
Special Reserve-ADA Compliance	\$78,456.14
YTD Operating Fund Surplus	(\$41,614.41)
Other Income (including late fees, net registration fees, interest, gate fees)	\$5,882.68
Total Registration Fee	\$51,204.30
Less Expenses	\$15,309.83
Net Registration Fee Income	\$35,894.47
Reserve Account Interest	\$2,906.78
Income from Castle Rental Program	\$38,022.00

General Assessment to Operating	\$1,631,593.44
General Assessment to Reserves	\$563,003.52

Favorable Variances—Year to Date

1. Reservation Fees

Variances due to Front Desk Reservation fees for Jan to Dec 2021. YTD fee exceeds expenses by \$35,894.

2. Grounds and Grounds Supply

We saved \$17,512 (53%) on supplies due to limited plantings and purchases. Irrigation supplies purchased in June were made in preparation of repairs. Also, the new contractor for grounds services is responsible for some supplies.

3. Salaries – Maintenance

This variance is due to a vacant position, saving \$73,215 year to date for a 23% savings.

4. Salaries – Manager & Admin

We are under budget by \$20,253 or 24%. Variance due to resignation of AOAO Manager. This was due to corporate coverage in June, partial July, and December.

5. Salaries – Grounds

We had a savings of \$108,681 (56%). Variances due to Grounds outsourced to Puna Certified Nursery in August. Also contributing to the YTD variance is vacant positions throughout the year.

6. Vacation

Variance of \$28,812 or 105% is due to reduction in adjustments for terminated employees.

7. Payroll Taxes and Benefits

Variance due to lower salaries, benefits and outsourcing resulted in a \$39,304 savings, 23%.

8. Recovery - Reserves

Variance of \$19,791 (40%) due to specialized carpentry work to replace rotted wood on buildings, gatehouse project and repairs to stairs and railings. Also rebuilt trash enclosures and pool gates. Additional variance due to Main Pool Railing work and entrance stairs repairs.

9. Board of Directors Travel

We had a savings of \$9,116 (33%) due to fewer Board members traveling to the January, April meetings, a result of the pandemic. Also, only 6 of 7 current BOD members reside off-island.

Unfavorable Variances—Year to Date

1. Water

We are \$72,977 over budget (78%) due to severe leaks in two water mains, one in January and one in March. Irrigation timers have been adjusted reducing the watering duration of the 60 zones. Additional variance due to irrigation valve leaks at the entrance by the gatehouse and repaired in the first week of January 2022.

2. Grounds contract

Variance of \$94,975 due to outsourcing of Grounds Department (This is an unbudgeted item offset by Grounds labor savings net of \$13,706).

3. Pool

Unfavorable variance of \$3,768 (66%) due to scarce supply of chlorine we are purchasing more than normal if it is available. In November, outsourced pool chemical servicing as employee on FMLA.

4. Refuse

We are \$13,680 over budget (26%). Variance due to monthly charges higher than budgeted and extra bins ordered in May, June and July for disposal of multiple hedge and shrub clippings. 12/31– additional bins needed to dispose of debris and trash after 12/5/21 storm.

5. Contract Service

YTD Variance of \$15,449 (31%) includes \$1,576 to Bezona Consulting for inspection of irrigation clocks and \$3,770 to Kelly’s Services for removal of Palm Trees. Exterior window cleaning in May \$978. 12/31 - \$6,922 outsource pool maintenance.

6. Salaries - Security

YTD \$13,715 or 11% over budget. Staffing levels have been increased to 24 hours/day and labor rate increased due to labor cost increases island wide.

Delinquencies as of 12/31/21

1 unit 30-90 days late (pd 10/14)	\$ 2,242.08
1 unit more than 90 days late	<u>\$ 2,366.39</u>
Total	\$ 4,608.47
Doubtful Account Balance	\$ 5,965.74
Difference	\$ -\$1,357.27

- c. Grounds & Safety (George Pittman) – (In conjunction with Property Manager’s Report) George reported that Puna has been on board for about five and a half months, and he has seen significant improvement; their focus continues to be trimming and weeding to keep plants and lawn healthy. All five barbeque grills have been rebuilt and spare parts were ordered for future maintenance needs. The cable fence at the Ocean Pool will be repaired

using 70 strands, keeping 30 strands for inventory. The curb project is now complete, and pictures will be prepared and sent to all owners in a post project newsletter. There is a plan to repair or replace the yellow car stops to help protect the new curbs. Repairs of the stair systems are ongoing with the in-house maintenance team. There have been quite a few requests from owners and guests for pickleball and the Board will discuss converting a portion of the tennis courts to provide that amenity. The next reserve project for the year is either painting or paving and the Board has prioritized painting as the immediate need.

- d. Investments (Steve Tanberg) – The value of the Kanaloa Reserve Account as of 12/31/21 was \$2,122,725.42. Included in this amount were Certificates of Deposit (CD) totaling \$942,305.71, cash reserves in the UBS Business Bank Account of \$1,178,911.47 and \$1,508.24 in Credit Union Money Market accounts. \$28,519.65 was owed to the reserve account by the operating account at the end of December.

The \$942,306 in CDs were invested in 6 separate CDs from 5 different banks and credit unions. No CD exceeded the \$250,000 FDIC/NCUA insurance limit. Maturation dates ranged from January 2022 to September 2022. Interest returns varied from .02% to .65%.

Your investment committee for 2021 is composed of Bill Lamberton, President; Steve Tanberg, Vice President; and Wayne House, Treasurer.

VII. UNFINISHED BUSINESS

- a. Adopt rules re: meetings attended by owners via tele/video conferencing – (Steve Tanberg) – Following discussion, the Board will defer action until later.
- b. \$30 gate / registration fee for all agents (Bill Lamberton) – There was a brief discussion regarding the \$30 fee and some questions from owners participating via Zoom. A few actions have been identified to streamline the process.
- c. Proposed House Rule Change – Swimming Pool Hours Owners Survey (Steve Tanberg) Steve thanked owners for participating in the survey, which yielded a 52% return rate. The survey preferences were utilized to benchmark pool operating hours as well as quiet hours. After board discussion, the following motion was made:

MOTION (2): George Pittman moved that the house rules shall be amended to reflect 8:00am – 10:00pm pool hours for all three pools and quiet hours of 7:00pm – 10:00pm shall be observed for the Main and Ocean pools; seconded by Steve Tanberg.

The motion was approved by unanimous consent.

- d. Progress on pest control access to units (termites) – Jim reported that he has had discussions with Terminix on termite treatment options and will be disseminating this information to the Board for approval before providing information to owners.

VIII. NEW BUSINESS

- a. Establishment of Renovations Committee – The parameters of establishing this committee are in progress.
- b. Castle’s official emergency plan for Kanaloa – Castle has a Corporate Safety Program which includes emergency procedures for tsunami, hurricane, power outage, fire/evacuation, pandemics, and asbestos management. As this plan has evolved over the years, it will be updated specifically for Kanaloa.
- c. Incident Communication Plan – Procedures for owner notification of events and / or incidents are in progress and will be disseminated to all owners for their reference.
- d. Post curb project irrigation repair plan -

MOTION (3): Wayne House moved to approve the proposal submitted by Puna Landscaping to repair the irrigation lines and sprinkler heads that were compromised by the curbing project for \$38,000; seconded by Wendy Benson.

The motion was approved by unanimous consent.

- e. Board meeting action items and project tracking sheet – This tracking sheet is in progress.
- f. Specimen tree trimming proposal -

MOTION (4): Steve Tanberg moved to approve Puna Landscaping to trim specimen trees not to exceed \$10,000; seconded by Judy Wormington.

The motion was approved by unanimous consent.

- g. Phase I Painting of Buildings – To begin the process of developing the scope of work and procuring bids, the following motion was made:

MOTION (5): Judy Wormington moved to approve beginning the process of procuring painting proposals not to exceed \$455,429; seconded by Steve Tanberg.

The motion was approved by unanimous consent.

- h. Green Waste Removal –

MOTION (6): Steve Tanberg moved to approve paying John Rogge a \$200 stipend for every green waste load that is removed from the property; seconded by Wayne House.

The motion was approved by unanimous consent.

IX. MEETING SCHEDULE

- a. Next Board Meeting – Friday, April 29, 2022, time TBD
- b. Next Annual Meeting – Friday, April 29, 2022, 9:00am (registration) 10:00am (meeting)

There will be three positions expiring at this meeting, those of Bill Lamberton, Steve Tanberg and Judy Wormington.

X. EXECUTIVE SESSION – Delinquency fees, legal matters.

The regular session was adjourned at 11:30am and the executive session was called to order at 12:00pm. The executive session was then adjourned, and the regular session was directly reconvened at 1:45pm.

XI. ADJOURNMENT

Meeting adjourned at 1:45pm.

Respectfully submitted,

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

Approved and signed:

George Pittman, Board Secretary

Date