

**Minutes of the
AOAO Kanaloa at Kona Quarterly Board Meeting**
Friday, July 27th, 2018 – 9:00am
Main Pool Lobby

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 9:07 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 – Director of Business Development, Stephen Hicks – General Manager.
- III. **President’s Comments:**
Bill Lamberton, President, welcomed all in attendance. He noted it was important to pay close attention to the agenda, as the discussion items today are significant and will come up again. Bill proceeded to thank Castle Resorts and Hotels for their partnership and attendance to each meeting.
- IV. **Approval of the April 27th, 2018 Quarterly Board Meeting Minutes:**
Bill Lamberton, President, asked for approval of the April 27th, 2018 minutes.
A motion was made by Bill Dallenbach to approve the minutes. A motion was made by Steve Tanberg to correct the numbers in section seven, item nine, by removing an additional zero to reflect \$5,000 correctly. Adjustments were made, and a motion to approve the changes was made by Bill Dallenbach. Forbes Burdette seconded the motion and the motion carried unanimously.
- V. **Committee Reports**
a. *Treasurer’s Report: Steve Tanberg*
i. Steve Tanberg, Treasurer, reported an Operating Bank Balance of \$248,581 and a Regular Reserve Account balance of \$1,384,805. The Special Reserve – ADA Compliance balance is \$43,456.
ii. Steve Tanberg referred to other income received, detailing income from late fees and interest to total \$279. Income from the activities desk totaled \$9,000 and income from the Castle Rental Program totaled \$8,702.
iii. General Assessment to Operating is \$430,871, and General Assessment to Reserves is \$71,217.
iv. Steve noted among the favorable variances was non-taxable revenue. \$10,438 was received due to a settlement received for AOAO legal fees with a home owner.
v. Electricity is also among the favorable variances, positive 6.34% for a savings of \$2,000.
vi. Water is a favorable variance with savings currently reported at 6.61% or \$3,627, primarily due to lower use with all the rains year to date, in addition to more recent water restrictions mandated by the county.
vii. The Pool cost has seen 31.4% savings, or \$2,072, due to more efficient use of chemicals and better water quality and quantity control.

- viii. Steve Tanberg noted that the salary for maintenance was a lower cost due to the inability to hire a position that was not filled until late February. This resulted in a savings of \$2,678, or 1.92%.
- ix. In addition to maintenance, the Grounds department also had a vacant position in January and February, resulting in a favorable variance of \$7,030 or 7.98%.
- x. In addition, Steve stated payroll taxes and benefits are a favorable variance, with a savings of \$21,715 or 26.28%. This is due to fewer employees taking benefits and opting for medical incentive.
- xi. Recovery-Work Orders were a very favorable variance, with an income of \$43,796 or positive variance of 247.43%. This additional income is due to multiple owner projects completed year to date, resulting in higher reimbursement to the Association. Steve Tanberg and the Board proceeded to thank Stephen and the Grounds and Maintenance teams for all their hard work.
- xii. The telephones continue to be an unfavorable variance due to increased phone issues on an aging system. Currently this unfavorable variance has cost \$2,644 equating to 86.09%. The Board is continuing to research a more economical and up-to-date system to avoid this ongoing cost.
- xiii. Repairs and Purchases of \$22,835 was an unfavorable variance at 380.59%. Steve noted this was because several expensive items were purchased for Owner units. Owners will be billed for these items and other purchases made for their units and the Association will be repaid. Thus far this year, these purchases have resulted in income of \$43,796.
- xiv. Legal fees were noted to be high at \$5,495 or 109.68%, due to the legal cost of completing the new Bylaws and for a more aggressive approach to recovering past-due owner assessments. Some of these legal fees will be reimbursed by the defaulting homeowner.
- xv. Steve Tanberg reported the following unplanned capital expenses of note. The first was the HVAC system, with \$8,203 spent on a new unit after an A/C failure in the General Manager's office. The second was concrete, almost \$9,000 has been spent year-to-date in replacing 25 concrete pillars supporting the buildings. He noted this line item has been budgeted over 12 months and this phase should be completed in April. The third item was equipment, with \$27,856 spent for a new truck, and \$8,800 for a 4-WD 'Mule' to be used by the Grounds Keeping team. Plumbing was the final unplanned capital expense to note, \$2,363 was spent in June to repair a waste disposal water line leak under building 34.
- xvi. To conclude his report, Steve reported on delinquencies as of June 30th, 2018. 2 units are 30 days late amounting to approximately \$20.00, 6 units are 60 days late at \$5,029, 3 units are 90 days late at \$1,190, and 3 units are more than 90 days late to total \$47,116. The total amount of delinquencies currently equals \$54,075, which he noted is much lower than it has been in past months and years. The current doubtful account balance is \$34,957, resulting in a difference of \$19,118.

b. *Grounds and Safety: George Pittman*

- i. George Pittman reported on a grounds and safety issue found near building 33 at the end of the pavement where palm trees had heaved up asphalt. The team put in a root-barrier, re-paved and re-sodded the area, and it seems to have solved the problem.
- ii. Darren and the Grounds and Maintenance teams are continuing to find leaks across the property and are excellent in repairing quickly to avoid any further damage and additional repair work.

- iii. George noted that the property has experienced the loss of palm trees over the last year due to bad weather. The team is currently replanting palms where they have been snapped-off or removed, with a goal to replant 6-10 per year.
- iv. Donnie is working on a magnetic latch for the Ocean Pool that is child-proof. George noted the need to replace all latches now for child safety.
- v. With hurricane season upon us, George reminded the audience of the importance of safety procedures and preparedness. He reported that Stephen and the property teams have all reviewed procedures, with refresher courses for new employees that are unfamiliar.
- vi. The Grounds team is currently re-landscaping a small area by the adult pool. Two plumeria trees will be removed and will leave one remaining.
- vii. George proceeded to thank the Grounds team, noting Darren and his team are always on property planning, re-planting, re-sodding, etc. and urged those in attendance to give a thanks the next time they see any team members on property.

c. *Investments: Rex Sawyer*

- i. The value of the Kanaloa Capital Reserve Account at June 30, 2018 was \$1,428,261. Included in this amount were CDs amounting to \$1,310,000, UBS Bank USA business account market funds of \$58,670, money owed to the reserve account from the operating account of \$54,529 and accrued interest from the CD investments of \$5,298.
- ii. The CD portion of \$1,310,000 was invested in 10 CDs from 9 different banks. No CD investment exceeded the \$250,000 FDIC insurance limit. Maturities are from August 2018 to June 2019. Interest rates were from 1.45% to 2.30%. Interest rates available currently are from 0.30% in the UBS Bank USA business account, 1.9% in 3-month CDs, 2.05% in 6-month CDs, to 2.30% in 12-month CDs.
- iii. Subsequent to the last meeting, we invested \$125,000 in a 12-month CD with Short Hills, New Jersey Bank at 2.15% maturing May 15, 2019. Also \$100,000 with Comenity Bank of Wilmington, Delaware in a 12-month CD paying 2.30% and maturing June 21, 2019. \$20,000 of the maturing Wells Fargo CD for \$120,000 was deposited into the UBS Bank USA business account as the Comenity Bank CD was only available in round lots of \$100,000.
- iv. Taking a look at available funds prior to the next meeting, Rex noted the Association has a current cash position of approximately \$112,000, with \$58,000 of this is in the UBS Bank Business Account. The remaining is in the operating fund. There is a Bank of America 12-month CD at 2.45% that has a limited amount available this morning of July 27, 2018. Rex commented that this rate is higher than anything else that he or the Association has seen lately and proposed the Association attempt to get \$50,000 at this rate. The Association has \$150,000 in a CD maturing August 8 and \$100,000 maturing August 23, 2018. Based on this, Rex proposed the following motions:
 - 1. ***Of the \$58,000 available, Rex made a motion approve \$50,000 of this to be invested in the Bank of America CD at 2.45%. Forbes Burdette seconded the motion and the motion carried unanimously.***
 - 2. ***Rex made a motion to invest \$150,000 of the maturing funds in 12-month CDs, adjusted \$50,000 dependent on the investment mentioned prior, plus the remaining \$20,000 from the \$120,000 Wells Fargo CD that matured. Bill Dallenbach seconded the emotion and it carried unanimously.***
 - 3. ***Rex made a motion for the Investment Committee to research a CD to replace the \$100,000 CD maturing August 23rd to reinvest those funds. Jerry Ernst seconded the motion and the motion carried unanimously.***

VI. **Managers' Report:** *Stephen Hicks*

- a. Stephen thanked the Board and the attending Ownership for their support. He continued to thank his security, maintenance, grounds, housekeeping and front desk team, noting jobs well done.
- b. There have been changes to staffing, Tori who previously worked at the front desk one day a week, is now working as the new Maintenance Administrator. Stephen noted Tori's resourcefulness and is looking forward to seeing her grow in the position. Another staff change to note is Cary retiring from the Maintenance department. A long-time employee, he is retiring to spend time with family.
- c. Stephen reported as a part of encouraging continued education, Romnick attended and completed a 10-week course to become a Certified Landscape Technician. Please give him a Congratulations.
- d. There have been no recent changes to Security since the last meeting in April, our FT team members of George, Rhoda and Tom. We have three additional team members with guard-cards on property. This provides us with additional coverage in emergency situations if needed.
- e. Stephen pointed to two displays in the room:
 - i. The first was of the 3rd floor lanais that need repairs. Donnie created a unique tool that provides safety and each of use in repairing third level lanais, in-house, as opposed to out-sourcing, saving owners significant costs.
 - ii. The second, displayed pressure regulator valves and a new replacement system. Previously the cost to replace was \$1,000 per valve, however the team can now complete for just over \$500. The replacement procedure is very efficient, and all pressure valves across the property need to be replaced. Stephen noted this will be a year-long project, with the team completing approximately 1 per week.
- f. Other on-going projects this year include the following:
 - i. The sign machine that was purchased last year to complete this task in-house, in an effort to combat the cost of outsourcing making these signs, has been effectively used to replace all signs from building 19 to 30. The next phase will tackle signs from building 12 to 19 and is scheduled to be complete by the next meeting in October. Once the property signs are complete, the team will do new signs for individual units.
 - ii. The replacement of screens in an ongoing project, the maintenance team has started at building one and will continue through 37 until all are complete. A random order to complete these will be used to begin, in an effort to assure all units will be upgraded by the end of the year.
 - iii. A new truck was purchased for maintenance and was received 3 weeks ago. Stephen is currently looking at selling the old truck and is expecting to receive approximately \$5,000 for it.
- g. Steve Tanberg proceeded to thank Stephen and the property teams, noting that the entire team is currently and consistently performing at a high level and are always looking at ways to save the Association costs.

VII. **Action Items**

- a. *Bill Lamberton, President, read the following Action Items for approval by the Board:*
 - i. Approval to sell the old truck (estimated value: \$5,000) and to use the proceeds to purchase a new rack for the new truck (estimated at \$1,200) and to install a spray liner on the new truck (estimated at \$900).

1. Bill Dallenbach made a motion to approve the above purchases. Forbes Burdette requested discussion on the wording of the motion, requesting it be re-written to reflect two motions, not one:
 - a. A move to request approval to use the proceeds from the sale of the old truck to purchase a new rack the new truck, estimated to cost \$1,200, but not to exceed the funds received for the sale of the old truck.
Bill Dallenbach made a motion to approve, and Forbes Burdette seconded the motion. The motion passed unanimously.
 - b. A motion to request approval to use the proceeds from the sale of the old truck to install a spray liner on the new truck, estimated to cost \$900, but not to exceed the funds received for the sale of the old truck.
Bill Dallenbach made a motion to approve, and Forbes Burdette seconded the motion. The motion passed unanimously.
- ii. Approve the purchase of two “2012 President Club Cars”. One has a cargo box convertible to rear seat. The total cost for both is \$9,161.48 plus \$500 for local delivery. \$11,000 was budgeted for this purpose.
Jerry Ernst made a motion to approve this request. Forbes Burdette seconded the motion and it carried unanimously.
- iii. Approve the expenditure of \$17,200 for asphalt crack seal and resurface buildings 15 to 21 (roundabout parking lot) and buildings 21 to 25 parking lots.
George Pittman made a motion to approve this request. Forbes Burdette seconded the motion and it carried unanimously.
- iv. Approve the expenditure of \$2,100 for the 2018 off-site reserve study. The 2017 was the budgeted full on-site reserve study.
Forbes Burdette made a motion to approve this request. Bill Dallenbach seconded the motion and it carried unanimously.
- v. Discuss the option of increasing of the Insurance Deductible from \$10,000 to \$20,000. Bill Lamberton noted this was a discussion item only and it may become a need in the future. The Board is currently doing more research on the topic and will present more information at the upcoming meetings.
- vi. Approve new Spectrum Contract. The anticipated annual savings from the current contract is \$9,910.00, including additional benefits projected savings over the five-year contract. Steve Tanberg thanked Stephen Hicks for re-negotiating the contract with Spectrum.
Steve Tanberg made a motion to approve the new Spectrum Contract. Forbes Burdette made a motion for further discussion and clarification. Forbes Burdette proceeded to make a motion to amend it to read: “A motion to approve the new Spectrum Contract, contingent on all changes requested by the Association and not to exceed the current monthly cost to Owners for this service.” Bill Dallenbach seconded the motion and the motion carried unanimously.

VIII. Discussion Items

- i. Haeia Bay Vegetation Control
 1. Haeia Bay is overgrown, and the Association has received several requests from Owners at Kanaloa, to take responsibility and take control/take care of the issue. Bill noted that this task is not as easy as it seems, approval is needed from King Kamehameha Schools, there are safety and legal issues Bill stated that the Board will not expose 166 Owners to any liability, and simply cannot involve the Association with this issue. The problem that the Board faces, is that they all have the desire to contribute and share the sense of Aloha.

2. Bill noted that it is the Board's responsibility to the Association to protect Kanaloa Owners from any exposure to financial or legal implications and liability. The Board is representing all Owners, and that responsibility needs to be taken into consideration.
3. Bill concluded that while the Board has a desire to assist in preserving this land and maintaining safety for the property, they simply cannot get involved due to the possible financial and legal implications. Owner's should not act on their own or as a group. by doing so an owner opens themselves up to significant liability.

IX. Executive Session

a. Action Items

- i. Castle is to research an energy consultant and ask them to provide a consulting proposal. This is to be reviewed before the next meeting.

X. Next Meeting: Friday, October 26th, 2018: 9:00am.

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