

**Minutes of the  
AOAO Kanaloa at Kona Annual Meeting**  
*Friday, July 28<sup>th</sup>, 2017 – 9:00am*  
*Main Pool Lobby*

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 9:04 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:**  
Bill Lamberton, President, welcomed all in attendance to his first meeting as President. He proceeded to comment on the various construction topics, new gate operations, and possible new solutions on delinquents, all to be discussed in the meeting today. Bill also thanked Castle Resorts and Hotels for their partnership and attendance to each meeting.
- IV. **Approval of the April 27<sup>th</sup>, 2017 Minutes:**  
Bill Lamberton, President, asked for approval of the April 27<sup>th</sup>, 2017 minutes.  
*A motion was made by Forbes Burdette to approve the minutes. Steve Tanberg made a motion to further review the minutes in executive session. This motion was seconded by Jerry Ernst. The motion to review in executive session carried unanimously.*
- V. **Report of Officers**  
a. **Treasurer's Report**  
i. Steve Tanberg, Treasurer, reported an Operating Bank Balance of \$218,868.33 and a Reserve Fund balance of \$1,454,360.09. The Special Reserve – ADA Compliance balance is \$28,456.34.  
ii. Steve Tanberg referred to additional income received, detailing income from the activities desk to total \$9,375.03 and income from the Castle Rental Program totaled \$8,877. Other income (including late fees) accounted for \$190.92 and General Assessment income totaled \$416,186.49.  
iii. Steve commented on the year to date operating fund surplus account to have a balance of \$-7,220.19, stating this negative variance was in part due to high electricity costs and legal fees.  
iv. It was noted among the favorable variances that the activity desk continues to be positive due to the contract re-negotiated by Forbes Burdette. Refuse is another continuing favorability since Stephen Hicks negotiated a better contract with this vendor as well.  
v. Water is amongst the other favorable variances, due to closer monitoring of irrigation and extensive rains.  
vi. Amongst the unfavorable variances, Steve Tanberg listed electricity to have increased use, possibly due to increase use of the pool and pool pumps.  
vii. Steve Tanberg mentioned that Castle was unable to hire a security officer and replaced the position with contract labor, which in turn increased costs. The Maintenance Administrator position was filled by a contract worker until she was eligible to be hired by Castle, also incurring extra costs and contributing to the unfavorable variances.

- viii. Legal fees were noted to be high due to the on-going litigation against homeowners for violations of the no-pet policy. These fees also include collecting for delinquent homeowner assessments.
- ix. Steve Tanberg mentioned delinquencies, with 7 units being over 30 days late, 3 units are 60 days late, 4 units are 90 days late, and 6 units are more than 90 days late to total \$121,391.18. One of these units is in the Castle Rental Program, so all their proceeds are being withheld and will be applied to the outstanding balance. Steve noted that the AOA's attorney has sent letters to those with delinquent accounts and are working on ways to change the By-Laws to fine Owners. More discussion on next steps for the Board to take to collect these delinquencies will occur in New Business.

## VI. **Committee Reports**

### a. *Grounds and Safety: George Pittman*

- i. George Pittman commented on a program to eradicate the lauhala trees is underway. Three trees have been removed in the last quarter, with more to be removed in the coming months.
- ii. The dryer vents and ducts have been discussed over the last several meetings. Maintenance has now cleaned all vents and ducts and will continue to monitor throughout the year.
- iii. Water restrictions all along the Kona coast have kept our water bill down, also leading to the positive variance noted in the Treasurer's report.
- iv. Dean Hill, was recognized and thanked by George Pittman and the Board for the amazing work she has done in the lobby. New furniture and new art all provide for a fun atmosphere that makes the space more enticing for guests.
- v. George asked Stephen Hicks to report on hurricane preparedness as we are at the peak of hurricane season in Hawaii. Stephen noted that training had been completed with the employees, assuring each new their duties and role during the time of an emergency. Stephen thanked his staff and the Board for their cooperation and assistance in making sure Kanaloa at Kona is prepared for any type of disaster.

### b. *Investment: Rex Sawyer*

- i. The Kanaloa Capital Reserve Value as of June 30, 2017 was \$1,496,427.56. This amount included \$37,030.75 owed by the Operating Account to the Reserve Account and \$5036.70 accrued interest from the CD's owned by the Reserve Account.
- ii. The bulk of the funds were invested in 9 Certificates of Deposit from 8 different banks totaling \$1,130,000. The remaining reserve value was deposited in the UBS RMA Government Portfolio totaling \$324,060.
- iii. Rex Sawyer commented that the Investment Committee is chaired by himself, with Bill Lamberton serving as the Association President and Steve Tanberg as the Association Treasurer.
- iv. The funds in the Reserve Account are currently being reduced by the sizable fund requirement for the 3<sup>rd</sup> and last phase of the building painting project which is scheduled to be completed by October.
- v. Subsequent to the last meeting, we invested \$120,000 in a 13-month CD from Wells Fargo Bank paying 1.25% maturing June 11, 2018. The funds were from a maturing CD for \$120,000.
- vi. Another CD for \$100,000 matured on May 10<sup>th</sup>, and the funds were deposited into the UBS Government M/M fund to be available to help fund the painting project and the building foundation pier repair.
- vii. Rex noted that payments to Westside Painting are invoiced after each building is completed. Since each payment is sizeable, cash flow is essential to have liquid funds available for timely payment.

- viii. Reviewing the cash needs for the upcoming quarter, Rex, along with Treasurer, Steve Tanberg, and Dean Yamamoto, Vice President of Finance with Castle Resorts, made cash flow projections to allow the following investments:
  - 1. There is \$324,360 in the government money fund and 3 CD's for \$100,000, each maturing August 10<sup>th</sup>, September 20<sup>th</sup> and September 21<sup>st</sup>. These are in line with the forecasted payment schedule.
  - 2. Rex proposed that a purchase be made for a 3 month CD of \$100,000 to mature in early November which will return about 1.2%. Rex then proposed a 12 month CD for \$150,000, which will return about 1.5%. The final proposal was to invest the \$100,000 that matures August 10 in a 12 month CD.
  - 3. Dean Yamamoto will review with Rex the cash needs to determine if the payment schedule will allow the 2 CD's maturing in September to be re-invested in 12 month CD's or if the funds will be needed for payment to the painting contractor.
  - 4. Rex noted that he will need to make a motion in order to proceed with these CD purchases, and turned the motion over to Steve Tanberg.
- ix. Steve Tanberg noted that Rex is a very thorough Chair of the Investment Committee, and is proposing a motion to allow Rex and the Investment Committee to make decisions on their own without consulting the Ownership at each meeting. Based on meeting schedules and timing, flexibility is important when making these decisions and rates and timing for each CD can change.

***Steven Tanberg made a motion that the Board of Directors delegate to the Chairman of the Investment Committee the authority to authorize the investment purchases concerning Reserve Funds and that the Chairman will do so in consultation with the accounting department of the managing agent and in accordance with the rules and limitations on such purchases as provided in the Hawaii State Statutes.***

***George Pittman made a motion to approve this clause, and was seconded by Bill Dallenbach. The motion carried unanimously.***

c. *Managers' Report: Stephen Hicks*

- i. Stephen thanked the Board and the attending Ownership for their support and partnership of him and his team, asking them if they have the opportunity, to stop and thank the staff on property.
- ii. As an update to the maintenance staff, Stephen noted that Kenneth was no longer the Maintenance Supervisor and had stepped down from the position and left the team. Donny Iokepa is now the Maintenance Supervisor.
- iii. On another positive staff note, Darren was recently married! Stephen asked all in attendance to give him a congratulatory hello the next time their paths crossed.
- iv. A sign-making machine was purchased earlier in the year, and has been used to complete signs between buildings 27-30 and 35-37. The team will continue to use this to update and replace old signs as a much cheaper alternative.
- v. The Maintenance team has been working on lanai doors and fixing them for Owners. Stephen urged all Owners to ask for assistance with this if needed.
- vi. Stephen noted that an Owner recently asked a question on how evacuations will be handled when an emergency threatens Kanaloa at Kona. He wanted to share with the Ownership this policy, so all are aware of the steps he and the property staff take during this time. When we are notified of a hurricane, tsunami, or any other type of disaster that requires full property evacuation, Stephen and his entire team will go to each room

to assure no one is left behind. This procedure is part of the processes reviewed with the staff in the recent training demonstration, so each staff is aware of which part of the property they are responsible for.

## VII. Old Business

### a. Collection Policy

- i. Bill Lamberton stated that in the past, as discussed in previous meetings, the collection policy that is currently instated, has not been successful in assisting the Board in collecting delinquencies. Bill and the Board suggest the following policy change, found in "Attachment A".

***Steve Tanberg made a motion to pass as amended and written in "Attachment A". Forbes Burdette seconded the motion, and George Pittman third. The motion passed unanimously.***

### b. 1205 Settlement Request

- i. Bill Lamberton notified those in attendance that 1205 is delinquent approximately \$74,000.

***Steve Tanberg made a motion that the settlement request for 1205 be further reviewed in executive session. Forbes Burdette seconded the motion. The motion passed unanimously to carry the discussion into executive session.***

### c. Front Gate Update/New Check in Procedures

- i. Bill Lamberton reported on the change of the check-in process for additional security at Kanaloa with the addition of an automatic front gate. This has been added to monitor all those on property for added security.
  1. Owners will have a card that provides them long term access.
  2. Guests will be given a card at check-in, and it will be valid until the day of check-out.
  3. Contractors will continue with the current daily check in, they will need to sign in at the front desk, but will be given an access card to enter the property up until their last day of work.
  4. Managing agents will be given cards at the discretion of the Owner associated with them.

- ii. Stephen Hicks commented that this is now working and has been installed, with the first test run to occur in the coming month.

### d. 303 Lawsuit Update

- i. Bill Lamberton updated the Ownership that this lawsuit has had extensive costs, and at this point is all completed and no further costs for this will be incurred.

### e. Reserve Study

- i. Bill Lamberton stated that the reserve study is scheduled for August 16<sup>th</sup> of this year, and will provide update on the Reserves in the coming meeting.

### f. Phone System

- i. Bill Dallenbach reported on the phone system issues, indicating two meetings ago it was discussed that the Board would look into updating the system. The current system is over 30 years old. The Board received a proposal from Hawaiian Telcom for around \$30,000 and decided to continue looking at other options. On August 1<sup>st</sup>, Hawaiian Telcom will provide another proposal for review.

### g. ADA

- i. Rex Sawyer stated that ADA is being worked on and implemented throughout the property. All the drinking fountains are complete, and the Board is looking to complete

the adult pool next, targeting the gates by the BBQ side near the pool. The Board and the Castle team will continue to look at ways to improve the ADA capabilities around Kanaloa.

- h. Pillars
  - i. Jerry Ernst reported that an assessment had been done of the pillars on safety and replacement needs. It was concluded that 11 pillars had a rating of 5, being the worst quality and in need of immediate replacement. 36 other pillars received a rating of 4, indicating they would need attention as well in the coming months.
  - ii. All 11 category 5 pillars have been complete, with a total of 25 pillar repairs complete year to date. 5 more have been budgeted for this year.
- i. Cabana Roof
  - i. Bill Lamberton noted that the Board received a repair quote for the Cabana Roof for \$6500 and have scheduled the repair for August. The Board assured the Ownership in attendance that they will be working as much as they can with the in-house staff in order to cut costs.
- j. Lobby Renovation
  - i. Dean Hill, Owner of Condo 1501, was thanked again by the Board for her work in the lobby and recreation room. Dean proceeded to review the history of the paintings, the artwork, and furniture in the room, indicating many of these pieces share a piece of history with Kanaloa. She urged all those who have not taken the time to look at the new lobby decorations, to spend time and enjoy the art history.

#### VIII. **New Business**

- a. 2906 Window Installation – Ratification
  - i. Bill Lamberton noted that 2906 asked approval of the Board to install a specific type of window in the unit.  
***Steve Tanberg made a motion to ratify this request. Forbes Burdette seconded the motion. The motion carried unanimously.***
- b. 101 Master Bedroom Lanai Extension – Ratification
  - i. Bill Lamberton noted Owners of 101 asked for a lanai extension on the master bedroom, providing proof of safety and adherence to State regulations.  
***Forbes Burdette made a motion to approve this request. George Pittman seconded the motion. The motion carried unanimously.***
- c. 2504 – A/C Ratification
  - i. Bill Lamberton spoke to a request made by 2504 on A/C replacement, with the Owners providing proof this installation would adhere to the House Rules and Bylaws in place.  
***Bill Dallenbach made a motion to approve this installation. Forbes Burdette seconded the motion. The motion carried unanimously.***
- d. 3101 Waiver Request
  - i. Steve Tanberg spoke on an Owner that had requested to delay payments of late fees to the Association due to personal issues. Steve noted that this was not something traditionally asked of the Board. It was not considered appropriate to approve this request.

IX. **Next Meeting: Friday, October 27<sup>th</sup>, 2017 at 9a.m.**

X. **Adjournment:** Bill Lamberton, President, adjourned the meeting at 10:55 a.m.