

**KANALOA AT KONA
ASSOCIATION OF APARTMENT OWNERS
MEETING OF THE BOARD OF DIRECTORS - MINUTES
JULY 28, 2023 | 9:00 AM HST
KANALOA CLUBHOUSE AND ZOOM VIDEOCONFERENCING**

I. CALL TO ORDER

President Stephen Tanberg called the meeting to order at 9:05am.

II. ROLL CALL/ ESTABLISH QUORUM

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

Managing Agent Representatives: Castle Resorts & Hotels – Jim Heather, Ken Albert, Matt Bailey, Dean Yamamoto, Beeper Nakamaejo, Glen Shimabukuro, Nate Allen, & Renette Carpio.

III. PROOF OF NOTICE OF MEETING

Notice of meeting was posted on July 18, 2023.

IV. APPROVAL OF MINUTES

MOTION (1): Wendy Benson moved to approve the minutes of the 4/28/23 regular board meeting as presented; seconded by Wayne House. The motion was approved by unanimous consent.

V. PROPERTY MANAGER’S REPORT (Jim Heather)

- a. Grounds – Puna has solidified their Kanaloa team with four consistent team members since June. The crew has been keeping the property maintained well. Our biggest concern now is that the irrigation in the fairway side grass areas needs more attention from Puna (please see comments below).
- b. Irrigation – With the assistance of Irrigation Solutions, we have been addressing excessive water consumption by irrigation systems using various solutions.
- c. Security – Incidents of Note Between April 1 through June 30: Domestic dispute – 1; multiple coqui frog sightings; playing sports in the common area – 4; lost item reported – 2; property damage (door dings) – 2; smoke alarm activation – 1; Unsafe act – guest jumping off ocean pool roof into the pool – 1; unsecured common area door – 2; water leak alarm activation – 3; water leak – 2; water outage - 1.

Recurring Complaint Log - April 1 through June 30: Parking violations – 13; noise complaints – 22; towels on lanai – 12; smoking on property - 12; locked out of unit - 10.

Security has been diligent in making sure all cars parked on property have the required parking pass displayed. There have been 33 “Resident” stickers issued to owners that have cars permanently on-island. They have also been ticketing cars that are being parked long term in the guest parking spaces.

Three-Day Weekends: Historically there are an increase in noise complaints at the pool on three-day weekends. On Memorial Day weekend in May, there is an annual Little League baseball tournament as well as a canoe race. Security found it difficult to monitor the pools as well as conduct guest check-ins after 5:00pm. We are planning on adding an additional guard for the evening hours for these weekends to ensure residents are not disturbed.

- d. Maintenance – No changes in staffing. Randy has been focusing on building carpentry work in conjunction with the exterior painting project. Entryway step and lanai rail replacements were the main areas addressed. The condition of the wood for this phase of the painting was a lot better than the wood in Phase I. Randy has rebuilt five directional signs. Tarik assisted in the building carpentry work as well as some major billable projects for owner interior work. John focused on daily plumbing and electrical work orders. All staff contribute to maintaining the BBQ and trash enclosure areas.

Kanaloa has partnered with Kona Air Conditioning to provide a flat rate PM program to check unit air conditioning systems. Over 30 owners have signed up for the program. The Mule that was recently repaired has had the engine seize up again. Ken is looking into options for repair. The old golf cart that was being stored by the maintenance shed has been removed from property. The Kanaloa entry sign and the guard shack are being replaced.

- e. Reserve Projects – Roof repairs have been completed by Kona Roof Remedies on units 2304, 303, 3703, 1104, 2204. The cause of the leaks was noted as “All leaks in units involved were pretty moderate and most likely due to nails under shingles being crooked, over driven, or not hitting wood sheeting. A problem that seems to be common on multiple roofs in the complex.” Ian Lund, owner of Kona Roof Remedies, spoke to the board about his findings and answered questions. The Ocean Pool resurfacing project was completed although beset with a few delays due to staffing and weather.

VI. OFFICERS / COMMITTEE REPORTS

- a. President’s Remarks (Stephen Tanberg) – President Tanberg thanked the property team led by Jim Heather for their fine work in keeping the property functional and safe. He also thanked the Castle Corporate team, extending special appreciation to Alan Mattson, president and chief executive officer who will be retiring later this fall. President Tanberg introduced and welcomed Matt Bailey, Castle’s current chief operating officer who was in attendance at the board meeting. Matt addressed the board and owners with a few words and thanked everyone for the warm welcome.

President Tanberg also reported on the board’s efforts to address roof leaks; he stated that the board recently met with Ian Lund of Kona Roof Remedies to receive a report on current situation and repair options.

- b. Treasurer’s Report January through June 2023 (Wayne House) – Treasurer House presented a report on the financial highlights for the period January - June 2023. See Exhibit A attached to these minutes.
- c. Special Projects Report (George Pittman) – Chair Pittman reported on the paving project planned for 2024; he shared some photos of current conditions in various areas of the property..
- d. Investment Report (Wendy Benson) – Chair Benson reported that the value of the Kanaloa Reserve Account as of June 30, 2023, was \$1,619,027.61. Included in this amount were Certificates of Deposit (CD) totaling \$1,694,722, cash reserves in the UBS Business Bank and investment accounts of \$35,272.50 and \$2,519.50 in Credit Union Money Market accounts. \$113,486.43 was owed to the operating account by the reserve account at the end of June.

The committee continues 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. There were 3 CD’s that matured in July which we will look to invest next week. Funds are being re-invested for 3, 6, 9 and 12 month CD’s at interest rates between 5% and 5.3%.

Your investment committee for 2023 is composed of Stephen Tanberg, President of the Kanaloa Board, Wendy Benson, Director and Wayne House, Treasurer.

- e. Water Leak Mitigation Committee – No new updates.
- f. Termite Mitigation Committee – Committee member Bill Wesslund provided an update reporting that a FAQ was completed to share with owners (sent via email after the board meeting) and also completed a one a half page summary document (also sent via email after the board meeting). The short version of their research is that tenting is best to eliminate existing infestations and mitigate additional termite damage. Most, if not all, buildings require tenting; carports are not part of the plan. The work will be done in phases with plenty of planning and communication. Three bids were solicited from Aloha, Terminix and Bowman; Bowman's proposal was selected, which also comes with a guarantee.
- g. Fine Policy Committee – Members Jim Lisy and Mikel Bryan provided an update on their progress since the committee was established in April at the annual meeting. A briefing was held that included discussions on reviewing areas with repeated House Rules violations; parking; smoking; pool noise/quiet hours, and towels. Some of these issues are easily handled by the security team (the exception being one parking issue with an owner). A document was drafted with observation and recommendations. The committee met again to further refine ideas on fines, but know they still need to gather more information regarding registration of guests, payment of registration fee and delinquent accounts. They envision a process where violations are first discussed first with owners; next, attempt to resolve by negotiation; review by standing Fine Committee; then a have a Schedule of Fines associated with infractions.

VII. UNFINISHED BUSINESS

- a. Planned Maintenance Update – Jim provided a brief update.
- b. Proposed Change to House Rules (animals) – Proposed verbiage change to House Rules #17 & #18 pertaining to animals.

MOTION (2): Wendy Benson moved to approve the proposed House Rules changes to #17 and #18 pertaining to animals as presented; seconded by Bill Lamberton. The motion was approved by majority consent with Tanberg, Lamberton, Pittman, House, & Benson in favor and Bryan against.

VIII. NEW BUSINESS

- a. Consent Calendar (board approved by email items for ratification)
 - 1. 2023 – 2024 Insurance Renewal Quotes from Insurance (email approval 5/26/23)

MOTION (3): Wayne House moved to ratify the 2023 – 2024 insurance renewal quotes presented by Insurance Associates that was approved by email on 5/26/23; seconded by George Pittman. The motion was approved by unanimous consent.

- b. Plumbing Strategies – Excavate and repair under Building 18 for \$3,691.10.

MOTION (4): Wayne House moved to Plumbing Strategies proposal for \$3,691.10 to excavate and repair under Building 18; seconded by Wendy Benson. The motion was approved by unanimous consent.

- c. Spectrum Contract Renewal Proposal – Table decision until verified renewal proposal is received.

d. Castle Contract –

MOTION (5): George Pittman moved to approve extending the Castle Contract for five (5) years, expiring in 2028 with the condition that a Side Letter is provided to the Board regarding a refund to the AOAO for force majeure loss of revenue and to ensure Kanaloa’s general manager’s responsibility is solely over Kanaloa; seconded by Bill Lamberton. The motion was approved by majority consent with Tanberg, Lamberton, Pittman, House, & Benson in favor and Bryan against.

e. Plumbing Strategies – High risk component plumbing inspections for \$21,077.48

MOTION (6): Wendy Benson moved to approve the proposal submitted by Plumbing Strategies for \$21,077.48, conditioned on appropriate budgeting in 2024.; seconded by Wayne House. The motion was approved by unanimous consent.

IX. MEETING SCHEDULE

a. Next Board Meeting – Friday, October 27, 2023, 9:00am (HST).

X. EXECUTIVE SESSION – Delinquency fees, legal matters. None.

XI. ADJOURNMENT

Meeting adjourned at 10:51am.

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

10/27/23
Date

AOAO Financial Highlights

January through June 2023

Key Financial Data

Operating Fund Balance	\$189,698.31
Regular Reserve Acct Balance (net)	\$1,525,571.53
Special Reserve-ADA Compliance (net)	\$93,456.08
YTD Operating Fund Surplus/(Deficit)	\$127,403.30
Other Income (including late fees, Interest, gate fees)	\$3,182.57
Total Registration Fee	\$32,432.85
Less Expenses	\$29,756.10
Net Registration Fee Income	\$2,676.75
Reserve Account Interest	\$5,669.94
Income from Castle Rental Program	\$20,160.00
General Assessment to Operating	\$1,152,346.14
General Assessment to Reserves	\$351,232.98

Registration Data for Non-Castle Rentals (NCR)	Q1	Q2	Q3	Q4	Total
Total NCR Rentals	543	592			
Total Reported in advance to FD	268	323			
Percentage in compliance	49%	55%			

Favorable Budget Variances

Electricity

Under budget YTD by \$4,971 or 10%. Variance primarily due to KWH usage and energy cost recovery budgeted higher than utilization.

Water

YTD under budget by \$29,492 (34%). Master Valve switch installed on irrigation mains, turning off irrigation after rain, Phase I irrigation repairs completed, reduced minutes per station.

Building

Staff is focusing on exterior painting reserve project. Under by \$2,309 or 16%.

Contract Plumbing

Under by \$38,700 (100%). Leak Detection System budgeted but cancelled by BOD due to high cost and lower cost alternatives available to individual owners.

Life Safety

Under by \$2,281 (90%). Reduced first aid kit purchases due to close monitoring by staff.

Refuse

Under budget by \$2,281 (6%). Credit for missed service.

Repairs & Purchases

\$12,431 Under budget or 67%. Inventory purchased in 2022 billed out in 2023.

Salaries - Maintenance

Short a Pool Tech position which causes overage in Outside Contract charges. \$19,666 year to date for a 14% savings.

Salaries - Manager & Admin

We are under budget by \$10,626 or 24%. Change in AOA Manager to GM salary split between rental/AOAO.

Recovery - Work Orders

YTD variance of \$23,593 (94%). Increase in interior work orders and 2022 work orders billed in 2023.

Legal Fees

Variance of \$2,323 (194%) due to retainer fee returned from Carlsmith Ball LLP.

Board of Directors Travel

YTD variance of \$2,216 (19%).

Unfavorable Variances

Cable/Internet

Increase in Network Broadcast fees results in overrun to budget of \$3,572 or 7%.

Salaries – Security

Unbudgeted security supervisor position approved by BOD. Promoted Ken Nakamoto to Security Supervisor in April, \$4,476 or 6% over budget.

Payroll Taxes and Benefits

Variance YTD due to a large increase in SUI rates. Over by \$6,550 or 10%.

Recovery Reserve

The condition of the building exterior of the Phase II painting project was better than anticipated resulting in less repairs compared to Budget. This is due to the buildings being further away from the ocean than Phase I. Lower YTD Recovery by \$5,775 or 18%.

Vacation

Vacation accruals budgeted in payroll accounts. Accruals are \$7,049 (100%).

Contract Service

YTD variance due to additional outside pool cleaning expense incurred but recovered in reduced maintenance wages. \$3,786 over budget or 11%.

Other Professional Fees

Over budget by \$5,601 or 149% due to 2022 audit invoice under accrual.

Delinquencies as of 6/30/23

5 units 1-30 days late	\$ 3,772.58
3 units 30+ days late	2,202.36
3 units 60+ days late	2,202.36
4 units late fees 90+ days late	<u>6,707.53</u>
Total	<u>\$ 14,884.83</u>
Doubtful Account Balance	<u>\$ 3,599.35</u>
Difference	<u>\$ 11,285.48</u>