

**Minutes of the
AOAO Kanaloa at Kona Quarterly Meeting**
Friday, January 26th 2018 – 9:00am
Main Pool Lobby

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 8:59 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 stated this meeting would focus on a discussion to re-write the By-Laws to comply with Hawaii Revised Statute 514B, and that Steve Tanberg would go over it in more detail at a later point in today’s meeting. Bill also thanked Castle Resorts and Hotels for their partnership and attendance to each meeting.
- IV. **Approval of the October 27th, 2017 Minutes:**
Bill Lamberton, President, asked for approval of the October 27th, 2017 minutes.
A motion was made by Forbes Burdette to approve the minutes. A motion was made by Rex Sawyer to correct the wording in section six, and Bill Lamberton added a spelling correction in section seven. Adjustments were made, and a motion to approve the changes was made by Jerry Ernst. Bill Dallenbach seconded the motion. The motion carried unanimously.
- V. **Report of Officers**
a. **Treasurer’s Report**
i. Steve Tanberg, Treasurer, reported an Operating Bank Balance of \$119,103 and a Reserve Fund balance of \$1,361,135. The Special Reserve – ADA Compliance balance is \$28,456.
ii. Steve Tanberg referred to additional income received, detailing income from the activities desk to total \$7,916 and income from the Castle Rental Program to total \$7,564. Other income accounted for \$1,280, including late fees and charges for lost gate passes.
iii. It was noted among the favorable variances that the activity desk continues to be positive due to the contract re-negotiated by Forbes Burdette, with over \$2,000 savings. Refuse is another continuing favorability since Stephen Hicks negotiated a better contract with this vendor as well. This alone amounts to over \$26,000 in savings year to date.
iv. Water is amongst the other favorable variances, due to lower use as a result of rains earlier this year, in addition to more recent water restrictions mandated by the county.
v. Steve Tanberg noted that salaries for both security and maintenance were lower costs due to the inability to hire a security guard, necessitating hiring contract guards. This however, resulted in higher contract costs for watchmen. The earlier savings were offset by Contract Services expenses because of the desire to keep Bobbie onboard as a full-

time employee. Salaries in the Grounds Department is also another favorable variance, with a savings over \$26,000 due to having two unfilled positions in January, February, November and December.

- vi. Amongst the other favorable variances, extra effort has been made to control costs of repairs and purchases, keeping us over \$9,600 under budget this year. Similarly, pool costs are almost \$6,300 under budget, principally due to Stephen researching vendors to obtain better pricing on pool supplies.
- vii. The telephones are an unfavorable variance due to service calls on the aging telephone system and buying replacement parts. The Board is researching a more economical and up-to-date system.
- viii. Recovery work orders were a negative variance for most of the year, however late in the year temporary labor was hired to do less skilled work and our staff was freed up to complete several jobs for homeowners. Steve noted that the Board is hoping more homeowners will take advantage of the talent and affordability of our maintenance staff.
- ix. Legal fees were noted to be high due to the on-going litigation against homeowners for violations of the no-pet policy. Steve mentioned this has now ended and that the Board anticipates collecting more legal fees with a more aggressive stance on collecting for delinquent homeowner assessments.
- x. Steve Tanberg reported the following unplanned capital expenses of note. The first was the community building, with \$9,586 spent to update the lobby with new furniture. He thanked Dean Hill for a job well done, the new lobby looks beautiful. The second was the HVAC system that cost \$3,833 to replace the A/C in the housekeeping building. The third was the new security system, costing \$11,868 year to date.
- xi. To conclude his report, Steve reported on delinquencies, with 7 units being over 30 days late amounting to approximately \$6,800, 4 units are 60 days late at \$4,000, 3 units are 90 days late at \$3,000, and 7 units are more than 90 days late to total \$103,983. One of the units more than 90 days late, owes approximately \$66,446 in fees, after receiving \$11,000 from the bank for dropping the lien. One of the delinquent units is in the rental program, so all proceeds are being withheld and applied to the outstanding balance. All delinquencies total approximately \$117,812, with a doubtful account balance of \$94,081.
- xii. A question was posed by the audience on the process of delinquencies and how many days late before the Owner is notified. Steve responded indicating after 30 days a letter is sent, and after a total of 90 days a lien is sent. Ultimately, no response from the Owner in question will lead to foreclosure. He added that when the Board and Ownership discuss the By-Law change, they will look to change the late fee amount. Currently, according to the 1979 By-Laws, the late fee is \$10 a month. He noted how cheap this interest is, especially when most have over \$1000 due to the Association. The Board will be looking to increase this fee to \$50, in addition to charging interest.

VI. Committee Reports

a. *Grounds and Safety: George Pittman*

- i. George Pittman reported that there have been several water issues over the year. These supply potable water to most of the west side of Hawaii Island. There were several deep wells with pumps that went bad at various times during the year. This is in addition to the severe water restriction. Some areas were more stressed than others, but he noted Darren and the team are doing a great job on maintaining the grounds despite these disadvantages. Kona is currently back at no restriction levels. Kanaloa is only using 80% of prior usage amounts in an attempt to try and conserve as much as possible.

- ii. In February tree trimming will commence again, and the team has set up a program to continuously remove lauhala trees.
- iii. George noted that this year they would be purchasing new Kawasaki gear for the team as well.
- iv. Regarding safety, it was reported that the perimeter chain is severely rusted and needs to be replaced. That replacement will be handled this year.

b. *Investment: Rex Sawyer*

- i. The Kanaloa Capital Reserve Value as of December 31, 2017 was \$1,397,157.36. This amount included \$30,723.79 owed to the Reserve Account by the Operating Account and accrued interest of \$5298 receivable as earned from investments in the Reserve Account.
- ii. These investments are currently in 9 CDs, with 8 different banks totaling \$1,180,00. Interest rates vary from 1.0% to 1.75%. The remaining funds of \$181,135.08 are in the UBS Government money market fund earning interest at 0.15%. No investment exceeds the \$250,000 FDIC insurance limit.
- iii. Subsequent to the last meeting, four CDs matured. These funds were reinvested in new 12-month CDs with \$100,000 in Goldman Sachs at 1.45%, \$150,000 with Compass Bank at 1.75%, \$100,000 with Morgan Stanley at 1.75%, and \$235,000 with Bank of California at 1.75%.
- iv. Now that the recent major projects have been completed and paid for, and with no major projects scheduled, Rex asked for approval to make two new investments in 12 and 13-month CDs. First, to take \$150,000 from the \$181,000 in the money fund and then, \$100,000 from a CD maturing March 15th, 2018. There is another \$125,000 maturing on April 25th, but Rex noted that decision can be made at the Annual Meeting on April 26th.
- v. Hawaii Statute 514B requires Board approval to make investments longer than 1 year. Rex requested approval to purchase a 13-month CD from Wells Fargo Bank for \$100,000 which would make our investments with Wells Fargo at \$220,000. The additional \$50,000 would be placed in a 12-month CD. The CD maturing in March would be invested in a 12-month CD.

Rex asked for Board concurrence to purchase the 13-month CD. Jerry made a motion for approval, and Steve Tanberg seconded the motion. The motion carried unanimously.

c. *Managers' Report: Stephen Hicks*

- i. Stephen thanked the Board and the attending Ownership for their support and partnership with him and his team.
- ii. He proceeded to report on the water restrictions, noting the County is now back to 10% voluntary restrictions. One of the issues with the well pumps, is that they are submerged 1,000 to 1,500 feet underground, making it a much more difficult task to fix.
- iii. Stephen noted he has been working on effective communication with his staff, as that is key to a successful operation. He attends weekly department meetings and hold monthly leadership meetings. Soon, he intends to have team leaders conduct the monthly leadership meetings
- iv. Stephen was recognized as General Manager of the Year and thanked his team for all their support. He asked Ownership to continue to give kudos to the staff, and recognize Bobbie and Darren as they were both in the running for Employee of the Year.

- v. He further reported that their stock of lounge chairs was thin, and that he is monitoring Costco to purchase more.
- vi. Stephen suggested that Owners turn off water and water heaters when leaving the unit empty for a long period of time. This can help prevent any accidents from happening while the Owner is away from the unit.
- vii. The Grounds and Maintenance team is taking steps to remove rodents by trimming trees along the fairway and ocean sides of the property. They will also be going under all buildings to remove anything that can be made into a nest.
- viii. The Maintenance team is now fully staffed. 25 pillars are scheduled to be completed in an accelerated process, with an estimated completion of Mid-April.
- ix. Car ports 1-12 are also scheduled to be restored this year.
- x. Stephen reported that there is currently discussion of landscaping area between the Adult Pool and the Tennis courts. Darren Bermudez and George Pittman are working on this.
- xi. Previously there were random gate issues with it not closing behind every vehicle. It was noted that this was only occurring with the reader tags, but now seems to be working properly. He asked the Owners to please report if found otherwise.
- xii. Stephen has been working with the property team to cover hurricane procedures. In 2017, there were two sessions held to educate staff on proper procedures and responsibilities should a hurricane come to Kanaloa.

d. *Additional Report: Sonia Schmidt*

- i. Bill Lamberton introduced Sonia Schmidt from Kona Realty to give a report on homes and condos for the year of 2017.
- ii. Sonia reported that residential home sales increased by 13.9% on the number of units sold. Condominiums increased 24.3% in number of sales. Homes saw an increase of 5.83% in dollar amount sold, and condos increased 3.56%, indicating that more in each category were sold at a higher price point.
- iii. At Kanaloa, six have recently sold and four are in escrow. The average sales price at Kanaloa is currently \$589,000, and last year it was \$519,000 indicating again that more condos are being sold at higher prices.
- iv. Another important thing Sonia noted is the number of days on the market, comparing this year to last year. In 2017 the average days on the market was 158, and in 2016 it was 100. However, Sonia mentioned this figure is misleading because Owners often take the units off the market, and re-list it. One condo was sold pre-market, technically reporting a total of 0 days on the market.
- v. Currently there are 11 active listings, with an average of 104 days on the market. The price range ranges from \$429,000 to \$967,000.

VII. Action Items

- a. Re-write of Kanaloa By-Laws to correspond to HI revised statute 514B
 - i. Steve Tanberg reported that the Board worked with an attorney to revise the current By Laws and found that written practices were not quite how current practices are handled. One of the many difficulties is reading the amendments.
 - ii. Steve noted that the By-Laws allow for a re-statement, as well as an amendment, but it was recommended that everything be incorporated into one document for this process. The Board can now post the completed document online to be searchable, incorporating all the changes made.

- iii. Steve plans to make a motion for the resolution be approved by the Board, and then it must go out to Ownership to vote at the annual meeting. With prior experience, he mentioned that these packets are often set aside until the last minute, and he urged all homeowners to read over the material ahead of time. It is a process, but with 67% of votes needed, it is important to start sooner rather than later.
- iv. The current plans, assuming the Board approves the motion, is to post of copy of the By-Laws, summary of changes, and the rationale for these changes online. They will also be emailed and mailed with the notification of the annual meeting. There will be hard copies of each document included.
- v. Steve proceeded to read the “Explanation and justification for the new bylaws” document, indicating that there are many references to the now-repealed statute in the By-Laws. The references needed to remain current, and it is good practice for associations to periodically revisit their governing documents to ensure compliance with current law and compatibility with current practices.

***Steve Tanberg made a motion to for the Board to approve the submission to the Association Owners for a vote at the annual meeting for the following resolution:
Be it Resolved that the Association does hereby adopt the Amended and Restated Bylaws of the Association of Apartment Owners of Kana'loa at Kona.
Bill Lambertson seconded the motion and asked for any further discussion. With no further discussion, the motion passed unanimously and will be carried to the Annual Meeting for Ownership vote.***

- b. Debit card procurement for General Manager use
 - i. Bill Lambertson indicated that Stephen, the General Manager, currently must put in a request for a check, taking several weeks before the payment is actualized in order for him to even pay for the request. It is proposed to have a debit card for General Manager use, to cut the lag time that often took weeks. This will be brought up in Executive Session and voted on, however Bill wanted to let Ownership know in regular session.
- c. Approval of Mule purchase for \$8,802.
 - i. George Pittman discussed the need for a mechanical mule to operate on property and asked for approval form the Board to purchase for \$8,802.
Steve Tanberg made a motion to approve this request. Bill Dallenbach seconded the motion and it was carried unanimously.
- d. Defibrillator ordered as per budget
 - i. George Pittman noted that a defibrillator purchase is a good idea with proper training procedures. It will be housed at security and available on site. He noted this was real prudent to do and proceeded to make a motion for approval.
Rex Sawyer made a motion to approve the order, and Forbes Burdette seconded the motion. The motion carried unanimously.
- e. Approval of installation 3505 A/C and approval of installation of a skylight for 3303
 - i. Steve Tanberg reported both are standard requests the Board has approved in the past. As such, he asked for approval of both the A/C installation as well as the skylight installation.
Jerry Ernst made a motion to approve both requests, Bill Dallenbach seconded the motion. The motion carried unanimously.

VIII. Discussion Items

- a. Solar Panel Discussion per Kayden #3406 email

- i. Steve Tanberg noted that the Board is investigating solar panel options. \$500,000 was the first bid received for just the roof-tops and would service only common areas, not individual units. It would be a 30-year lease, and Board did not think it was a good idea so proceed to shop around for other options. The Board received another bid for \$300,000 and discovered that the way we are laid out makes it hard to distribute power evenly without tearing apart asphalt. The cost to each Owner under this new bid would be \$1867, without installation costs. That cost is extensive, and the Board will be continuing to look at other options. Ownership will be advised accordingly. Steve noted that it looks to be too costly now but will proceed to get a study cost done for one building that will presented to Ownership.
- b. Spectrum HD box installation
 - i. Stephen Hicks asked Ownership if there were any major issues, indicating there have been minimal reports on errors and overall is working well.
 - 1. One Owner noted they had an issue with the re-installation. Stephen replied he would work with them directly after the meeting to decide next steps and fix the issue.
- c. Parts to rebuild Barbecue units
 - i. Stephen Hicks noted that this year they would be rebuilding two of the barbecues, eventually aiming to rebuild all of them over time.
- d. The meeting notification packet for the annual meeting
 - i. Bill Lambertson informed Owners in attendance that the meeting notification to be sent out will reference the new By Law changes and will contain a proxy if any Owner is unable to attend in person. He urged Ownership to read through the packet sooner rather than later, in order to assure there is a 67% majority vote at the upcoming annual meeting.
- e. Update on Gate
 - i. Stephen Hicks mentioned his previous report, indicating the issue that had been discussed, and reported that the new procedure is an overall success. The Board is pleased by the way it is currently operating. He asked the Owners in attendance on any issues experienced.
 - 1. One member of the audience asked if the sensor would be moved a little farther out, so the cars would have an easier time scanning the access card?
 - a. Stephen reported that it would be moved approximately 6” out, and that change will take in the next week.
 - ii. Stephen Hicks noted that currently a sticker is available for cars and is working great. However, he does not suggest it for rental cars. The best way is to obtain an access card for the duration of the stay. He also noted guests will still have to come to the front desk to activate the card. Even if an Owner hands a card to a friend, at that time it will be disabled.
- f. Some Owners are leaving their cars in their parked stalls while renting their units. This practice forces the renters to find open parking in unmarked spaces.
 - i. Stephen Hicks commented that it is difficult when renters are being inconvenienced, as often there are times when there is no space to park at all.
 - ii. Steve Tanberg noted that this will be discussed further in executive session, but that Owners should be aware of the inconveniences this can cause to their rental guests.

IX. Executive Session

- a. Action Items
 - i. Motion to write-off balance of funds owed to the AOA for 2017, for Owner of unit 1205.

Bill Lamberton made a motion to approve this write-off. George Pittman seconded the motion and it carried unanimously.

- ii. Motion to Issue a Debit Card to the General Manager, Stephen Hicks
Forbes Burdette made a motion to approve a debit card be issued to Stephen Hicks. Steve Tanberg seconded the motion, and it carried unanimously.

X. **Next Meeting: Friday, April 27, 2018 at 9:00a.m.**

XI. **Adjournment:** Bill Lamberton, President, adjourned the meeting at 10:11 a.m.