

**KANALOA AT KONA – ASSOCIATION OF APARTMENT OWNERS**  
**2020 ANNUAL OWNERS’ MEETING | JANUARY 29, 2021**  
**KANALOA AT KONA CLUBHOUSE (PHYSICAL LOCATION)**  
**GOTOMEETING (VIRTUAL LOCATION – OBSERVE ONLY)**  
**MEETING MINUTES (CONTINUED FROM 4/24/20)**

**A. CALL TO ORDER**

The Annual Owners Meeting of Kanaloa at Kona was called to order by President Bill Lamberton at 10:00 am (HST).

Because of an emergency condition due to COVID-19, owners could observe the meeting via GoToMeeting.

**B. ROLL CALL**

Present (Board): President Bill Lamberton, Treasurer Steve Tanberg, Secretary George Pittman, and Director Judy Wormington.

Present (Invited Guests): Castle Resorts & Hotels – Donny Iokepa (Association Property Manager), Lori Nakamura (Resort Manager), Dean Yamamoto (VP of Finance), Renette Carpio (Director of Condominium Administration).

**C. PROOF OF NOTICE OF MEETING**

President Lamberton welcomed owners in attendance (physically and virtually) and noted that a quorum of 73.2762% had been established.

**D. APPROVAL OF MINUTES OF PRECEEDING MEETING**

2019 annual meeting of 4/26/19:

**MOTION (1):** A motion was made by Suzanne Jarvinen (1302) to approve the minutes as presented; the motion was seconded by Diane Pittman (3204) and approved by unanimous consent.

**E. ELECTION OF DIRECTORS**

President Lamberton stated that Kanaloa’s bylaws provide for a board of directors of seven (7) persons. The seats of Forbes Burdette, Rex Sawyer, and Judy Wormington are expiring, each for 3-year terms. All three candidates chose to stand for election and their statements were included in the annual meeting packet.

Further nominations were open to the floor for those owners attending in person; there were none. Since there were no nominations from the floor, President Lamberton asked the Ownership to put the election of directors to vote via acclamation. Dean Yamamoto confirmed that there was

60.5324% of the ownership represented in proxy and in person and a voting quorum was established.

**MOTION (2):** A motion was made by Diane Pittman (3204) to approve the re-election of Forbes Burdette, Rex Sawyer, and Judy Wormington to the Board of Directors by acclamation; the motion was seconded by Philip Scully (3703) and approved by unanimous consent.

Forbes Burdette, Rex Sawyer, and Judy Wormington were re-elected to the Board of Directors, each for three-year terms by acclamation and by unanimous ownership vote.

**F. NEW BUSINESS**

a) Tax Resolution - Treasurer Tanberg noted that IRS Revenue Ruling 70-604 is an association tax tool that permits funds/income to be carried over to the following tax year, without any tax implications.

**MOTION (3):** A motion was made by Wayne House (401) to approve any excess member assessments not used by the Association during 2020 be applied toward the 2021 assessments as provided by IRS revenue ruling 70-604; the motion was seconded by Steve Tanberg (1902) and approved by unanimous consent.

**G. ADJOURNMENT**

The meeting was adjourned at 11:04 am (HST).

Respectfully submitted,

Renette Carpio  
Director of Condominium Administration  
As Agent for Kanaloa at Kona AOA

Signed: \_\_\_\_\_  
George Pittman, Board Secretary

Date: \_\_\_\_\_

**H. INFORMATIONAL**

**I. Report of Officers**

1. **President’s Report** – President Lamberton provided a recap of a very unusual year, particularly related to the Coronavirus and travel restrictions by Hawaii government regulations. To comply with state guidelines and to enable a path of STVRs to reopen, the Board adopted a policy requiring all guests to register at the front desk as a matter of safety and security. An extensive discussion followed regarding the policy specifics, including the registration fee of \$30.

Despite the economic challenges affected by the pandemic however, Kanaloa has remained beautiful and vibrant because of the diligence and dedication of the management staff, caretakers, and maintenance team.

2. **Treasurer’s Report** – Treasurer Tanberg reported on the financial highlights for the period January – December 2020:

Operating Fund Balance	\$482,506.80
Regular Reserve Account Balance	\$1,554,023.41
Special Reserve-ADA Compliance	\$68,456.18
YTD Operating Fund Surplus	\$244,631.40
Other Income (including late fees, Interest, gate fees)	\$6,824.69
Reserve Account Interest	\$18,517.43
Income from Castle Rental Program	\$24,724.00
General Assessment to Operating	\$1,893,065.05
General Assessment to Reserves	\$329,205.36

**Favorable Variances Included:**

**a. Electric**

Savings of \$18,632 due to all three pools closed during renovation and two pools closed for COVID-19. (23% savings).

**b. Water**

We had a savings of \$30,614 (25%) from a budget based on last years’ usage which included several leaks and less use during pandemic.

**c. Building**

\$11,098 was saved for a 72% savings due to supplies such as lumber and paint ordered ahead of time and used when needed, less work done on owners’ units, and an overall effort to cut expenses.

**d. Grounds and Grounds Supply**

We had a savings of \$19,444 (19%) due to fewer supplies needed, limited new plantings, and an effort to cut expenses.

**e. Refuse**

\$23,642 under budget for a savings of 39% due to successful negotiations with the vendor to reduce fees due to COVID-19 and reducing the number of bins, while increasing pickups.

**f. Repairs and Purchases**

\$10,885 under budget for a savings of 27% due to a decrease in repairs and billings and a general cost-cutting effort.

**g. Salaries – Maintenance**

\$79,222 was saved, (22%), due to under-staffing and one position being moved to management plus lower rates of pay for new employees.

**h. Salaries – Grounds**

\$24,383 was saved for a savings of 13% due to multiple employees on leave without pay and a resignation of lead employee.

**i. Payroll Taxes and Benefits**

Variance due to lower salaries and wages resulted in a \$16,677 savings, 17%.

**j. Contract Services**

Variance due to fewer contract services needed, \$2,291 savings, 5%.

**k. Board of Directors Travel**

We had a savings of \$21,838 (78%) due Board members being unable to travel to meetings because of the Covid-19 outbreak, and one Board member living on property.

**Unfavorable Variances Included:**

**a. Rental Income**

Rental income was reduced by \$12,548 because Castle was unable to make rental payments for the months of July through October and exercised the Force Majeure provision of our contract. (34%).

**b. Cable**

We are over budget \$4,663 in 2020 due to an increase in cable fees to offset local station charging more to Spectrum. (5%)

**c. Contract Plumbing**

This was not a budgeted category, but we spent \$4,868 this year on snaking the clogs in the pool and replacing a pressure regulator and backflow preventer.

**d. Life Safety**

We were \$1,095 over budget (22%). Our contractor inspected 186 fire extinguishers, refilled 10, and replaced 20. Items were also purchased for Covid-19 conditions, including a Ryobi sprayer for decontamination.

**e. Watchmen**

This is an un-budgeted item, but we had to hire outside security because our employees were in quarantine for a time. The amount was \$2,571.

**f. Salaries – Manager & Admin**

Variance of \$25,887 or 51%, was due to a new AOA Manager allocation effective 3/1/20. The budget was set up for a single General Manager with a salary split between the AOA and Castle, now paid solely by AOA.

**g. Recovery-Work Orders**

We were 30% over budget, due to fewer work orders from owners resulting in less revenue and owners selling their units with outstanding work orders from last year. Loss of \$20,896.

**h. Legal Fees**

We were 359% over budget, amounting to \$8,613 due to legal issues and arbitration regarding payment for lanais and railings damage.

**Delinquencies as of 12/31/20**

2	units 30 days late	\$	1,170.87
1	units 60 days late	\$	1,170.87
1	units 90 days late	\$	1,160.82
2	units more than 90 days late	\$	<u>4,241.07</u>
	Total	\$	7,743.63

Doubtful Account Balance	\$	5,965.74
Difference	\$	1,777.89

**II. Committee Reports**

**1. Investments**

**Investment Committee Report as of December 31, 2019, delayed because of COVID-19 to January 29, 2021, by Rex Sawyer, Investment Committee Chairman.**

The value of the Kanaloa Reserve Account on December 31, 2019 was \$1,514,207.47. Included in this amount were Certificates of Deposit (CD) totaling \$1,330,000.00, cash reserves in the UBS Business Bank Account of \$150,519.58 and accrued interest from the CD investments of \$22,225.16. In addition, \$11,462.73 was owed to the reserve account by the operating account.

The \$1,330,000.00 in CDs were invested in 10 separate CDs from 9 different banks. No bank investment exceeded the \$250,000 FDIC insurance limit. Maturation dates ranged from January 2020 to November 2020. Interest returns varied from 1.65% to 2.60%. The estimated annual return for 2019 as reported by UBS was \$27,204.

Your investment committee for 2019 was composed of Bill Lamberton, President of the Kanaloa Board; Steve Tanberg, Treasurer; and Rex Sawyer, Director.

### III. Association Manager's Report

Donny Iokepa provided an annual report on the projects highlights at Kanaloa, in conjunction with Grounds and Safety Committee Chair, George Pittman:

1. Accomplished – Among the projects accomplished in 2020 were main lobby pool replastering, quiet pool replastering, all pool tile deck sealed, 37 building's trash bin framing rebuilt and reroofed. 9 building's trash bin structure rebuilt, and reroofed, front desk lobby door jambs removed and replaced plus installed giant blast shield (COVID-19 protection and compliance), pressure wash sidewalks, various units' window removal, replaced using termite resistant cedar, various unit interior projects.
2. In-Progress Projects – Renovation of Kanaloa Gate House, safety rail replacement below 13 building, hedges cut back alongside lanai railings brought down to standards, naupaka fronting the Kanaloa property alongside He'eia Bay select pruning continuation, schefflera trees at buildings 4, 5, 6, 7, 8, 9, 10 scheduled cut-back in progress, revitalization of the quarter mile hedge bordering the golf course and buildings 1 through 14, re-sodding the area fronting the sidewalk at 1 building.
3. Planned Projects – Paving the Kanaloa road and parking areas, complete curbing replacement of the entire Kanaloa property, light post replacement, main lobby pool wood railing removal and replacement, 20 building's trash bin framing rebuild and reroof, ocean pool exterior part of the service bar area beautification, transitional landing replacement at 34 and 35 building, entrance stair replacement at several units, dryer duct lint scrub and blow, safety rail replacement below 14 building, bathroom renovations at both the main lobby and quiet pool.

### IV. Owner's Forum.