

**KANALOA AT KONA
ASSOCIATION OF APARTMENT OWNERS
MEETING OF THE BOARD OF DIRECTORS - MINUTES
JULY 30, 2021 | 9:00 AM HST
KANALOA CLUBHOUSE AND ZOOM CONFERENCING**

I. CALL TO ORDER

President Bill Lamberton called the meeting to order at 9:04am.

II. ROLL CALL/ ESTABLISH QUORUM

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

Managing Agent Representatives: Castle Resorts & Hotels – Alan Mattson, Jeff Caminos, Dale Stetson, Lori Nakamura, Dean Yamamoto, Mark Bandsma, Glen Shimabukuro, Violet Carlsberg and Renette Carpio.

III. PROOF OF NOTICE OF MEETING – Notice of meeting was posted on July 27, 2021.

IV. APPROVAL OF MINUTES

MOTION (1): Steve Tanberg moved to approve the minutes of the 4/30/21 regular board meeting as presented; seconded by Wayne House.

The motion was approved by majority consent with one abstention.

V. COMMITTEE REPORT

a. President’s Remarks (Bill Lamberton) – A brief report was provided by President Lamberton, mainly about staffing issues in the security and landscaping departments. Recruiting reliable, dependable, and skilled workers has been challenging, not only island-wide but around the state of Hawaii as well as in many parts of the country, largely due to economic conditions surrounding the COVID-19 pandemic. The association’s new property manager, Dale Stetson is actively searching for security candidates and a few interviews are already scheduled. Later in today’s meeting, the Board will review proposals to outsource landscaping activities.

b. Treasurer’s Report (Wayne House) - Treasurer House reported on the financial highlights for the period January – June 2021:

Operating Fund Balance	\$547,021.24
Regular Reserve Account Balance	\$1,743,031.98
Special Reserve-ADA Compliance	\$68,456.18

YTD Operating Fund Surplus	(\$15,244.46)
Other Income (including late fees, net registration fees, interest, gate fees)	\$2,992.34
Total Registration Fee	\$20,619.24
Less Expenses	\$11,248.92
Net Registration Fee Income	\$9,370.32
Reserve Account Interest	\$1,712.29
Income from Castle Rental Program	\$18,822.00
General Assessment to Operating	\$815,796.72
General Assessment to Reserves	\$281,501.76

Favorable Variances—Year to Date

1. Grounds and Grounds Supply

We saved \$3,409 (20%) on supplies due to limited plantings and purchases. Irrigation supplies purchased in June were made in preparation of repairs.

2. Salaries – Maintenance

This variance is due to a vacant position, saving \$20,755 year to date for a 13% savings.

3. Salaries – Manager & Admin

We are under budget by \$8,796 or 21%. Variance is due to resignation of AOA Manager.

4. Salaries – Grounds

We had a savings of \$17,886 (18%). The department is budgeted for five positions, but we only had four the first quarter. Grounds is currently down to two staff members; looking for replacements or possibly outside help.

5. Salaries – Security

\$4,440 was saved for a savings of 7% because the hourly rate was slightly lower than budgeted, due to new employees.

6. Payroll Taxes and Benefits

Variance due to lower salaries and benefits resulted in a \$13,415 savings, 16%.

7. Recovery - Work Orders

We were 20% under budget, due to backlog of work orders from owners being billed resulting in additional revenue amounting to a \$5,123 variance to date.

8. Recovery - Reserves

Variances of \$29,918 (121%) due to specialized carpentry work to replace rotted wood on buildings, gatehouse project and repairs to stairs / railings system.

9. Board of Directors Travel

We had a savings of \$6,361 (45%) due to fewer Board members traveling to the January and April meetings; a result of the Covid-19 pandemic.

Unfavorable Variances—Year to Date

1. Water

We are \$56,784 over budget (146%) due to severe leaks in two water mains; one in January and one in March. We believe we have isolated the issues to specific zones and will be scheduling for repair.

2. Refuse

We are \$7,868 over budget (36%). Variance due to monthly charges higher than budgeted and extra bins ordered in May and June for disposal of multiple hedge and shrub clippings.

3. Repairs and Purchases

Purchases were made for work being done for homeowners, including window replacements. These costs are being billed back to the owners who are having the work done. The amount is \$3,374, which is 22% over budget.

4. Other Professional Fees

Variance of \$3,159 (79%) due to 2020 audit fees recorded in June of \$5,989.55.

Delinquencies as of 6/30/21

0 units 30 days late	\$ 0.00
1 unit more than 90 days late	\$ <u>2,366.39</u>
Total	\$ 2,366.39
Doubtful Account Balance	\$ 5,965.74
Difference	\$ -\$3,599.35

- c. Investments (Steve Tanberg) – There are two CDs expiring next month: one 6-month CD for \$150,000 and one 4-month CD for \$245,000. Steve will work with the Board on providing options for reinvesting.
- d. Grounds & Safety (George Pittman) – Updates reported in conjunction with the association property manager’s report.
- e. Management Report (Dale Stetson – new property manager)
In conjunction with Grounds & Safety Chair, George Pittman, Dale reviewed initiatives, observations and projects that were achieved in the first two quarters of the year, these included:
 - 1. Grounds – Following a meeting with horticulture consultant Ricci Bezona, identified items for improvement such as: property-wide fertilization of plants and shrubs; hedge trimming so no overlap of sidewalks; Quiet Pool and Ocean Pool needs weeding;

numerous areas to spray for weeds; areas showing evidence of moss are receiving too much water; trim back trees/plants touching buildings; plastic edging in many areas need proper installation; garden area around 1903 area needs attention with mulch; Bldgs 35, 34, 33 at hillside, remove haole koa weeds. Dale also made various suggestions based on first impressions to increase landscaping efficiencies, owner/guest experience, close attention to meter/irrigation readings, and tree trimmings.

2. Building Maintenance – Completed stair repairs for seven units; slider replacements for four units; railing repair for four units; property-wide lights inspection (and replacement of burnt-out bulbs); Quiet and Main pools bathroom partition walls repairs; Main pool railing repair; Quiet Pool roof /gate by trash area repair; renovate AOAO office (upstairs); clean dryer vents in Buildings 14-33.
3. Reserve Projects – a) Curbing replacement in late fall 2021; b) Paving replacement in early 2022; c) Future – carports built-up roofs, exterior painting.

VI. ACTION ITEMS

1. Ratification of the House Rules – (Judy Wormington, Steve Tanberg) – Following board discussion and feedback from owners in attendance and on Zoom, the following motion was made.

MOTION (2): George Pittman moved to ratify the approval of the house rules (except for the pool hours, to be determined later); seconded by Wendy Benson.

The motion was approved by majority consent.

2. A resolution reaffirming the Board has no role in hiring of Castle employees. All employees are the sole responsibility of the property management company under the agreement with the AOAO Board (Steve Tanberg)
3. Various –
 - Action: As there were several suggestions from owners related to pool hours, the managing agent will collaborate on proposing pool hours for board consideration and approval.
 - Action: Earlier in the week, the Board asked Mark to look at the lighting around the property, especially at night, to determine and address areas from a safety perspective. Having walked the property at night over the last few days, Mark provided a verbal report to the Board and those owners in attendance and will provide Dale with additional items to add to the maintenance and security checklists to ensure burnt bulbs are being identified at night by security and replaced during the day by the maintenance team.
 - Action: George, Dale and Mark will collaborate on updating and presenting the curb proposal for board review, discussion, and approval.

- Action: The Board requested the reserve study to be updated; Dale will contact Armstrong Consulting to schedule an onsite visit and update the reserve study's components and reserve contribution amounts.

VII. DISCUSSION ITEMS

- a. Formation of a board committee to investigate management alternatives to the present management structure (Mikel Bryan) – Mikel reported that the Board is now forming a good working relationship amongst each other and members of the property management team. He suggested to defer the formation of a board committee to investigate management alternatives and review again in October.
- b. Revisit the issue of retaining a solar consultant (Mikel Bryan) – Mikel reported that following board discussions, there was consensus to focus on making improvements with safety, grounds, and security first before addressing solar.
- c. Appoint someone to follow up on water usage issues (Mikel Bryan) – Dale reported that since coming on board, he has spent a lot of time exploring the root cause of the water issues and spike in water bills. He thinks he has narrowed the possible causes by eliminating irrigation line leaks and instead, adjusting the timers on the sprinkler system. Dale will monitor readings and react to any anomalies immediately.
- d. Determine a way to provide teleconferencing for quarterly and annual meetings and provide an estimated cost (Bill Lamberton) – Bill reported that he had been investigating potential solutions for the Zoom conferencing capabilities with several resources at the same time our managing agent representatives were doing the same. The result was a collaboration with Castle's Information System's director and a local IT service provider in Kona, both of whom provided successful service for today's meeting. Castle will be utilizing the same arrangement for future teleconference board meetings.

VIII. MEETING SCHEDULE

- a. Next Board Meeting – Friday, October 29, 2021 at 9:00am HST

IX. EXECUTIVE SESSION – Delinquency fees, legal matters.

The regular session was adjourned at 11:35am and the executive session was called to order at 1:00pm. The executive session was then adjourned, and the regular session was directly reconvened at 2:29pm.

Continuing the discussion held earlier in the meeting to address the challenges with landscaping, a proposal package to outsource landscaping services was presented to the Board for review and discussion.

MOTION (3): Wendy Benson moved to approve the proposal submitted by Puna Landscaping, effective August 16, 2021; seconded by Steve Tanberg.

