

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

- I. **Call to Order:** Bill Lamberton, President, called the meeting to order at 9:03 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 noted the major focus will be the budget and noted there is a copy provided for all in attendance. He also commended Stephen and the team for the amount of work on property that has been accomplished this year. Approximately \$30,000 of maintenance has been done that has been billed back already, with several months of the year left.
- IV. **Approval of the July 27th, 2018 Quarterly Board Meeting Minutes:**
Bill Lamberton, President, asked for approval of the July 27th, 2018 minutes.
A motion was made by Forbes Burdette to discuss the meeting minutes. He moved to correct the minutes in section IV to read, “A motion was made by Bill Dallenbach...”, changing from Bill Lamberton. Adjustments were made, and a motion to approve the changes was made by Steve Tanberg. Jerry Ernst seconded the motion and the motion carried unanimously.
- V. **Committee Reports**
a. *Treasurer’s Report: Steve Tanberg*
i. Steve Tanberg, Treasurer, reported an Operating Fund Balance of \$271,986.72 and a Regular Reserve Account Balance of \$1,411,117.57. The Special Reserve – ADA Compliance balance is \$45,956.27 and the Year to Date Operating Fund Surplus is \$99,015.02.
ii. Income from late fees and interest totaled \$60. Income from the activities desk totaled \$9,000 and income from the Castle Rental Program totaled \$8,955.
iii. General Assessment to Operating is \$429,108.67, and General Assessment to Reserves is \$70,928.18.
iv. Among the favorable variances is non-taxable revenue, with \$10,438 received due to a settlement for AOAO legal fees in litigation with a home owner.
v. Electricity is also among the favorable variances, positive 1.5% for a savings of \$867.
vi. There are pool savings of \$2,390, or 24.14%, due to more efficient use of chemicals and better water quality control.
vii. Watchmen were not needed due to full in-house staff, resulting in \$3,218.15 (34.85%) favorable variance.
viii. Maintenance salaries were favorable in the amount of \$20,736 (1.7%) due to an open tech

- position, which was filled in September.
- ix. Salaries for Grounds is also a favorable variance, at \$11,153 or 8.44%. This is primarily due to vacant positions for January, February and June.
 - x. Multiple Owner projects were completed resulting in higher reimbursements to the Association of \$70,470 or 265.42%.
 - xi. Vacations has a favorable variance of \$16,370.30 (93.09%) due to adjustments made to terminated employees' accruals, and Payroll Taxes and Benefits was favorable due to fewer employees taking benefits and opting for medical incentive, \$21,715 (26.28%).
 - xii. Maintenance Fees is a favorable variance to budget with savings of \$6,233 or 65.95%, as budgeted fees are no longer being paid due to the settlement.
 - xiii. Unfavorable variances include water, amounting to \$5,722.66 or 7.2%. Water leaks in buildings one, twenty-one, and nineteen, plus carry-over expense of \$3,660 from 2017 contributed to this.
 - xiv. Due to increased phone issues on an aging system, the telephone was an unfavorable variance, over budget by \$1,999 or 40.16%.
 - xv. In addition, another unfavorable variance for Building amounted to \$2,801 or 18.98%, due to several purchases that will be used throughout the year. Repairs and Purchases was unfavorable (\$25,770 or 286.34%) due to purchases for owners' units that our maintenance team is working on. Owners will be billed for these items after work is completed. These purchases have resulted in income of over \$70,000 from Owners this year.
 - xvi. With the training of new hires both in February and May for Security, salaries in this department were an unfavorable variance of \$8,636 or 11.36%.
 - xvii. Legal Fees were the final unfavorable variance in the amount of \$8,033 (106.89) due to the legal cost of doing the new Bylaws for a more aggressive approach to recovering past-due Owner assessments. Some of these legal fees will be reimbursed by the defaulting Homeowner.
 - xviii. To conclude his report, Steve reported on delinquencies as of September 30th, 2018. One unit is 30 days late amounting to \$20.00, 1 unit is 60 days late at \$1,176.58, 1 unit is 90 days late at \$1,126.58, and 3 units are more than 90 days late to total \$50,312.61. The total amount of delinquencies currently equals \$52,635.77, which is much lower than past years due to the more aggressive approach the Association is taking with delinquencies. The late fee was previously a flat fee of \$10, now it is \$50, and interest is being charged. The current doubtful account balance is \$38,095.28, resulting in a difference of \$14,540.49.

b. *Grounds and Safety: George Pittman*

- i. George Pittman reported the Grounds team is currently re-landscaping a small area by the adult pool with new plantings and sod. In the past this patch was wild and now it will be manicured. The expected completion date for this project is December 1, 2018.
- ii. In November, tree-trimming will begin around the property.
- iii. George commended Darren for working hard to cut back on water usage, 50% less water has been used in the past few months. The team is being smarter in their usage but remaining just as effective.
- iv. Darren is currently looking to replace the lawnmower, as it's 7 to 8 years old. Once the new one is acquired, we will send out the old one to be overhauled and keep as a back-up option.
- v. Regarding safety, Stephen has trained the staff multiple times this year on hurricane preparedness. The drills are effective, and he will continue to train the staff on any potential threats.

c. *Investments: Rex Sawyer*

- i. The value of the Kanaloa Reserve Account on September 30, 2018 was \$1,460,411.65. Included in this amount were CDs amounting to \$1,330,000, UBS Bank Business Account of \$42,068.79, Accrued Interest from the CD investments of \$8,636.30, and money owed to the Reserve Account by the Operating Account of \$79,706.56.
- ii. The CD portion of \$1,330,000 was invested in 10 CDs from 10 different Banks. No investment exceeds the \$250,000 FDIC insurance limit. Maturities were from November 2018 to September 2019. Interest rates ranged from 1.45% to 2.45%. Interest rates currently available are .30% in the Bank Deposit Account, 2.15% in 3-month CDs, 2.3% in 6-month CDs, and 2.6% in 12-month CDs.
- iii. Subsequent to the last meeting we invested \$170,000 in a 13-month CD with Wells Fargo Bank at an interest rate of 2.45%, maturing September 06, 2019. We also invested \$100,000 with Discover Bank in a 12-month CD paying 2.35% and maturing September 06, 2019.
- iv. The available cash of \$122,000 exceeds the current liquid needs of four proposed projects. Four CDs will be maturing prior to our next meeting with \$100,000 maturing in November, two CDs totaling \$250,000 maturing in December, and a CD for \$235,000 maturing in January. Our plan is to invest \$100,000 of the \$122,000 currently in cash in a 12-month CD next week, and to invest the 4 maturing CDs in new 12-month CDs as they mature. The anticipated rate of return is around 2.6%. The Federal Reserve is expected to raise the Federal Funds Rate another quarter of one percent in December, which may help our rate of return continue to increase as it has been the past couple of years.

VI. **Managers' Report:** *Stephen Hicks*

- a. Stephen thanked the Board and the attending Ownership for their continued support, and also thanked his entire team for a job well done.
- b. Project resurfacing the parking lot, between building 21 and 25 and 15 to 20.
- c. The staff is still working on directional signs around the property. Buildings 19-33 have unit signage completed, and we are now working on signs to further indicate the building numbers to guests.
- d. There is one new team member in Maintenance, Kyle Butera, Carey retired, and the position was re-filled in September.
- e. Between Ken and Donnie, the team can accomplish a lot more in a shorter period, resulting in more accomplishments around the property. One example is the window installation. The Association had received bids between \$2,800 to \$4,800, but the team can complete at a much lower cost, while still generating revenue for the Association.
- f. The Association is still looking at rebuilding the carports and are approximating between \$15-\$20,000 in savings if we complete in-house.
- g. There are still ongoing issues with the PBX phone system, and there is hope there will be a solution soon. Owners will be kept informed on the progress with the weekly GM update.
- h. Vandalism has been reported on property, and the team is continuing to monitor and watch this behavior. The gate is a continued deterrent for this type of behavior and is adding in the reduction of these visitors.
- i. Wristbands are still being used at the pool for three-day holiday weekends.

VII. Action Items

- a. *Bill Lamberton, President, read the following Action Items for approval by the Board:*
 - i. Review and Approval of the Bids for Resurfacing the Ocean Pool Spa. Stephen Hicks stated the surface is very rough, abrasive, and needs to be completely retiled. ***George Pittman moved to approve the bid Five Star Pools for \$15,104, Bill Dallenbach seconded the motion. The motion passed unanimously.***
 - ii. Approval of a new Spectrum Contract. It was noted that Stephen had negotiated for a lower price, with the upgraded services, and a savings of approximately \$10,000 a year. ***Steve Tanberg made a motion to approve the contract Stephen had negotiated to save the Association approximately \$10,000. George Pittman seconded the motion and the motion passed unanimously.***
 - iii. Approval for the expenditure of funds to purchase plants and sod for the adult pool landscape project. George Pittman explained the approximate cost will be \$6,700. ***Forbes Burdette made a motion to approve this expenditure of funds to purchase the plants and sods for the adult pool landscape project, however, not to exceed \$7,500. Bill Dallenbach seconded the motion, it passed unanimously.***
 - iv. Approval of the 2019 Budget. Bill Lamberton again noted a copy was available for those present to view. He also stated that in 2019 there would be no increase in dues or dues assessments. ***Steve Tanberg made a motion to approve the 2019 Budget, Jerry Ernst seconded the motion. The motion passed unanimously.***
 - v. 2019 Reserve Study. ***Steve Tanberg made a motion to approve the 2019 Reserve Study, George Pittman seconded the motion. The motion passed unanimously.***
 - vi. 2703, approval for bathroom window installation consistent with other installations ***Forbes Burdette made a motion to approve bathroom window installation for 2703, as it was consistent with other installations. Jerry Ernst seconded the motion. The motion passed unanimously.***
 - vii. 502, approval of A/C installation, outside their own window. ***Steve Tanberg made a motion to approve the A/C installation of 502, Bill Dallenbach seconded the motion. The motion passed unanimously.***
 - viii. George Pittman added another action item and requested approval for the purchase of a new lawnmower, not to exceed \$14,500. ***Steve Tanberg made a motion to approve the purchase of a new lawnmower, not to exceed \$14,500. Jerry Ernst seconded the motion. The motion passed unanimously.***

VIII. Discussion Items

- i. The old maintenance truck was sold for \$5,000. Some of the proceeds will be spent on a new spray bedliners for \$900, and a rack on the new truck for \$1,200.
- ii. Two newer Club Cars were purchased and delivered in September 2018, one for maintenance and one for security.
- iii. The Association is still looking at Solar Panel bids and will keep everyone advised of the progress. Cost to Owners is extremely important, as is the return in the investment, maintenance needs, and more. The Board is fully investigating and will continue to update.
- iv. Jerry Ernst stated that the pillars are deteriorating and there is instability in some of them, resulting in a major source of funds over the next several years. The Board will

continue to budget for this in hopes to combat any unforeseen costs and unfavorable variances.

IX. Executive Session

a. Action Items

- i. Board is continuing to investigate options for Solar power generation

X. Next Meeting: Friday, January 25th, 2019: 9:00am.

XI. Adjournment: Bill Lamberton, President, adjourned the meeting at 10:18 a.m.