

MAUNA LANI RESORT ASSOCIATION

FISCAL BUDGET

For the calendar year ended December 31, 2020

OPERATING BUDGET

For the calendar year 2020, the normal operating costs of the Association are budgeted at **\$3,251,302** which represents an increase of 3% over forecasted 2019 year-end operating costs of **\$3,144,353**, primarily stemming from the addition of staffing to provide high-season monitoring/control services at the Beach Club from the period of December 31, 2019 through April 15, 2020.

Projected costs for the individual line items in the operating budget are determined on the basis of known actual costs or calculated estimates, whenever possible. Other budget items are estimated by reference to historical costs and anticipated future costs. The following assumptions and conditions were used in the preparation of the operating budget.

1. There shall be no increase in the current per unit assessment rate of **\$111.99** per unit. For calendar year 2020, revenues from member assessments are estimated at **\$3,394,278**, which are in line with 2019 assessment revenues. (Please see **Note 3**, below.) Total revenues for 2020 are budgeted at **\$3,506,115**, which are in line with forecasted revenues for 2019. Projected total revenues for 2020 do not reflect potential increased in interest income which may be generated by the Board's newly revised cash management and investment policies.
2. Total revenues in excess of operating costs shall be set aside for major repairs and maintenance (major repairs and replacements to Common Area components and assets) on a monthly basis during calendar year 2020.
3. As reported in 2018, during 2017 the Association became aware of the March 28, 2017 Finding of Facts and Conclusions of Law (the "FOFCOL") in the case of **Roaring Lion, LLC, et al v. Pauoa Bay Properties, LLC, et al (Civil No. 04-1-0332)**. While the Association is not a party to this legal action, the FOFCOL issued by the Judge in the above-entitled action are significant, as the Judge concluded that eight (8) apartment units owned and operated by Exclusive Resorts PBL1, LLC ("ER") within the Pauoa Beach subdivision are, in fact, "Commercial Apartments" under the MLRA DC&R, and not "Residential" units as previously represented by the developer/owner of these units. As such, ER units should have paid (and currently should pay) assessments at the Commercial Apartment rate of 51.73 Commercial units per month, rather than at the Residential rate of 8 units per month

In this regard, in September 2017 the Association notified ER of MLRA's intent to collect the shortfall in assessments from the period of August 2008 through September 2017 in the amount of **\$537,156**, along with interest at 12% per annum in the amount of **\$462,171** as prescribed in MLRA's governing documents. Additionally, ER is being assessed at the proper Commercial Apartment rate, effective October 2017. In 2017 the Association recorded an **Allowance for Doubtful Accounts** in the amount of **\$462,171** which represents the interest only portion of ER's debt; this amount. All unpaid assessments due from ER continue to be recorded as an outstanding Account Receivable on MLRA's Balance Sheet and, the shortfall between ER's assessment obligation at the proper Commercial Apartment rate and the Residential rate that they are paying is now reflected as an **Allowance for Doubtful Accounts** in the Association's Operating Statement. The **Allowance for Doubtful Accounts** was recorded in the 2019 Forecast to approximate **\$669,465** to reflect the shortfall in ER's assessments from the inception of its project through December 31, 2019. The 2020 Budget reflects ER's anticipated assessment shortfall for the period of January 1 through December 31, 2020.

The Board's policy is to pursue the collection of all monies owed to the Association until every legal avenue of collection has been exhausted. It is also the Board's policy that any **Reserve for Doubtful Accounts and/or Bad Debt** that has been set aside is a reserve applicable *only* in the event that amounts due and owing to the Association are deemed permanently uncollectible after every possible legal attempt to collect all monies owed has failed.

RESERVE FOR MAJOR REPAIRS & MAINTENANCE

The 2020 Budget projects **\$196,045** in additions to the Reserve, due to the impact of the **Allowance for Doubtful Accounts** as described in Paragraph 3 of Note 3, above.

In 2019 **\$501,980** in expenditures are forecasted to be paid from the Association's Reserve for Major Repairs & Maintenance, as follows:

	2019 forecast
Charges to Reserve	(501,980)
sale of reserve components	3,400
2018 - cabana refurbish	(9,336)
2018 - historic park rehab	(4,979)
2018 - BC access card inventory	(10,546)
FP Camera/Surveillance System	(261)
FP Interpretive & Directional Signage	(2,000)
LS - Roadway Street Sweeper	(18,590)
LS & Irrigation Extraordinary Replacements	(7,762)
RW - Extraordinary Light Replacements	1,533
RW - Traffic Calming Measures	(116,300)
RW - Guardrail Repainting	(2,559)
RW - Common Area LED Light Upgrade	(120,865)
RW - BC Circle Concrete Cap Rplcmnt	(42,483)
SEC Guard House AC Replacement	-
SEC Patrol Vehicle Replacements (2)	(54,660)
SEC - Emergency Call Box Rplcmnt (x2)	(5,943)
BC Restaurant Table Replacements	(6,994)
BC Interior/Exterior Electrical & Lighting Upgrades	(18,000)
BC Extraordinary R & M (restaurant)	(52,450)
BC Extraordinary R & M (non-restaurant)	(4,948)
BC gate repair incident	13,992
Speed sign repair labor/parts	(995)
BC boundary staking mapping	(12,195)
BC 25 chaise lounges	(9,039)
BC architectural plan	(20,000)

Total expenditures scheduled for completion in 2020 equal **\$969,036**. Projects scheduled for 2020 include the following:

	2020 budget
Charges to Reserve	(969,036)
FP- Camera/Surveillance System	(11,739)
FP - Interpretive & directional signage	(8,000)
BC - Pedestrian access gate	(7,697)
BC - Renovation permitting & plans	(15,000)
BC - Roof & gutter system	(63,000)
BC - Kitchen expansion	(50,000)
BC - Bar relocation/new outdoor bar	(153,000)
BC - Walkway relocation & landscape	(20,000)
BC - Restaurant renovation (other)	(35,000)
BC - New Public restrooms	(185,000)
BC - Restripe cart parking area	(3,000)
BC - Chaise lounges	(22,000)
LS - ML Drive Mauka irrigation line	(241,000)
LS - Irrigation cart	(18,200)
LS - Storage facility	(50,300)
LS - Extraordinary Replacements	(7,800)
RW - Light pole painting	(32,000)
RW - Traffic calming measures	(17,000)
RW - BC traffic circle island concrete ca	(17,300)
SEC - Network video recorder	(2,700)
SEC - Radar Speed sign (new)	(8,700)
SEC - Refrigerator	(600)

The balance in **Reserve for Major Repairs and Maintenance** will approximate **\$3,247,714** at December 31, 2019 and **\$2,474,723** at December 31, 2020, after completion of the projects listed above.

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