

MAUNA LANI RESORT ASSOCIATION

FISCAL BUDGET

For the calendar year ending December 31, 2022

OPERATING BUDGET

For the calendar year 2022, the normal operating costs of the Association are budgeted at **\$3,288,493** which represents an increase of \$147,396 / 5% over forecasted 2021 year-end operating costs of **\$3,141,097**.

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 a 1.5% increase in the current monthly per-unit assessment rate of **\$111.99** per unit; the monthly per-unit assessment rate for 2022 shall be **\$113.67**. For calendar year 2022, revenues from member assessments are estimated at **\$3,445,192**, which is a 1.5% increase over 2021 assessment revenues. (Please see **Note 3**, below.) Total revenues for 2022 are budgeted at **\$3,561,402**, which is a 1% increase over forecasted revenues for 2021. Projected total revenues for 2022 may be subject to potential fluctuations in interest income, though the Board does not anticipate any substantial increases or decreases in interest income over 2021 forecasted levels during 2022.
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 2022.
3. As first reported to members 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 be paying) 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. 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 versus 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 2019 to approximate **\$669,465** to reflect the shortfall in ER's assessments from the inception of its project through December 31, 2019; the ongoing annual shortfall since January 1, 2020 continues to be recorded on a monthly basis. The 2022 Budget reflects ER's anticipated assessment shortfall in the amount of **\$59,649** for the period of January 1 through December 31, 2022.

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 2022 Budget projects **\$213,260** in additions to the Reserve, due to the impact of the **Allowance for Doubtful Accounts** as described in Paragraph 2 of Note 3, above.

In 2021 **\$280,878** in expenditures are forecasted to be paid from the Association's Reserve for Major Repairs & Maintenance, as follows:

	2021 forecast
ADM- FF&E	-
ADM-No sweat AC unit	(24,329)
ADM-No Sweat trouble shoot fan	(822)
ADM-Website renewal (RECLASS)	-
BC-S. Fuke SMA waiver	(4,317)
BC-Koa Architects permitting	(27,715)
BC-Sewer line inspection	(471)
BC-reno project blueprinting	(320)
BC-Mahaney Environmental	(10,040)
BC-Roof & gutter system	-
BC-Kokua Roofing material deposit	(10,000)
BC-Kitchen expansion	-
BC-Bargreen design agreement	(1,571)
BC-Bargreen kitchen equipment	(9,392)
BC-Bar relocation/new outdoor bar	-
BC-Tile materials	(4,250)
BC-Walkway relocation & landscape	-
BC-Restaurant renovation (other)	-
BC-New Public restrooms	-
BC- Extraordinary RESTAURANT	-
BC-Extra Rest D. Matsumoto air blowe	(2,611)
BC-BIM make up air blower	(1,972)
BC-Extraordinary NON-RESTAURANT	-
BC-NAH beach cabanas	(562)
BC-Ranch Svcs gate hydraulic hinges	(183)
BC-Gate repair (insurance claim)	6,383
BC-Postage to mail new cards(RECLA	-
FP - Interpretive & directional signage	-
FP-Fishpond Camera System	(5,896)
FP-Raise fishpond rock wall	(17,225)
GW-Used bulldozer	(42,963)
LS - Extraordinary Replacements	(12,016)
LS - Galvanized grate	(921)
LS-Ness Turf radio interface unit	(9,400)
RW-Raise light pole bases	(68,100)
RW-NAH light poles	(1,003)
RW-Apply a-line traffic calming	(16,086)
RW-NAH speed bumps	(486)
RW-Wasa troubleshoot street lites	(6,046)
RW-J. Allen signs traffic calming/direct	(5,062)
RW-Cartow Street Sweeper (ins)	-
RW-yield ahead sign (insurance claim)	-
RW-street sweeper (insurance claim)	-
SEC-Refrigerator	-
SEC-Endurant Sports rescue board	(3,500)

Total expenditures scheduled for completion in 2022 equal **\$1,031,738**. Projects scheduled for 2022 include the following:

	2022 budget
ADM FF&E	(3,000)
ADM Reserve Study Update	(5,985)
BC Roof & gutter system (balance Kok)	(69,998)
BC Kitchen expansion	(52,500)
BC Outdoor bar relocation	(475,650)
BC Walkway relocation and landscape	(30,000)
BC Restaurant renovation - Other	(36,750)
BC Public restrooms	(236,250)
BC Ped Gate Access Tie-In	(2,500)
BC Extraordinary items - restaurant	(6,000)
BC Makaiwa Bay cabanas (18)	(24,880)
BC Makaiwa Bay cabana hoods (18) at	(19,686)
BC Beach gate camera system	(4,373)
BC Extraordinary items - non restaurant	(9,000)
FP Makaha wall repair	(13,650)
FP Interpretive and directional signage	(14,340)
LS Extraordinary items - landscape	(12,000)
SEC Carryall 300 gas cart	(14,476)
SEC Refrigerator	(700)

The balance in **Reserve for Major Repairs and Maintenance** will approximate **\$3,257,395** at December 31, 2021 and **\$2,438,917** at December 31, 2022, after completion of the projects listed above. The Association's Reserve Study is scheduled to be updated during 2022.

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MAUNA LANI RESORT ASSOCIATION
Fiscal Budget - 2022

	2022 Budget	2021 Forecast	2021 Budget
REVENUES			
Association dues	3,445,192	3,394,278	3,394,278
Green waste disposal	62,820	62,820	45,663
Easement fees	36,000	36,000	36,000
Interest income	12,390	22,425	26,897
Beach Club site fees	5,000	-	84
Total Revenues	<u>3,561,402</u>	<u>3,515,523</u>	<u>3,502,922</u>
UTILITIES			
Water	257,145	237,699	303,987
Electricity	30,243	27,356	32,384
Telephone & communications	15,455	15,519	14,484
Sewer	549	504	552
	<u>303,393</u>	<u>281,078</u>	<u>351,407</u>
MAINTENANCE			
Landscape Contract	966,831	938,671	938,676
Security Contract	945,966	900,920	900,924
Tree Trimming & Plants	127,200	127,000	127,000
Composting	75,606	73,404	73,404
Contractor maintenance and carpentry	9,703	963	18,000
Landscape & Irrigation	18,000	16,532	15,741
Refuse Service	8,209	8,239	7,968
Electrical, Lighting & Sewer Pumps	4,492	3,492	4,492
Pest Control	3,524	524	3,524
Cleaning Supplies	3,600	3,435	3,000
Gate Maintenance	800	812	1,200
Beach Club FF&E Repair	2,000	415	1,200
Roadway	2,223	1,854	1,200
Signage	600	-	1,200
Safety Supplies	2,366	634	600
COVID-19 response	-	-	-
Fire Systems	260	252	340
Equipment & Vehicle	1,200	2,417	300
Contingency	-	-	300
Building	1,400	1,317	120
Total Services	<u>2,173,980</u>	<u>2,080,883</u>	<u>2,099,189</u>
PROFESSIONAL SVCS			
Management Services	434,834	428,163	428,163
Professional Services	215,464	201,542	221,289
Beach Attendants & Parking Lot Monitor	114,763	102,155	109,655
Housekeeping	1,600	-	4,076
Annual Meeting	3,000	2,191	6,700
Audit & Tax Prep	6,283	6,283	5,700
Lease Equipment	4,560	4,596	4,320
Vehicle Registration	-	293	-
Admin Supplies	(5,120)	2,146	(960)
Total Professional Svcs	<u>775,384</u>	<u>747,369</u>	<u>778,943</u>
OTHER EXPENSES			
Insurance	31,415	30,467	30,229
Real Property Tax	4,321	800	804
Other expense	-	500	-
Total Other Expenses	<u>35,736</u>	<u>31,767</u>	<u>31,033</u>
TOTAL OPERATING EXP	<u>3,288,493</u>	<u>3,141,097</u>	<u>3,260,573</u>
RESERVE FOR DOUBTFUL ACCOUNTS	<u>59,649</u>	<u>58,768</u>	<u>58,764</u>
RESERVE FOR MAJOR REPAIRS & MAINTENANCE	<u>213,260</u>	<u>315,658</u>	<u>183,585</u>
NET EXCESS/(DEFICIT)	<u>-</u>	<u>-</u>	<u>-</u>
 RESERVE FOR MAJOR REPAIRS & MAINTENANCE - beg	 3,257,395	 3,222,614	 3,222,614
Additions to Reserve	213,260	315,658	183,585
Charges to Reserve	(1,031,738)	(280,878)	(1,030,840)
RESERVE FOR MAJOR REPAIRS & MAINTENANCE - end	2,438,917	3,257,395	2,375,360