



HAWAIIANA

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November 15, 2023

Dear Mauna Lani Resort Association Member,

Aloha! After careful review of the current and projected operating and reserve expenses, the Board of Directors of the Mauna Lani Resort Association approved the Operating Budget for fiscal year 2024 and determined that there will be an increase of **10%** in the assessment rate warranted for next year. A copy of the budget and explanatory notes are attached for your review.

Effective January 1, 2024, the monthly Association fee will be \$128.79 per unit.

The 2024 Budget assumes that the total monthly per-unit assessment is to be allocated as follows:

- **\$122.51** – Operational Cost
- **\$ 6.28** – Reserve Contribution

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We would like to thank you for your support throughout the year and wish everyone a safe and Happy Holiday season! Best wishes for a healthy and prosperous New Year!

Sincerely,

FOR THE BOARD OF DIRECTORS
MAUNA LANI RESORT ASSOCIATION

Sherwin Gasmen
Management Executive

Enclosures

MAUNA LANI RESORT ASSOCIATION

FISCAL BUDGET

For the calendar year ending December 31, 2024

OPERATING BUDGET

For the calendar year 2024, the normal operating costs of the Association are budgeted at **\$3,772,808**, which represents an increase of **\$195,205,202** / 5% over forecasted 2023 year-end operating costs of **\$3,577,283**.

Projected costs for the individual line items in the operating budget are determined on the basis of known actual costs or calculated estimates, as accurately as 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 2024 operating budget.

1. There shall be a 10% increase in the current monthly per-unit assessment rate of **\$117.08** per unit; the monthly per-unit assessment rate for 2024 shall be **\$128.79**. For calendar year 2024, operating revenues from member assessments are estimated at **\$3,713.035**, which is a 10% increase over 2023 assessment revenues, and includes new watercraft storage fees (which help to offset the watercraft storage costs; additionally, contributions toward the Association's Reserve for Major Repairs and Maintenance have now been segregated from Member assessments. (In terms of Member Assessment Shortfalls during 2024, please refer to **Notes 2, 3** and 4, below.) Projected total revenues for 2024 may be subject to potential fluctuations in interest income, though the Board does anticipate slight increases in interest income over 2023 forecasted levels during 2024.
2. In previous years, revenues in excess of operating costs were set aside for major repairs and maintenance (major repairs and replacements to Common Area components and assets) on a monthly basis through calendar year 2023. Therefore, of the total per-unit assessment of **\$117.08**, in the amount of **\$111.37** was simply allocated to the operating budget and **\$5.71** was allocated to the Reserve during 2023. The 2024 Budget assumes that the total monthly per-unit assessment is to be allocated as follows: **\$122.51** shall be allocated to operational costs and **\$6.28** shall be allocated to the Association's Reserve for Major Repairs and Maintenance.
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, MLRA's position has been that the 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 2024 Budget reflects ER's anticipated assessment shortfall in the amount of **\$67,584 for the period of January 1, through December 31, 2024.**

4. Beginning in December 2022, The Shops at Mauna stopped paying its monthly assessments and, in this regard, the MLRA initiated a foreclosure action against The Shops at Mauna Lani. The Court has appointed a Receiver to oversee the foreclosure process and, under his receivership, the MLRA is now collecting current monthly assessments (effective September 1, 2023); upon the eventual Court Auction of the property, MLRA will seek to recover its six (6) months of back assessments due from the property owner as allowed by law. An Allowance for Doubtful Accounts in the amount of \$191,156 was established in 2023 in this regard.

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 2024 Budget currently projects **\$245,369** in additions to the Reserve (\$190,369 from assessments and \$55,000 from interest revenue). Planned expenditures from the Association's Reserve for Major Repairs & Maintenance are as follows:

major repairs & replacements - detail	
ADM reserve study update	6,000
SEC Toyota Trucks (2) with decals and lights	64,000
Beach cabanas (keiki beach)	23,500
Beach cabana hoods (20) & cushions (40)	28,800
BC chaise lounges(25)	10,300
BC shower fixtures	9,900
BC beach shack	36,500
Fishpond makaha wall repair	19,000
LS lean-to roof	29,100
LS club car canopy and dump kits (2)	5,300
LS brushcutter	5,000
RW parking bumpers BC and Historic Park	14,900
RW highway entry and traffic circle lighting redesign	80,000
RW intersection street signs	2,800
RW metering and electrical enclosures	53,200
MAJOR REPAIRS & REPLACEMENTS	388,300

Please note that the bulk of the above-listed 2024 Reserve items will not be initiated until our 2024 current Reserve Study is updated/completed in early- to mid-2024 after, among other things, the Beach Club remodel and its final impacts to our Reserve have been 100% completed/determined.

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MAUNA LANI RESORT ASSOCIATION
Fiscal Budget - 2024

	2024 Budget	2023 Forecast	2023 Budget
OPERATING REVENUES			
Association dues - operating	3,713,035	3,375,487	3,375,490
Green waste disposal	88,800	88,799	88,770
Easement fees	36,000	36,000	36,000
Watercraft storage	32,700	5,656	-
Interest income	39,385	20,068	38,966
Beach Club site fees	-	-	-
Other revenues	-	16,521	-
	<u>3,909,920</u>	<u>3,542,531</u>	<u>3,539,226</u>
UTILITIES			
Water	418,755	383,391	305,430
Electricity	33,989	32,106	35,426
Telephone & communications	19,440	19,301	16,452
Sewer	552	550	552
	<u>472,736</u>	<u>435,347</u>	<u>357,860</u>
MAINTENANCE			
Landscape Contract	1,086,235	1,015,173	1,015,173
Security Contract	1,092,590	993,264	993,264
Tree Trimming & Plants	135,079	140,938	127,200
Composting	84,944	79,387	79,387
contract maintenance & carpentry	1,000	442	4,200
landscape & irrigation	18,000	24,502	18,000
retuse - maintenance building	10,380	9,708	9,030
equipment & vehicle	1,200	5,718	1,200
roadway	1,800	-	1,800
gate maintenance	2,400	-	804
contingency	-	-	-
building	5,500	2,347	1,404
cleaning supplies	3,120	3,072	3,600
beach Club FF&E Repair	-	367	2,004
electrical, lighting and sewer pumps	3,492	5,687	4,488
pest control - building & goats	524	524	2,000
fire systems - annual	800	800	804
signage	600	3,821	600
safety supplies	1,400	249	1,440
	<u>2,449,064</u>	<u>2,285,999</u>	<u>2,266,398</u>
PROFESSIONAL SVCS			
Management Services	460,877	447,274	447,341
Professional Services	198,035	228,022	217,853
Beach Attendants & Parking Lot Monitor	123,889	112,626	122,626
Housekeeping	600	593	600
Annual Meeting	7,300	7,319	3,000
Audit & Tax Prep	8,244	8,004	8,004
Lease Equipment	3,840	3,829	4,560
Vehicle Registration	-	254	-
Admin Supplies	(7,164)	(7,482)	(8,280)
	<u>795,622</u>	<u>800,439</u>	<u>795,704</u>
OTHER EXPENSES			
Insurance	54,587	51,392	57,158
Real Property Tax	800	800	804
Other expense	-	3,307	-
	<u>55,387</u>	<u>55,499</u>	<u>57,962</u>
TOTAL OPERATING EXP	<u>3,772,808</u>	<u>3,577,283</u>	<u>3,477,924</u>
RESERVE FOR DOUBTFUL ACCOUNTS	<u>67,584</u>	<u>223,594</u>	<u>61,439</u>
NET EXCESS/(DEFICIT)	<u>69,528</u>	<u>(258,346)</u>	<u>(137)</u>
 RESERVE for MAJOR REPAIR AND REPLACEMENT - beginning	 2,139,798	 3,095,672	 3,095,672
Assessments received in advance	190,369	144,061	173,063
Interest earned on reserve fund	55,000	91,278	-
Reserve expenditures	(388,300)	(1,191,214)	(1,235,119)
 RESERVE for MAJOR REPAIR AND REPLACEMENT - ending	 1,996,867	 2,139,798	 2,033,616