

MAUNA LANI RESORT ASSOCIATION

FISCAL BUDGET

For the calendar year ended December 31, 2021

OPERATING BUDGET

For the calendar year 2021, the normal operating costs of the Association are budgeted at **\$3,260,573** which represents an increase of 1% over forecasted 2020 year-end operating costs of **\$3,216,432**.

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 2021, revenues from member assessments are estimated at **\$3,394,278**, which are in line with 2020 assessment revenues. (Please see **Note 3**, below.) Total revenues for 2021 are budgeted at **\$3,502,922**, which are also in line with forecasted revenues for 2020. Projected total revenues for 2021 may not reflect potential fluctuations in interest income which may be generated by the Board's newly revised cash management and investment policy, though the Board does not anticipate any substantial increases or decreases in interest income over 2020 forecasted levels during 2021.
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 2021.
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 2021 Budget reflects ER's anticipated assessment shortfall in the amount of **\$58,764** for the period of January 1 through December 31, 2021.

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 2021 Budget projects **\$183,585** 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 2020 **\$521,444** in expenditures are forecasted to be paid from the Association's Reserve for Major Repairs & Maintenance, as follows:

	2020 forecast
Sale of Toyota Forklift	300
AD - Air duct/quality remediation	(7,943)
BC - Pedestrian access gate	(7,697)
BC - Extraordinary repair	(9,625)
BC - Renovation permitting	(48,485)
BC - Roof & gutter system	-
BC - Kitchen expansion	-
BC - Bar relocation/new outdoor bar	-
BC - Walkway relocation & landscape	-
BC - Restaurant renovation (other)	-
BC - New Public restrooms	-
BC - Restripe cart parking area	(2,706)
BC - Chaise lounges (completed 2019)	-
BC - Cabana hoods & cushion covers	(11,569)
BC - 4/7 Gate (damage)/recovery	0
FP- Camera/Surveillance System	-
FP - Interpretive & directional signage	(3,660)
FP - Build Gate/Repair Handrail Seawall	(1,721)
GWF - Dozer rehab	(1,522)
LS - ML Drive Mauka irrigation line	(176,963)
LS - Irrigation cart	(18,141)
LS - Storage facility	(48,319)
LS - Extraordinary Replacements	-
RW - LED Light upgrades	(28,779)
RW - Extraordinary repairs	(9,907)
RW - Extraordinary light pole replaceme	(27,761)
RW - Light pole painting	(36,251)
RW - Traffic calming measures	(43,660)
RW - BC traffic circle island concrete	(16,500)
SEC - Guardhouse AC unit	(3,833)
SEC - Network video recorder	(3,334)
SEC - Radar Speed sign (new)	(8,700)
SEC - Refrigerator	-
SEC - Rescue board	(3,500)
Sod	-
Website	(1,170)

Total expenditures scheduled for completion in 2021 equal **\$1,030,840**. Projects scheduled for 2021 include the following:

	2021 budget
ADM- FF&E	(3,000)
BC - Roof & gutter system	(63,000)
BC - Kitchen expansion	(50,000)
BC - Bar relocation/new outdoor bar	(453,000)
BC - Walkway relocation & landscape	(20,000)
BC - Restaurant renovation (other)	(35,000)
BC - New Public restrooms	(225,000)
BC- Extraordinary RESTAURANT	(9,000)
BC- Extraordinary NON-RESTAURANT	(9,000)
FP - Interpretive & directional signage	(14,340)
FP-Fishpond Camera System	(5,500)
FP-Raise fishpond rock wall	(16,000)
GW-Used bulldozer	(47,200)
LS - Extraordinary Replacements	(12,000)
RW-Raise light pole bases	(68,100)
SEC-Refrigerator	(700)

The balance in **Reserve for Major Repairs and Maintenance** will approximate **\$3,090,418** at December 31, 2020 and **\$2,243,164** at December 31, 2021, after completion of the projects listed above. The forecasted and budgeted Reserve balances are in line with the Association's 50% Reserve funding goal.

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MAUNA LANI RESORT ASSOCIATION
Fiscal Budget - 2021

	2021 Budget	2020 Forecast	2020 Budget
REVENUES			
Association dues	3,394,278	3,394,278	3,394,278
Green waste disposal	45,663	45,663	31,200
Easement fees	36,000	36,000	36,000
Interest income	26,981	32,911	32,637
Beach Club site fees	-	9,294	12,000
Total Revenues	<u>3,502,922</u>	<u>3,518,146</u>	<u>3,506,115</u>
UTILITIES			
Water	303,987	270,351	234,243
Electricity	32,384	34,628	45,078
Telephone & communications	14,484	14,545	14,520
Sewer	552	549	552
	<u>351,407</u>	<u>320,073</u>	<u>294,393</u>
MAINTENANCE			
Landscape Contract	938,676	938,671	938,676
Security Contract	900,924	900,920	900,924
Tree Trimming & Plants	127,000	127,000	127,000
Composting	73,404	73,404	73,416
Contractor maintenance and carpentry	18,000	18,000	18,000
Landscape & Irrigation	15,741	15,741	15,600
Refuse Service	7,968	7,970	8,040
Electrical, Lighting & Sewer Pumps	4,492	5,140	5,483
Pest Control	3,524	4,140	3,174
Cleaning Supplies	3,000	2,660	2,640
Gate Maintenance	1,200	1,200	1,200
Beach Club FF&E Repair	1,200	1,200	1,200
Roadway	1,200	1,000	1,000
Signage	1,200	600	600
Safety Supplies	600	647	600
COVID-19 response	-	527	-
Fire Systems	340	340	250
Equipment & Vehicle	300	300	300
Contingency	300	251	-
Building	120	66	-
Total Services	<u>2,099,189</u>	<u>2,099,778</u>	<u>2,098,103</u>
PROFESSIONAL SVCS			
Management Services	428,163	428,163	428,170
Professional Services	221,289	190,649	227,516
Beach Attendants & Parking Lot Monitor	109,655	135,806	152,156
Housekeeping	4,076	3,521	9,240
Annual Meeting	6,700	-	6,700
Audit & Tax Prep	5,700	5,714	5,700
Lease Equipment	4,320	3,752	4,320
Vehicle Registration	-	253	-
Admin Supplies	(960)	(687)	(4,640)
Total Professional Svcs	<u>778,943</u>	<u>767,171</u>	<u>829,162</u>
OTHER EXPENSES			
Insurance	30,229	28,509	28,644
Real Property Tax	804	900	1,000
Other expense	-	-	-
Depreciation	-	-	-
Total Other Expenses	<u>31,033</u>	<u>29,409</u>	<u>29,644</u>
TOTAL OPERATING EXP	<u>3,260,573</u>	<u>3,216,432</u>	<u>3,251,302</u>
RESERVE FOR DOUBTFUL ACCOUNTS	<u>58,764</u>	<u>58,768</u>	<u>58,768</u>
RESERVE FOR MAJOR REPAIRS & MAINTENANCE	<u>183,585</u>	<u>242,946</u>	<u>196,045</u>
NET EXCESS/(DEFICIT)	<u>-</u>	<u>-</u>	<u>-</u>
 RESERVE FOR MAJOR REPAIRS & MAINTENANCE - beg	 3,090,418	 3,368,917	 3,368,917
Additions to Reserve	183,585	242,946	196,045
Charges to Reserve	(1,030,840)	(521,444)	(969,036)
RESERVE FOR MAJOR REPAIRS & MAINTENANCE - end	2,243,164	3,090,418	2,595,926