



Hawaiiana Management Company, Ltd.  
Pacific Park Plaza, Suite 700  
711 Kapiolani Boulevard  
Honolulu, Hawaii 96813  
Internet: [www.hmcngt.com](http://www.hmcngt.com)

November 2017

**RE: 2018 Budget and Reserve Analysis, Maintenance Fees**

Dear The Collection Owner:

The Collection Association of Unit Owners (AOUO) Board of Directors (Board) has been working closely with your Management Company (Hawaiiana Management) to analyze and review the current financial status and expenditures of the AOUO. The fiscal year for The Collection starts on January 1, 2018. As you know, the previous budget was developed in 2013 in preparation for home sales to commence. Fast forward four years later and we are now able to utilize actual expense data over the past 11 months to develop the 2018 budget.

At the November 2, 2017 Board meeting, the Board voted to approve the following increases for the four entities that comprise The Collection effective January 1, 2018:

Common	10.5% increase
Tower	3.0% increase
Midrise (Lofts)	7.0% increase
Commercial	2.8% increase

Every owner is charged the Common maintenance fee, plus the fee associated with the entity in which they reside (i.e. – Tower, Midrise (Lofts), or Commercial).

The Budget and Reserve Analysis may be accessed through The Collection website, [www.thecollectionhonolulu.net](http://www.thecollectionhonolulu.net) or you may request a hard copy from The Collection office by calling 808-548-4555.

**Why an increase in fees?**

- **We must plan for the future.** State law requires that we must maintain reserve funding at acceptable levels. Perhaps more importantly, we must plan for essential maintenance and replacement projects. The inaugural AOUO reserve study was performed by Akamai Reserves in the summer of 2017 and includes all capital components whose replacement cost is greater than \$10,000.

If we want to avoid costly, special assessment fees in the future and with increased costs in reserve items, we must prepare now. Completing the reserve study to clearly identify the capital funding requirement was a key component for increase in fees.

**The good news is.....**

As occupancy and monthly expenses continue to normalize throughout 2018, we will continue to gain a better understanding of operational needs and budget impacts. To aid in providing some key information pertaining to each of the categories that make up the budget, a summary of the Common budget, as well as the entity in which you reside, is included in this mailing.

**Will maintenance fees increase next year?**

- Good business practices in condominium management are to: 1) increase fees to at least match annual inflation rates; and 2) contribute to the reserve fund based on the recommendations of a professional reserve study. In approving the current budget the Board has followed these practices. The budget represents the Board's best estimate of costs for this fiscal year. As we have learned, utilities, oil prices, maintenance, and reserve funding can influence future needs. Additionally, service providers may raise their fees as their costs increase as well.
- The Board will continue to monitor revenues and expenses during the next year to see how they can continue to reduce costs and responsibly maintain the building and common areas.

**SurePay and other E-Payments**

Statements will continue to be mailed to homeowners each month. If you are already using SurePay for automatic payments, the new amount will be automatically adjusted beginning with the January 2018 payment. If you are not using SurePay as your method of payment and would like more information, please contact Tisa Romano at (808) 593-6351.

If a bank, savings and loan, or bill payment agency, other than Hawaiiana's SurePay Plan, pays your maintenance fees, you must inform that agency of the new maintenance fee amount and the effective date of **January 1, 2018**. Please do so at your earliest convenience to ensure that the correct amount is paid and to avoid a late fee penalty.

Should you have any questions concerning this matter, please feel free to contact me at (808) 203-5234 or by e-mail at [jonm@hmcmgt.com](mailto:jonm@hmcmgt.com).

Sincerely,  
FOR THE BOARD OF DIRECTORS  
OF THE COLLECTION



Jon McKenna  
Management Executive

cc: General Manager

**The Collection - COMMERCIAL**  
**2018 Approved Budget 11/2/17**

Budget Categories	2017 Budget	New 2018 Budget	Variance (+ or -)	Variance (by %)	Remarks
<b>REVENUES:</b>					
Maintenance Fees	27,192	27,953	761	2.8%	
	27,192	27,953	761	2.8%	

<b>EXPENSES:</b>					
Utilities	7,080	7,080	0	0%	Electric expenses anticipated to be under budget by 66% for 2017.
Contract Svcs.	0	977	977	100%	Monthly service fee charged to Commercial from Tower for security services.
Maintenance	840	1,812	972	116%	Increase from 2017 budget due to window cleaning service.
	7,920	9,869	1,949	25%	

<b>RESERVES:</b>					
Reserve Contribution	0	7,341	7,341	100%	An inaugural reserve study was completed in 2017 and this is the amount required in 2018 to be in compliance with State Law.

**Overall comments for 2017:** There have been no expenses for the Commercial entity because there were no tenants in 2017. Leases have been signed and 2018 will see actual expenses incurred. While expenses were reduced due to calculation of security services to be charged to Commercial from Tower, a 2.8% increase is necessary due to production of the reserve study and the required monthly contributions to reserves to properly fund replacement of capital components.

# THE COLLECTION

## 2018 Maintenance Fees

Unit Type	2017 Total Fees (excluding electricity)	2018 Common Maintenance Fee	2018 Tower Maintenance Fee	2018 Midrise Maintenance Fee	2018 Commercial Maintenance Fee	2018 Total Fees (excluding electricity)
A	935.85	100.50	870.24			\$ 970.74
A1	1,094.29	117.51	1,017.59			\$ 1,135.10
B	477.83	51.31	444.33			\$ 495.64
C	750.16	80.56	697.58			\$ 778.14
D	764.19	82.06	710.63			\$ 792.69
E	791.42	84.99	735.95			\$ 820.94
F	1,004.34	107.85	933.94			\$ 1,041.79
G	717.97	77.10	667.65			\$ 744.75
H	725.41	77.90	674.56			\$ 752.46
J	478.66	51.40	445.10			\$ 496.50
K	854.97	91.81	795.04			\$ 886.85
L	543.85	58.40	505.73			\$ 564.13
M	804.62	86.41	748.22			\$ 834.63
N	577.68	62.03	537.19			\$ 599.22
M-A	324.04	41.24		306.79		\$ 348.03
M-AR	324.04	41.24		306.79		\$ 348.03
M-B	458.39	70.37		518.63		\$ 589.00
M-C	550.37	70.57		520.57		\$ 591.14
CM 1	1,081.85	235.07			893.46	\$ 1,128.53
CM 2	397.72	86.48			328.41	\$ 414.89
CM 3	21.58	4.70			17.82	\$ 22.52
CM M1	1,320.09	287.31			1,089.76	\$ 1,377.07

# The Collection-Commercial

## Calendar Year 2018 Operating Budget and Reserve Study

### EXECUTIVE SUMMARY

Prepared By: Jon McKenna and Hawaiiana Management Company, Ltd on September 20, 2017

Approved by Board of Directors on November 2, 2017

#### 2018 PROJECTED INCOME

Starting Balance (Estimated)	\$12,000
Maintenance Fees	\$27,953
Other Income	\$0

2018 Estimated Income	\$39,953
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#### BOARD APPROVED

#### 2018 PROJECTED EXPENSES

Operating Expenses	\$20,613
Reserve Expenses	\$0

2018 Estimated Expenses	\$20,613
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#### PROJECTED RESERVES AT YEAR END

(projected income less expenses)

\$19,341

Reserve Contributions %	36%
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Reserve Contribution Funding Level	122.34%
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2018 Maintenance Fee Change	2.80%
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Hawaiiana Management Company, Ltd

2018 Monthly Cash Operating Budget For

**The Collection-Commercial**

Approved by Board of Directors on November 2, 2017

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DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
REVENUE	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	TOTAL
MAINTENANCE FEES	2,329	2,329	2,329	2,329	2,329	2,329	2,329	2,329	2,329	2,329	2,329	2,329	27,953
<b>TOTAL REVENUE</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>2,329</b>	<b>27,953</b>

UTILITIES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
ELECTRICITY-PARKING	580	580	580	580	580	580	580	580	580	580	580	580	6,960
WATER	10	10	10	10	10	10	10	10	10	10	10	10	120
<b>TOTAL UTILITIES</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>7,080</b>

CONTRACT SERVICES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
SECURITY SERVICE FEE (TOWER)	977	977	977	977	977	977	977	977	977	977	977	977	11,721
<b>TOTAL CNTRCT SVCS</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>977</b>	<b>11,721</b>

MAINTENANCE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
CLEANING SVC WINDOWS	81	81	81	81	81	81	81	81	81	81	81	81	972
ELECTRICAL/LIGHTING	10	10	10	10	10	10	10	10	10	10	10	10	120
FIRE SYSTEMS	30	30	30	30	30	30	30	30	30	30	30	30	360
BLDG MAINT-OTHER	30	30	30	30	30	30	30	30	30	30	30	30	360
<b>TOTAL MAINTENANCE</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>151</b>	<b>1,812</b>

Approved by Board of Directors on November 2, 2017

DESCRIPTION

JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC ANNUAL

TOTAL OP EXPENSE	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	20,613
LOAN PAYMENTS													
TRANSFER TO RESERVES	612	612	612	612	612	612	612	612	612	612	612	612	7,341

THE COLLECTION-COMMERCIAL YEAR 2018 RESERVE PROJECTS AS OF NOVEMBER 2, 2017

COST NOW and NORM LIFE values are best estimates by Hawaiiana Management and vendors who were nice enough to inspect the property or give a best guess.											
It may be advisable to employ an expert to evaluate those projects with high cost.											
				RESERVE FUND STATUS - PERCENT FUNDED METHOD					M. FEE	RESERVE.	MAINT.
First Plan Year - Calendar	2018	Reference Year	2017	THE MODEL'S FINDINGS FOR % FUNDING			2017 Deficit	CHANGE	CONTRIB	FEES	
Final Plan Year	2037			Recommended Reserve Funding		100%	(4,288)	-10%	3,809	24,422	
2017 Maintenance Fees	27,192	2018 Maint Fees	27,953	Target Reserve Funding Level		50%	(8,144)	-39.26%	(4,095)	16,517	
2017 Other Income		2018 Othr Inc		Minimum Reserve Funding Level		50%	(8,144)	-39%	(4,095)	16,517	
2017 Operating Expenses		2018 Exp	-20,613	EOY 2018 Funding % @ Approved Lev		122.34%		3%	7,341	27,953	
2017 Reserve Contribution	27,192	2018 Contribution	7,341	Condition Codes	Source Codes			Source Codes			
Projected Reserves At Start of 2018	12,000	Target Funding I	50%	EXCELNT	E	Contractor Proposal	1	Cost at Similar Project	5		
Projected Reserve % at Start of 2018	155.6%	Tgt Ann Contrib	3,856	GOOD	G	Contractor Estimate	2	Statistical Guideline	6		
Minimum Inflation	2.5%	Req Contrib-Tgt	(4,288)	FAIR	F	Engineer/Arch Estimate	3	Inflate First Year?	Yes		
Projected Savings Interest	1.0%	App. % Change	2.8%	POOR	P	Cost When Last Done	4				
CAPITAL INVENTORY		NORM	DONE	LAST	CO	NEXT	COST	COST	FUNDING	EOY	
ITEM	ADJUSTMENT	LIFE	LAST	COST	ND	DUE DATE	NOW	SRC	RQMNT	RES	DEFICIT
Window Seal - Test/Repair		10	2016			2026	8,246		825	825	
Window Seal - Replace		20	2016			2036	37,745		1,887	1,887	
Glass Doors and Windows - Replace		25	2016			2041	125,000		5,000	9,288	-4,288
2017 End Yr Totals							170,991		7,712	12,000	(4,288)

# The Collection-Commercial

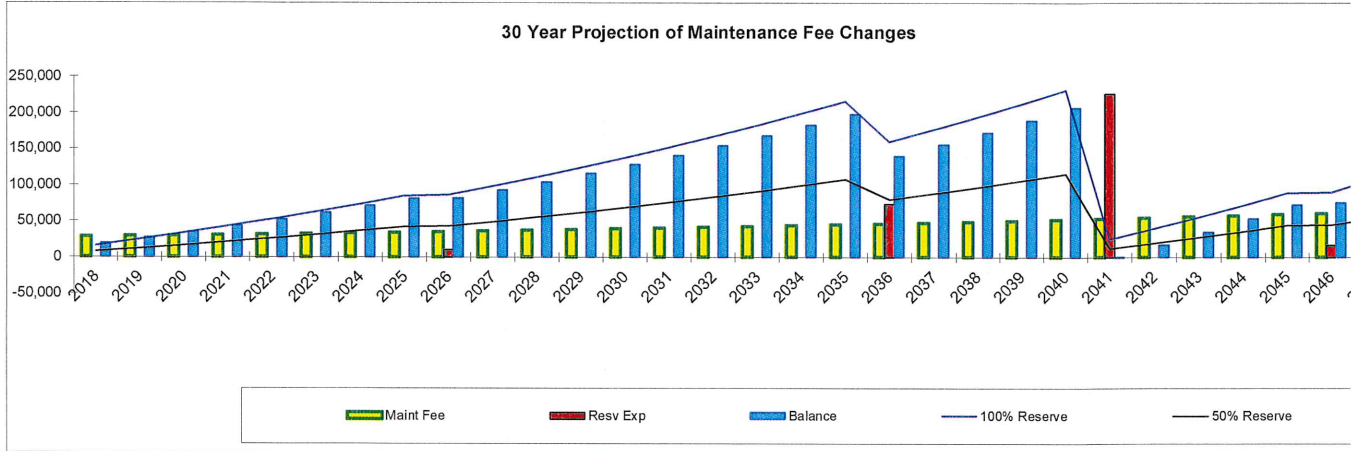
## Board Approved 2018 Cash Flow Plan

Prepared By: Jon McKenna and Hawaiiana Management Company, Ltd

### Maintenance Fee Plan to Accomplish All Known Improvements and Repairs For Next 30 Years

Assumed Rate of Inflation: 2.5%

Assumed Savings Interest Rate: 1%



#### Contingency Reserve Fur

\$0

CY Year	Starting Balance	-Reserve Expense	-Loan Payments	-Operating Expenses	+Maint. Fees	+Other Income	+Interest Income	=Ending Balance	% Maint. Fee Change	Net Reserve Contrib.
2018	12,000	0	0	20,613	27,953	0	Included	19,341	2.8%	7,341
2019	19,341	0	0	21,128	28,736	0	231	27,180	2.8%	7,608
2020	27,180	0	0	21,656	29,541	0	311	35,376	2.8%	7,885
2021	35,376	0	0	22,197	30,368	0	395	43,941	2.8%	8,170
2022	43,941	0	0	22,752	31,218	0	482	52,888	2.8%	8,466
2023	52,888	0	0	23,321	32,092	0	573	62,232	2.8%	8,771
2024	62,232	0	0	23,904	32,991	0	668	71,986	2.8%	9,086
2025	71,986	0	0	24,502	33,914	0	767	82,166	2.8%	9,413
2026	82,166	10,298	0	25,114	34,864	0	819	82,436	2.8%	(548)
2027	82,436	0	0	25,742	35,840	0	875	93,409	2.8%	10,098
2028	93,409	0	0	26,386	36,844	0	986	104,853	2.8%	10,458
2029	104,853	0	0	27,045	37,875	0	1,103	116,786	2.8%	10,830
2030	116,786	0	0	27,722	38,936	0	1,224	129,224	2.8%	11,214
2031	129,224	0	0	28,415	40,026	0	1,350	142,186	2.8%	11,611
2032	142,186	0	0	29,125	41,147	0	1,482	155,690	2.8%	12,022
2033	155,690	0	0	29,853	42,299	0	1,619	169,755	2.8%	12,446
2034	169,755	0	0	30,599	43,483	0	1,762	184,401	2.8%	12,884
2035	184,401	0	0	31,364	44,701	0	1,911	199,648	2.8%	13,336
2036	199,648	73,524	0	32,148	45,952	0	1,698	141,625	2.8%	(59,720)
2037	141,625	0	0	32,952	47,239	0	1,488	157,400	2.8%	14,287
2038	157,400	0	0	33,776	48,562	0	1,648	173,834	2.8%	14,786
2039	173,834	0	0	34,620	49,922	0	1,815	190,950	2.8%	15,301
2040	190,950	0	0	35,486	51,319	0	1,989	208,772	2.8%	15,833
2041	208,772	226,091	0	36,373	52,756	0	1,039	103	2.8%	(209,708)
2042	103	0	0	37,282	54,233	0	86	17,140	2.8%	16,951
2043	17,140	0	0	38,214	55,752	0	259	34,937	2.8%	17,538
2044	34,937	0	0	39,170	57,313	0	440	53,520	2.8%	18,143
2045	53,520	0	0	40,149	58,918	0	629	72,918	2.8%	18,769
2046	72,918	16,874	0	41,153	60,567	0	742	76,200	2.8%	2,541
2047	76,200	0	0	42,182	62,263	0	862	97,144	2.8%	20,082