



Hawaiiana Management Company, Ltd.
Pacific Park Plaza, Suite 700
711 Kapiolani Boulevard
Honolulu, Hawaii 96813
Internet: 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 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.

Sincerely,
FOR THE BOARD OF DIRECTORS
OF THE COLLECTION



Jon McKenna
Management Executive

cc: General Manager

The Collection - COMMON
2018 Approved Budget 11/2/17

Budget Categories	2017 Budget	New 2018 Budget	Variance (+ or -)	Variance (by %)	Remarks
REVENUES:					
Maintenance Fees	378,181	417,890	39,709	10.5%	
Other Income	0	42,552	42,552		Master Association dues reimbursed by owners.
	378,181	460,442	82,261	21.8%	

EXPENSES:					
Utilities	0	9,600	9,600	100%	Common telephone service.
Contract Svcs.	0	24,792	24,792	100%	Landscaping and pest control contracts for common area.
Maintenance	74,400	22,740	-51,660	-69%	Utilized for general supplies and building maintenance/repairs.
Professional Svcs.	111,600	136,444	24,844	22%	Increase is due to increases in budgeting for legal fee, audit, and administrative expenses.
Other Exp.	157,800	234,119	76,319	48%	Cost of insurance increased by 24% from what was originally budgeted for. The other expense identified here that impacts the increase in this category is Master Association dues. However, master dues are offset by the reimbursement charge to owners identified in revenue above.
	343,800	427,695	83,895	24%	

RESERVES:					
Reserve Contribution	0	32,747	32,747	100%	An inaugural reserve study was completed in 2017 and this is the amount required in 2018 to be in compliance with State Law.

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 - Common

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)	\$335,000
Maintenance Fees	\$417,890
Other Income	\$42,552

2018 Estimated Income	\$795,442
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BOARD APPROVED

2018 PROJECTED EXPENSES

Operating Expenses	\$427,695
Reserve Expenses	\$0

2018 Estimated Expenses	\$427,695
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PROJECTED RESERVES AT YEAR END

(projected income less expenses)

\$367,747

Reserve Contributions %	8%
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Reserve Contribution Funding Level	67.16%
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2018 Maintenance Fee Change	10.50%
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Hawaiiana Management Company, Ltd

2018 Monthly Cash Operating Budget For

The Collection - Common

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	34,824	34,824	34,824	34,824	34,824	34,824	34,824	34,824	34,824	34,824	34,824	34,824	417,890
MASTER ASSOC. DUES-REIMB	3,441	3,441	3,441	3,441	3,441	3,441	3,441	3,441	3,441	3,441	3,441	3,441	41,292
INVESTMENT INTEREST	75	75	75	75	75	75	75	75	75	75	75	75	900
CHECKING INTEREST	30	30	30	30	30	30	30	30	30	30	30	30	360
TOTAL REVENUE	38,370	38,370	38,370	38,370	38,370	38,370	38,370	38,370	38,370	38,370	38,370	38,370	460,442

UTILITIES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
TELEPHONE	800	800	800	800	800	800	800	800	800	800	800	800	9,600
TOTAL UTILITIES	800	800	800	800	800	800	800	800	800	800	800	800	9,600

CONTRACT SERVICES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
LANDSCAPING	1,851	1,851	1,851	1,851	1,851	1,851	1,851	1,851	1,851	1,851	1,851	1,851	22,212
PEST CONTROL	215	215	215	215	215	215	215	215	215	215	215	215	2,580
TOTAL CNTRCT SVCS	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	24,792

MAINTENANCE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
CLEANING SUPPLIES	610	610	610	610	610	610	610	610	610	610	610	610	7,320
GROUNDS-LANDSCAPING	225			225			225			225			900
GROUNDS-OTHER	10	10	10	10	10	10	10	10	10	10	10	10	120
ELECTRICAL	25	25	25	25	25	25	25	25	25	25	25	25	300
PAINT	50	50	50	50	50	50	50	50	50	50	50	50	600
SECURITY EQUIPMENT	325	325	325	325	325	325	325	325	325	325	325	325	3,900
MISCL REPAIRS & PURCHASES	800	800	800	800	800	800	800	800	800	800	800	800	9,600
TOTAL MAINTENANCE	2,045	1,820	1,820	2,045	1,820	1,820	2,045	1,820	1,820	2,045	1,820	1,820	22,740

Approved by Board of Directors on November 2, 2017

DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	ANNUAL
PROFESSIONAL SVCS	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	TOTAL
ADMIN SUPPLIES & SVCS	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	30,000
ASSOCIATION ADMIN EXPENSE	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	1,240	14,880
EDUCATION EXPENSE	20	20	20	20	20	20	20	20	20	20	20	20	240
MANAGEMENT SRVCS	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	4,897	58,758
AUDIT				12,565									12,565
LEGAL FEES GENERAL	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	1,667	20,000
TOTAL PROF. SERVICES	10,323	10,323	10,323	22,889	10,323	10,323	10,323	10,323	10,323	10,323	10,323	10,323	136,444

OTHER EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
INSURANCE-PROPERTY	32,287	32,287	32,287								34,709	34,709	166,279
INSURANCE-LIABILITY	2,660	2,660	2,660								2,740	2,740	13,460
INSURANCE-D&O											6,000		6,000
INSURANCE-FIDELITY	76	76	76								77	77	382
INSURANCE-UMBRELLA	1,280	1,280	1,280								1,331	1,331	6,502
MASTER ASSOCIATION DUES	41,292												41,292
STATE GENERAL EXCISE TAX	17	17	17	17	17	17	17	17	17	17	17	17	204
TOTAL OTHER EXP.	77,612	36,320	36,320	17	17	17	17	17	17	17	44,874	38,874	234,119

TOTAL OP EXPENSE	92,846	51,329	51,329	27,817	15,026	15,026	15,251	15,026	15,026	15,251	59,883	53,883	427,695
LOAN PAYMENTS													
TRANSFER TO RESERVES	-54,476	-12,959	-12,959	10,554	23,344	23,344	23,119	23,344	23,344	23,119	-21,513	-15,513	32,747

THE COLLECTION - COMMON 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%	(67,887)	58%	212,582	597,725		
2017 Maintenance Fees	378,181	2018 Maint Fees	417,890	Target Reserve Funding Level	50%	(201,443)	-14.34%	(61,209)	323,934		
2017 Other Income	1,460	2018 Othr Inc	42,552	Minimum Reserve Funding Level	50%	(201,443)	-14%	(61,209)	323,934		
2017 Operating Expenses	-279,739	2018 Exp	-427,695	EOY 2018 Funding % @ Approved Lev	67.16%		11%	32,747	417,890		
2017 Reserve Contribution	99,901	2018 Contribution	32,747	Condition Codes	Source Codes		Source Codes				
Projected Reserves At Start of 2018	335,000	Target Funding I	50%	EXCELNT	E	Contractor Proposal	1	Cost at Similar Project	5		
Projected Reserve % at Start of 2018	125.4%	Tgt Ann Contrib	133,557	GOOD	G	Contractor Estimate	2	Statistical Guideline	6		
Minimum Inflation	2.5%	Req Contrib-Tgt	(67,887)	FAIR	F	Engineer/Arch Estimate	3	Inflate First Year?	Yes		
Projected Savings Interest	1.0%	App. % Change	10.5%	POOR	P	Cost When Last Done	4				
CAPITAL INVENTORY											
ITEM	ADJUSTMENT	NORM LIFE	DONE LAST	LAST COST	CO ND	NEXT DUE DATE	COST NOW	COST SRC	FUNDING ROMNT	EOY RES	DEFICIT
Office Equipment - Replace/Upgrade		4	2016			2020	15,000		3,750	3,750	
Asphalt - Seal/Repair		5	2016			2021	9,750		1,950	1,950	
RM Unit - Remodel		6	2016			2022	15,000		2,500	2,500	
Gate Operators - Replace		8	2016			2024	17,400		2,175	2,175	
Exterior Concrete - Paint		10	2016			2026	1,250,000		125,000	125,000	
Parking Deck - Seal/Repair		10	2016			2026	214,063		21,406	21,406	
Dom. Water Booster Pumps -Replace		10	2016			2026	33,000		3,300	3,300	
Fob Entry System - Replace		10	2016			2026	26,000		2,600	2,600	
Intake Fan - Replace		10	2016			2026	22,500		2,250	2,250	
Emergency Lights - Replace		10	2016			2026	17,000		1,700	1,700	
Roll Up Door - Replace		10	2016			2026	16,000		1,600	1,600	
Office - Remodel		10	2016			2026	12,500		1,250	1,250	
Security Camera System - Replace/Upgrade		11	2016			2027	140,000		12,727	12,727	
Electric Vehicle Charging - Repair/Replacement		12	2016			2028	55,000		4,583	4,583	
Dom. Water Booster Pumps -Replace		15	2016			2031	375,000		25,000	25,000	
Landscaping - Restoration		15	2016			2031	87,500		5,833	5,833	
Generator - Rebuild		15	2016			2031	60,000		4,000	4,000	
Office Furniture - Replace		15	2016			2031	28,000		1,867	1,867	
Exhaust Fan - Replace		15	2016			2031	10,800		720	720	
Pressure Fan - Replace		15	2016			2031	7,500		500	500	
Employee Break Room - Refurbish		15	2016			2031	7,500		500	500	
Parking Deck - Resurface		20	2016			2036	359,625		17,981	17,981	
Metal Gates - Replace		20	2016			2036	90,000		4,500	4,500	
Metal Panel - Replace		25	2016			2041	301,875		12,075	12,075	
Fire Pump - Replace		25	2016			2041	55,000		2,200	2,200	
Pole Lights - Replace		25	2016			2041	23,000		920	920	
Asphalt - Replace		30	2016			2046	126,750		4,225	72,112	-67,887
2017 End Yr Totals							3,375,763		267,113	335,000	(67,887)

The Collection - Common

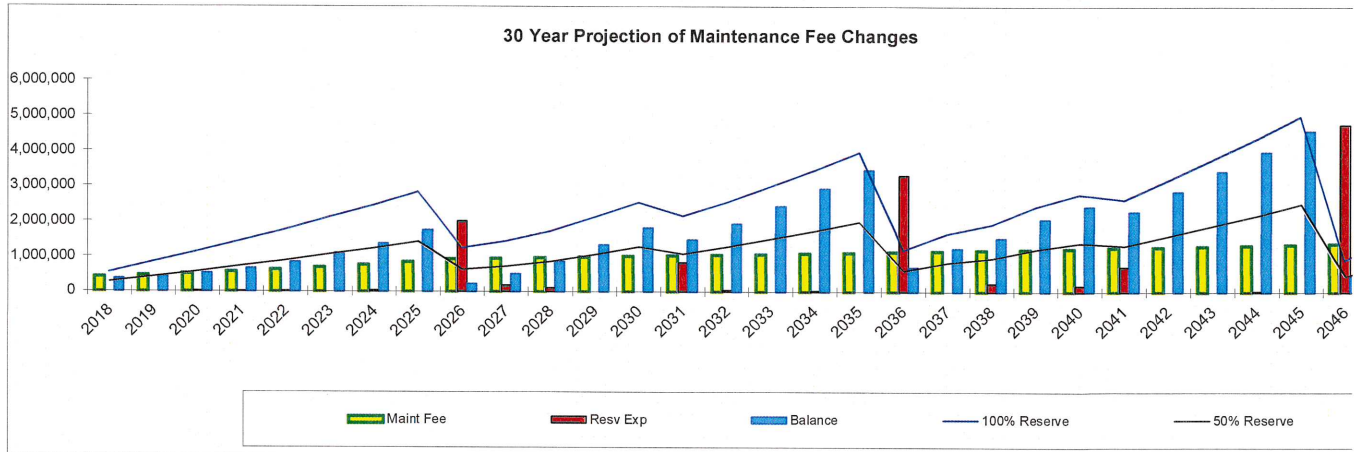
Board Approved 2018 Cash Flow Plan

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	335,000	0	0	427,695	417,890	42,552	Included	367,747	10.5%	32,747
2019	367,747	0	0	438,387	461,768	41,292	4,001	436,421	10.5%	64,673
2020	436,421	16,153	0	449,347	510,254	41,292	4,794	527,262	10.5%	86,046
2021	527,262	10,762	0	460,581	563,831	41,292	5,942	666,983	10.5%	133,780
2022	666,983	16,971	0	472,095	623,033	41,292	7,546	849,788	10.5%	175,259
2023	849,788	0	0	483,898	688,451	41,292	9,727	1,105,361	10.5%	245,846
2024	1,105,361	38,513	0	495,995	760,739	41,292	12,391	1,385,275	10.5%	267,523
2025	1,385,275	0	0	508,395	840,616	41,292	15,720	1,774,509	10.5%	373,514
2026	1,774,509	1,999,195	0	521,105	928,881	41,292	9,994	234,377	10.5%	(1,550,127)
2027	234,377	179,212	0	534,132	947,459	41,292	3,721	513,504	2.0%	275,406
2028	513,504	111,527	0	547,486	966,408	41,292	6,878	869,070	2.0%	348,687
2029	869,070	0	0	561,173	985,736	41,292	11,020	1,345,945	2.0%	465,855
2030	1,345,945	0	0	575,202	1,005,451	41,292	15,817	1,833,303	2.0%	471,541
2031	1,833,303	828,071	0	589,582	1,025,560	41,292	16,579	1,499,081	2.0%	(350,801)
2032	1,499,081	46,924	0	604,322	1,046,071	41,292	17,171	1,952,370	2.0%	436,117
2033	1,952,370	0	0	619,430	1,066,992	41,292	21,968	2,463,192	2.0%	488,855
2034	2,463,192	22,824	0	634,916	1,088,332	41,292	26,991	2,962,068	2.0%	471,885
2035	2,962,068	0	0	650,788	1,110,099	41,292	32,124	3,494,795	2.0%	500,603
2036	3,494,795	3,301,910	0	667,058	1,132,301	41,292	20,971	720,391	2.0%	(2,795,375)
2037	720,391	0	0	683,735	1,154,947	41,292	9,766	1,242,661	2.0%	512,504
2038	1,242,661	235,142	0	700,828	1,178,046	41,292	13,843	1,539,873	2.0%	283,368
2039	1,539,873	0	0	718,349	1,201,607	41,292	18,021	2,082,445	2.0%	524,550
2040	2,082,445	180,695	0	736,307	1,225,639	41,292	22,574	2,454,947	2.0%	349,929
2041	2,454,947	704,724	0	754,715	1,250,152	41,292	23,709	2,310,662	2.0%	(167,995)
2042	2,310,662	0	0	773,583	1,275,155	41,292	25,821	2,879,346	2.0%	542,864
2043	2,879,346	0	0	792,922	1,300,658	41,292	31,539	3,459,912	2.0%	549,027
2044	3,459,912	29,216	0	812,746	1,326,671	41,292	37,229	4,023,143	2.0%	526,001
2045	4,023,143	0	0	833,064	1,353,204	41,292	43,039	4,627,614	2.0%	561,432
2046	4,627,614	4,745,332	0	853,891	1,380,269	41,292	25,388	475,339	2.0%	(4,177,662)
2047	475,339	0	0	875,238	1,407,874	41,292	7,623	1,056,890	2.0%	573,928