



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 - MIDRISE (LOFTS)
2018 Approved Budget 11/2/17

Budget Categories	2017 Budget	New 2018 Budget	Variance (+ or -)	Variance (by %)	Remarks
REVENUES:					
Maintenance Fees	200,114	214,122	14,008	7.0%	
Other Income	63,360	40,944	-22,416	-35%	Primary reason for reduction is electric sub metering reimbursement anticipated to be under budget by 45% in 2017.
	263,474	255,066	-8,408	-3.2%	

EXPENSES:					
Utilities	162,480	150,588	-11892	-7%	Electric expenses anticipated to be under budget by 66% for 2017.
Contract Svcs.	0	81,958	81958	100%	Offset by reduction in Maintenance category below. Fixed contracts are placed in this category now versus in the Maintenance category. Also includes a service fee charged to Midrise from Tower for staff of monthly housekeeping, security, and maintenance services.
Maintenance	28,680	11,700	-16980	-59%	Utilized for general supplies and building maintenance/repairs.
Professional Svcs.	48,120	0	-48120	-100%	Service fee from Tower to Midrise previously budgeted in this category (now accounted for in Contract Svcs. above).
Other Exp.	0	96	96	100%	
	239,280	244,342	5,062	2%	

RESERVES:					
Reserve Contribution	0	10,724	10,724	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-Midrise

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)	\$17,000
Maintenance Fees	\$214,122
Other Income	\$40,944

2018 Estimated Income	\$272,066
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BOARD APPROVED

2018 PROJECTED EXPENSES

Operating Expenses	\$244,342
Reserve Expenses	\$10,815

2018 Estimated Expenses	\$255,157
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PROJECTED RESERVES AT YEAR END

(projected income less expenses)

\$16,909

Reserve Contributions %	4%
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Reserve Contribution Funding Level	8.00%
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2018 Maintenance Fee Change	7.00%
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Hawaiiana Management Company, Ltd

2018 Monthly Cash Operating Budget For

The Collection-Midrise

Approved by Board of Directors on November 2, 2017

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DESCRIPTION REVENUE	JAN 2018	FEB 2018	MAR 2018	APR 2018	MAY 2018	JUNE 2018	JULY 2018	AUG 2018	SEPT 2018	OCT 2018	NOV 2018	DEC 2018	ANNUAL TOTAL
MAINTENANCE FEES	17,844	17,844	17,844	17,844	17,844	17,844	17,844	17,844	17,844	17,844	17,844	17,844	214,122
ELECTRICITY REIMB	2,891	2,891	2,891	2,891	2,891	2,891	2,891	2,891	2,891	2,891	2,891	2,891	34,692
LATE CHARGES	5	5	5	5	5	5	5	5	5	5	5	5	60
OTHER TAXABLE RECEIPTS	20	20	20	20	20	20	20	20	20	20	20	20	240
OTHER TAXABLE RECEIPTS - KEYS	250	250	250	250	250	250	250	250	250	250	250	250	3,000
FINES	10	10	10	10	10	10	10	10	10	10	10	10	120
BIKE AND SURF FEES	1,548												1,548
LOCKOUT FEES	50	50	50	50	50	50	50	50	50	50	50	50	600
INCOME-PET	684												684
TOTAL REVENUE	23,302	21,070	21,070	21,070	21,070	21,070	21,070	21,070	21,070	21,070	21,070	21,070	255,066

UTILITIES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
ELECTRICITY	6,401	6,401	6,401	6,401	6,401	6,401	6,401	6,401	6,401	6,401	6,401	6,401	76,812
ELEC REIMB EXP-MIDRISE	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	1,004	12,048
TELEVISION	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	2,544	30,528
WATER	720	720	720	720	720	720	720	720	720	720	720	720	8,640
SEWER	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	1,820	21,840
TELEPHONE	60	60	60	60	60	60	60	60	60	60	60	60	720
TOTAL UTILITIES	12,549	12,549	12,549	12,549	12,549	12,549	12,549	12,549	12,549	12,549	12,549	12,549	150,588

CONTRACT SERVICES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
CONTRACT-ELEVATOR	932	932	932	932	932	932	932	932	932	932	932	932	11,183
CONTRACT-PEST CONTROL	183	183	183	183	183	183	183	183	183	183	183	183	2,196
NON AC PUMP & VENTILATION	27	27	27	27	27	27	27	27	27	27	27	27	324
CONTRACT-REFUSE											542	542	1,084
HVAC									1,812				1,812
BACKFLOW TEST										432			432
FIRE SYSTEMS	2,736												2,736
SECURITY SYSTEMS	636												636
WINDOW CLEANING	630			630			630			630			2,520
HOUSEKEEPING SERVICE FEE (TOWER)	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	2,258	27,097
SECURITY SERVICE FEE (TOWER)	977	977	977	977	977	977	977	977	977	977	977	977	11,721
MAINTENANCE SERVICE FEE (TOWER)	1,372	1,372	1,372	1,372	1,372	1,372	1,372	1,372	1,372	1,372	1,372	1,372	16,464
SUBMETERING	313	313	313	313	313	313	313	313	313	313	313	313	3,753
TOTAL CNTRCT SVCS	10,064	6,062	6,062	6,692	6,062	6,062	6,692	6,062	7,874	7,124	6,604	6,604	81,958

MAINTENANCE	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
BUILDING MAINTENANCE	100	100	100	100	100	100	100	100	100	100	100	100	1,200
CLEANING SUPPLIES	145	145	145	145	145	145	145	145	145	145	145	145	1,740
ELEVATOR-OTHER	200	200	200	200	200	200	200	200	200	200	200	200	2,400
PAINT	150	150	150	150	150	150	150	150	150	150	150	150	1,800
SECURITY EQUIPMENT	15	15	15	15	15	15	15	15	15	15	15	15	180
FIRE SYSTEMS	250	250	250	250	250	250	250	250	250	250	250	250	3,000
MISCL REPAIRS & PURCHASES	345			345			345			345			1,380
TOTAL MAINTENANCE	1,205	860	860	1,205	860	860	1,205	860	860	1,205	860	860	11,700

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
OTHER EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
STATE GET	8	8	8	8	8	8	8	8	8	8	8	8	96
TOTAL OTHER EXP.	8	8	8	8	8	8	8	8	8	8	8	8	96
TOTAL OP EXPENSE	23,826	19,479	19,479	20,454	19,479	19,479	20,454	19,479	21,291	20,886	20,021	20,021	244,342
LOAN PAYMENTS													
TRANSFER TO RESERVES	-524	1,591	1,591	616	1,591	1,591	616	1,591	-221	184	1,049	1,049	10,724

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

COST NOW and NORM LIFE values are best estimates by Hawaiiiana 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%	97,064	104%	194,429	408,642		
2017 Maintenance Fees	200,114	2018 Maint Fees	214,122	Target Reserve Funding Level	50%	40,032	51.38%	88,714	302,927		
2017 Other Income	40,527	2018 Othr Inc	40,944	Minimum Reserve Funding Level	50%	40,032	51%	88,714	302,927		
2017 Operating Expenses	-142,089	2018 Exp	-244,342	EOY 2018 Funding % @ Approved Lev	8.00%		7%	(91)	214,122		
2017 Reserve Contribution	98,552	2018 Contribution	10,724	Condition Codes		Source Codes		Source Codes			
Projected Reserves At Start of 2018	17,000	Target Funding L	50%	EXCELNT	E	Contractor Proposal	1	Cost at Similar Project	5		
Projected Reserve % at Start of 2018	14.9%	Tgt Ann Contrib	51,511	GOOD	G	Contractor Estimate	2	Statistical Guideline	6		
Minimum Inflation	2.5%	Req Contrib-Tgt	91,543	FAIR	F	Engineer/Arch Estimate	3	Inflate First Year?	Yes		
Projected Savings Interest	1.0%	App. % Change	7.0%	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	QRMNT	RES	DEFICIT
Electrifying 2nd Floor Garage /Lobby Door	-97	99	2016			2018	10,815	3	10,929	10,929	
Electrical Panels - Inspect/Repair		4	2016			2020	10,000	3	2,500	2,500	
Soft Goods - Replace		5	2016			2021	18,000	3	3,600	3,571	29
Compressor - Replace		5	2016			2021	14,500	3	2,900		2,900
Utility Doors - Partial Replace		5	2016			2021	10,000	3	2,000		2,000
Rubber Flooring - Replace		8	2016			2024	6,750	3	844		844
Restroom - Remodel		8	2016			2024	5,750	3	719		719
Carpet - Replace		9	2016			2025	92,400	3	10,267		10,267
Exterior Concrete - Paint		10	2016			2026	93,750	3	9,375		9,375
Furniture - Replace		10	2016			2026	50,750	3	5,075		5,075
Exhaust Fan - Replace		10	2016			2026	22,000	3	2,200		2,200
Window Treatment - Replace		10	2016			2026	15,750	3	1,575		1,575
Appliances - Replace		10	2016			2026	10,000	3	1,000		1,000
Condenser - Replace		10	2016			2026	6,500	3	650		650
Water Submetering - Replace		11	2016			2027	45,900	3	4,173		4,173
Entry System - Replace		11	2016			2027	22,500	3	2,045		2,045
Interior Lighting - Replace		12	2016			2028	15,000	3	1,250		1,250
Exercise Equipment - Replace		12	2016			2028	14,157	3	1,180		1,180
Wall Covering - Replace		12	2016			2028	5,850	3	488		488
Elevator Cab - Remodel		15	2016			2031	100,000	3	6,667		6,667
Fan Coil - Replace		15	2016			2031	21,700	3	1,447		1,447
Single Ply Membrane - Replace		20	2016			2036	117,000	3	5,850		5,850
Tile Floor - Replace		20	2016			2036	46,500	3	2,325		2,325
Fire Alarm System - Replace/Upgrade		20	2016			2036	45,000	3	2,250		2,250
Artwork - Replace		20	2016			2036	42,500	3	2,125		2,125
Mailboxes - Replace		20	2016			2036	21,000	3	1,050		1,050
Trash Chute - Partial Replace		20	2016			2036	16,000	3	800		800
Pool Table - Replace		20	2016			2036	11,250	3	563		563
Awnings - Replace		20	2016			2036	10,400	3	520		520
Glass Doors and Windows - Replace		25	2016			2041	255,000	3	10,200		10,200
Elevator - Modernize		25	2016			2041	250,000	3	10,000		10,000
Outdoor Air Handler - Replace		30	2016			2046	225,000	3	7,500		7,500
2017 End Yr Totals							1,631,722		114,064	17,000	97,064

The Collection-Midrise

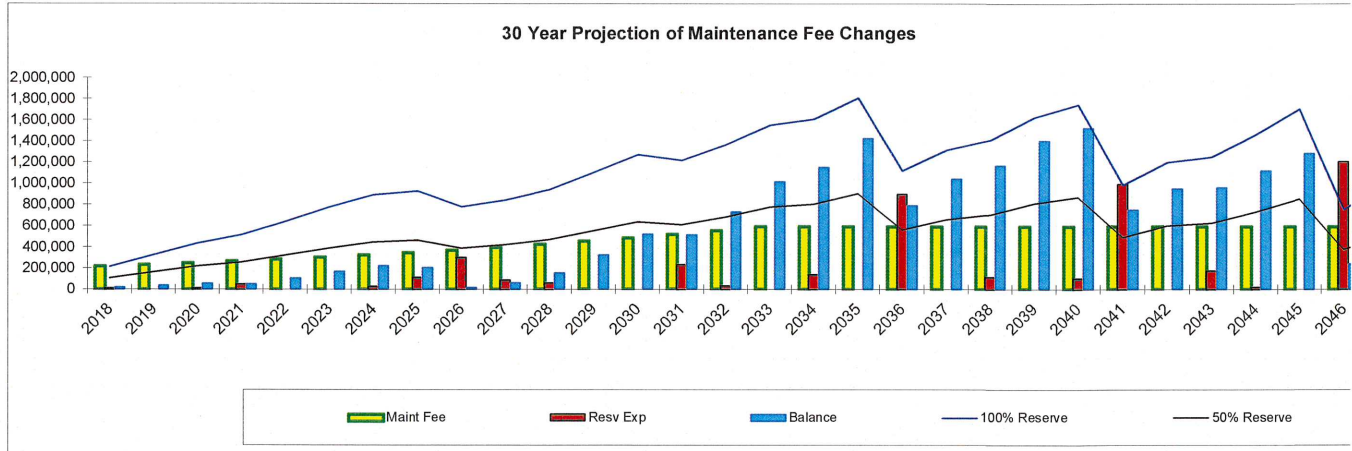
Board Approved 2018 Cash Flow Plan

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 Fund \$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	17,000	10,815	0	244,342	214,122	40,944	Included	16,909	7.0%	(91)
2019	16,909	0	0	250,451	229,111	40,944	267	36,780	7.0%	19,604
2020	36,780	10,769	0	256,712	245,149	40,944	461	55,853	7.0%	18,612
2021	55,853	46,912	0	263,130	262,309	40,944	525	49,588	7.0%	(6,789)
2022	49,588	0	0	269,708	280,671	40,944	755	102,250	7.0%	51,907
2023	102,250	0	0	276,451	300,318	40,944	1,347	168,408	7.0%	64,811
2024	168,408	26,746	0	283,362	321,340	40,944	1,945	222,528	7.0%	52,176
2025	222,528	112,580	0	290,446	343,834	40,944	2,134	206,414	7.0%	(18,249)
2026	206,414	301,289	0	297,707	367,902	40,944	1,113	17,377	7.0%	(190,150)
2027	17,377	87,558	0	305,150	393,655	40,944	383	59,651	7.0%	41,891
2028	59,651	59,053	0	312,779	421,211	40,944	1,048	151,022	7.0%	90,323
2029	151,022	0	0	320,598	450,696	40,944	2,365	324,429	7.0%	171,042
2030	324,429	0	0	328,613	482,244	40,944	4,217	523,222	7.0%	194,575
2031	523,222	232,010	0	336,828	516,002	40,944	5,173	516,502	7.0%	(11,893)
2032	516,502	32,587	0	345,249	552,122	40,944	6,241	737,972	7.0%	215,229
2033	737,972	0	0	353,880	590,770	40,944	8,769	1,024,575	7.0%	277,834
2034	1,024,575	140,597	0	362,727	590,770	40,944	10,888	1,163,852	0.0%	128,390
2035	1,163,852	0	0	371,796	590,770	40,944	12,938	1,436,709	0.0%	259,919
2036	1,436,709	896,685	0	381,091	590,770	40,944	11,137	801,784	0.0%	(646,061)
2037	801,784	0	0	390,618	590,770	40,944	9,223	1,052,104	0.0%	241,096
2038	1,052,104	114,884	0	400,383	590,770	40,944	11,103	1,179,654	0.0%	116,447
2039	1,179,654	0	0	410,393	590,770	40,944	12,903	1,413,878	0.0%	221,321
2040	1,413,878	101,478	0	420,653	590,770	40,944	14,687	1,538,149	0.0%	109,584
2041	1,538,149	990,276	0	431,169	590,770	40,944	11,433	759,851	0.0%	(789,731)
2042	759,851	0	0	441,948	590,770	40,944	8,547	958,164	0.0%	189,766
2043	958,164	175,586	0	452,997	590,770	40,944	9,597	970,893	0.0%	3,131
2044	970,893	19,479	0	464,322	590,770	40,944	10,448	1,129,254	0.0%	147,913
2045	1,129,254	0	0	475,930	590,770	40,944	12,071	1,297,110	0.0%	155,784
2046	1,297,110	1,203,188	0	487,828	590,770	40,944	7,675	245,483	0.0%	(1,059,302)
2047	245,483	0	0	500,024	590,770	40,944	3,113	380,286	0.0%	131,690