

REQUEST FOR ACTION

To	The Collection Board of Directors				
Subject	Review of Hawaiiana Management Company and the General Manager Contracts and Expenses by an Independent Owner Group				
Preparer	Debra Ishihara-Wong				
Date	Verbal request to above made on May 24, 2018 BOD meeting. RFA submitted on July 19, 2018.	For Board	x	Action	Info

EXECUTIVE SUMMARY

The March, April and May 2018 Association Unit of Owner (AUOU) financials statements indicate that AUOU is paying Hawaiiana Management Company (HMC) a minimum of \$11,000.00/month for management services (\$4900.00), HMC administrative expenses (\$5100.00), and payroll preparation (\$309.00). (See attached May 2018 Collection Consolidated Statement).

In addition, there is an expenditure of, a minimum, \$24,000.00 per month to cover the cost for four management employees for the AUOU. This expense amount includes the cost of the general manager unit (\$5200.00/month), but does not include other benefits, such as, TDI, health care, uniforms, vacation, sick, etc. The benefits provided by an employer usually represent approximately 30% of the salaries/wages. Factoring this into the estimation, the AUOU is spending about \$30,000.00 /month for our AUOU management staff, in addition to paying HMC \$11,000.00 per month. In all, AUOU spends about \$40,000.00/month or \$480,000.00/year for people to manage our condominium. We also spend about \$358,000.00 (\$465,000.00 with benefits) to cover the cost of all other staff.

The figures provided are minimum amounts only, since the financial statements neglect to clearly indicate what the expense amount is for and to whom.

It is the most basic common-sense logic that establishes the basic right for unit owners, and thus members of the association, to inspect and be provided information as to the spending of their money. Furthermore, this basic right serves as a basis for the founding of America as included in the Declaration of Independence, the consent of the governed. To fail to adhere to this idea, whether willful and deliberate or because of negligence, would run afoul of the basic human logic and founding values of our society. Even without this general logical idea, the Department of Commerce and Consumer Affairs has clearly mandated that, upon written request, unit owners must be provided requested information within 30 days. The Collection owners should be knowledgeable about of how much the management services at The Collection cost. The amount we are paying HMC, and for what services? How much we are paying our AUOU management staff?

However, management and the Board of Directors have continually refused to provide such information within a 30-day period, as is required by the Department of Commerce and Consumer Affairs of the State of Hawaii. The BOD and HMC are reasonably expected to be knowledgeable of the State-wide mandate, but have also been informed on numerous occasions. Therefore, it is the most plausible conclusion that the BOD and HMC have decided, with deliberate and willful intent, to conceal the requested information in direct violation of their mandated duty and obligation to the Unit Owners. This willful and deliberate violation of their fiduciary duty to the members of the AUOU is evident by the actions undertaken by the BOD and HMC.

RECOMMENDATION

As is evident by the actions of the BOD in their abandonment of their fiduciary duty to the AUOU, the Directors of the Board cannot be reasonably or logically expected to exercise proper and impartial due diligence in the investigation of the matter with the interest of transparency, accountability and interest of the members of the AUOU. The actions undertaken by both individual directors and the BOD have shown the existence of numerous personal agendas which do not align with the interest of the members of the AUOU.

Due to the conflict of the BOD and their lack of accountability in this matter, an independent owner group is established to review the HMC and General Manager Contracts, and all related management expenses to assure our funds are properly and cost efficiently utilized. This owner group will be constituted of 5 members of which there shall be 3 owners and 2 Directors. The Directors must have shown through their actions to have not been a party to the unethical and immoral concealment of the documents in question. The evaluation as to the impartiality of the directors shall be made via majority vote by the 3 non-board member owners. The findings of the independent owner group shall be made public to all members of the AUOU without BOD approval in the interest of transparency and preventing possible conflicts of interest. The group shall also have investigative authority to review, inspect and maintain as evidence all information, documents, records, communications, etc. Made by or on behalf of Collection Employees or AUOU directors which may be relevant as deemed by the independent owner group.

RATIONALE

Per the section 3.3.1 of the AUOU Bylaws the term of the initial managing agent "shall be limited to a duration of **one (1) year**, except with the approval of a Majority of United Owners ..."

The bylaws also state in section 3.3.5, the appointment and terms of compensation of the Managing Agent (other than the initial Management Agent) shall be submitted to the Association for approval at each annual meeting but if not ratified by a majority of the Unit Owners, such contract shall be deemed terminate ninety (90) days after such non-ratification by the Association .."

On April 2018, the BOD held its second annual association meeting. There was no agenda item to discuss the managing agent appointment and compensation was not on the agenda or discussed per the requirements of the bylaws.

The bylaws also state in section 10.16.4, a written request with the Board to examine other documents of the Association." Other documents include the GM contract, and accounts payable and receivable information.

I immediately request the independent owner group be able to review the contracts and financial information as requested.

Exhibits (If applicable)	Index	Title

FOR BOARD USE ONLY

CERTIFICATE OF BOARD ACTION

<input type="checkbox"/>	Approved	<input type="checkbox"/>	Declined	<input type="checkbox"/>	Noted	<input type="checkbox"/>	Returned	<input type="checkbox"/>	Deferred	<input type="checkbox"/>	Withdrawn
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Stipulations

Coordinating Instructions

Distribution Instructions

Recording
Secretary

Action
Date

RFA
No.

The Collection - Consolidated

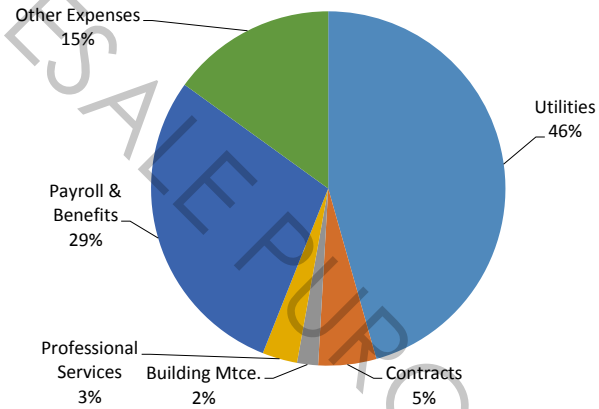
May 2018 Financial Highlight

Monthly report by the Board Treasurer; subject to audit of Association receipts and disbursements; Period ending:

RECEIPTS:	MONTHLY			YEAR TO DATE		
	Actual	Budget	Variance (+ or -)	Actual	Budget	Variance (+ or -)
	411,904	369,547	42,357	2,024,353	1,859,869	164,484
Remarks <i>highlight/footnote major issues per month</i>						
DISBURSEMENTS:	Actual	Budget	Variance (+ or -)	Actual	Budget	Variance (+ or -)
Operational	327,808	286,994	40,814	1,689,072	1,679,697	9,375
Remarks <i>highlight/footnote major issues per month</i>	GL 6880 Legal - Exceeds budget primarily to address multiple matters that continue to be brought forth by one individual. Over budget: Utilities (6.6%), Bldg. Mtce. (6.5%), Prof. Svcs. (2.8%), Other (27.2%) Under budget: Contracts (-3.7%), Payroll (-14.3%) Overall - Overbudget buy 0.06%					
Surplus/Deficit	84,096	82,553	1,543	335,281	180,172	155,109

RESERVES:	Beginning Balance	Transfers To/From	Ending Balance
	928,471	46,220	974,691
Remarks <i>Highlight/footnot major issues per month</i>			

May 2018 Expenses



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COLLECTION-CONSOLIDATED
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR PERIOD ENDED 05/31/2018

----- PREPARED BY -----
 HAWAIIANA MANAGEMENT COMPANY, LTD.

DATE PRINTED: 06/21/2018

BLD ACCT: 2392 DESCRIPTION	CURRENT MONTH				YEAR TO DATE				FISCAL BEG: 1
	---ACTUAL---	---BUDGET---	---VAR.---	-BUD%--	---ACTUAL---	---BUDGET---	---VAR.---	--BUD%--	
CASH RECEIPTS:									
5100 MAINTENANCE FEE-COMMON	36914.19	34824.16	2090.03		174807.77	174120.80	686.97		
5102 MAINTENANCE FEE-TOWER	287355.57	275443.66	11911.91		1396332.30	1377218.30	19114.00		
5103 MAINTENANCE FEE-MIDRISE	21134.10	17843.52	3290.58		92806.33	89217.60	3588.73		
5104 MAINTENANCE FEE-COMMERCIAL	2628.80	2329.44	299.36		11647.25	11647.20	0.05		
5181 ELECTRICITY REIMB-TOWER	46495.61	25126.00	21369.61		224570.41	125630.00	98940.41		
5182 ELECTRICITY REIMB-MIDRISE	3787.03	2891.00	896.03		18333.44	14455.00	3878.44		
5184 ELECTRICITY REIMB-CHRGPOINT	377.66	80.00	297.66		1774.17	400.00	1374.17		
5210 OTHER NON-TAX RCPTS-HO6 REIM	261.46	0.00	261.46		116.93	0.00	116.93		
5215 ASSOCIATION DUES	900.00	3441.00	-2541.00		1491.85	17205.00	-15713.15		
5218 INSURANCE SETTLEMENT	0.00	0.00	0.00		48401.98	0.00	48401.98		
5270 INTEREST FROM INVESTMENTS	509.08	105.00	404.08		2039.59	525.00	1514.59		
5290 INTEREST FROM CHECKING	39.94	45.00	-5.06		192.00	225.00	-33.00		
5330 LAUNDRY INCOME	150.00	0.00	150.00		150.00	0.00	150.00		
5360 LATE CHARGES	-270.93	155.00	-425.93		578.62	775.00	-196.38		
5361 INTEREST CHARGES	0.00	0.00	0.00		574.41	0.00	574.41		
5370 OTHER TAXABLE RECEIPTS	175.00	20.00	155.00		853.31	100.00	753.31		
5375 OTH TAX RCPTS-KEYS	1100.00	1250.00	-150.00		5204.18	6250.00	-1045.82		
5378 FINES	325.00	110.00	215.00		2100.00	550.00	1550.00		
5384 BIKE & SURF FEES	650.00	0.00	650.00		4375.00	8448.00	-4073.00		
5385 LOCKOUT FEES	622.66	300.00	322.66		3422.66	1500.00	1922.66		
5452 INCOME-PET	300.00	0.00	300.00		3150.00	3684.00	-534.00		
5453 INCOME-OTHER	0.00	0.00	0.00		125.00	0.00	125.00		
5584 REPAIRS REIMBURSEMENT	2849.31	0.00	2849.31		2849.31	0.00	2849.31		
5750 OTH NON-TAX RCPTS-SITE MGMT	2273.78	0.00	2273.78		11829.12	0.00	11829.12		
5751 OTH NON-TAX RCPTS-ONCALL REJ	1372.04	5583.57	-4211.53		6860.20	27917.85	-21057.65		
5752 OTH NON-TAX RCPTS-SECURITY S	1953.42	0.00	1953.42		9767.10	0.00	9767.10		
TOTAL CASH RECEIPTS	411903.72	369547.35	42356.37	111.5	2024352.93	1859868.75	164484.18	108.8	
UTILITIES:									
6010 ELECTRICITY	47202.27	61227.00	-14024.73		199637.95	306135.00	-106497.05		
6011 ELECTRICITY-PARKING	0.00	580.00	-580.00		0.00	2900.00	-2900.00		
6012 ELEC REIMB EXP-TOWER	45987.10	10471.00	35516.10		222097.64	52355.00	169742.64		
6013 ELEC REIMB EXP-MIDRISE	3806.93	1004.00	2802.93		17750.56	5020.00	12730.56		

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COLLECTION-CONSOLIDATED
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR PERIOD ENDED 05/31/2018

----- PREPARED BY -----
 HAWAIIANA MANAGEMENT COMPANY, LTD.

DATE PRINTED: 06/21/2018

BLD ACCT: 2392	DESCRIPTION	CURRENT MONTH				YEAR TO DATE		FISCAL BEG: 1	
		---ACTUAL---	---BUDGET---	---VAR.---	-BUD%-	---ACTUAL---	---BUDGET---	---VAR.---	--BUD%--
6020	TELEVISION	22310.38	21323.51	986.87		111551.90	106617.55	4934.35	
6030	WATER	8482.49	11330.00	-2847.51		45851.98	56650.00	-10798.02	
6040	SEWER	28232.84	28160.00	72.84		113968.48	140800.00	-26831.52	
6050	GAS	1690.43	350.00	1340.43		10868.61	1750.00	9118.61	
6060	TELEPHONE	88.99	1860.00	-1771.01		4713.75	9300.00	-4586.25	
	TOTAL UTILITIES	157801.43	136305.51	21495.92	115.8	726440.87	681527.55	44913.32	106.6
	CONTRACTS:								
6222	CONTRACT-CLNG SVCS-JANITORIA	2258.11	2258.11	0.00		11290.55	11290.55	0.00	
6223	CONTRACT-CLNG SVCS-WINDOWS	0.00	0.00	0.00		18534.02	28260.00	-9725.98	
6230	CONTRACT-ELEVATOR	986.92	3881.94	-2895.02		7269.71	19409.70	-12139.99	
6241	CONTRACT-GROUNDS	2848.17	2848.00	0.17		14240.85	14240.00	0.85	
6242	CONTRACT-TREES	0.00	83.00	-83.00		0.00	415.00	-415.00	
6280	CONTRACT-PEST CONTROL	1099.46	1099.00	0.46		5455.42	5495.00	-39.58	
6290	NON AC PUMP & VENTILATION	0.00	267.00	-267.00		0.00	1335.00	-1335.00	
6300	CONTRACT-REFUSE	6072.41	4800.00	1272.41		31352.21	24000.00	7352.21	
6311	SECURITY EQUIPMENT	0.00	0.00	0.00		0.00	636.00	-636.00	
6312	SECURITY SERVICES	1953.42	1953.42	0.00		9767.10	9767.10	0.00	
6321	FIRE SYSTEM-GENERAL	0.00	0.00	0.00		2884.21	2736.00	148.21	
6340	SUBMETERING	2758.59	312.72	2445.87		16662.39	1563.60	15098.79	
6371	CONTRACT OTHER-GENERAL	1372.04	1372.04	0.00		6860.20	6860.20	0.00	
6373	CONTRACT-BACKFLOW TEST SEWEF	0.00	0.00	0.00		0.00	3084.00	-3084.00	
	TOTAL CONTRACTS	19349.12	18875.23	473.89	102.5	124316.66	129092.15	-4775.49	96.3
	BUILDING MAINTENANCE:								
6500	BUILDING MAINTENANCE	4848.05	1900.00	2948.05		15684.43	9500.00	6184.43	
6523	CLEANING SERVICE-WINDOWS	0.00	81.00	-81.00		0.00	405.00	-405.00	
6530	CLEANING SUPPLIES	1148.49	2255.00	-1106.51		8379.44	11275.00	-2895.56	
6540	ELEVATOR	0.00	250.00	-250.00		2195.50	1250.00	945.50	
6543	ELEVATOR-OTHER	0.00	200.00	-200.00		0.00	1000.00	-1000.00	
6551	GROUNDS-LANDSCAPING	0.00	0.00	0.00		0.00	450.00	-450.00	
6558	GROUNDS	0.00	10.00	-10.00		0.00	50.00	-50.00	
6560	ELECTRICAL	0.00	35.00	-35.00		0.00	175.00	-175.00	

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COLLECTION-CONSOLIDATED
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR PERIOD ENDED 05/31/2018

----- PREPARED BY -----
 HAWAIIANA MANAGEMENT COMPANY, LTD.

DATE PRINTED: 06/21/2018

BLD ACCT: 2392	DESCRIPTION	CURRENT MONTH				YEAR TO DATE		FISCAL BEG: 1	
		---ACTUAL---	---BUDGET---	---VAR.---	-BUD%--	---ACTUAL---	---BUDGET---	---VAR.---	--BUD%--
6570	PLUMBING	985.45	130.00	855.45		985.45	650.00	335.45	
6580	POOL	770.84	750.00	20.84		6372.54	3750.00	2622.54	
6582	POOL SUPPLIES	154.71	90.00	64.71		775.92	450.00	325.92	
6590	PAINT	0.00	1900.00	-1900.00		242.82	9500.00	-9257.18	
6630	SECURITY EQUIPMENT	1540.99	460.00	1080.99		4484.28	2300.00	2184.28	
6660	FIRE SYSTEMS	0.00	280.00	-280.00		0.00	1400.00	-1400.00	
6690	MISCL REPAIRS & PURCHASES	1588.23	800.00	788.23		10827.72	4690.00	6137.72	
6700	BLDG MAINT-OTHER	0.00	30.00	-30.00		125.00	150.00	-25.00	
	TOTAL BUILDING MAINTENANCE	11036.76	9171.00	1865.76	120.3	50073.10	46995.00	3078.10	106.5
	PROFESSIONAL SERVICES:								
6810	HMC ADMIN EXPENSE	5088.38	2500.00	2588.38		21034.14	12500.00	8534.14	
6812	ASSOCIATION ADMIN EXPENSE	1516.70	1240.00	276.70		7954.69	6200.00	1754.69	
6840	EDUCATION EXPENSE	0.00	20.00	-20.00		0.00	100.00	-100.00	
6850	MANAGEMENT SERVICES	4896.54	4896.54	0.00		24482.70	24482.70	0.00	
6870	AUDIT/PUBLIC ACCOUNTING	0.00	0.00	0.00		0.00	12565.44	-12565.44	
6880	LEGAL FEES	2753.05	1666.67	1086.38		11761.66	8333.35	3428.31	
6910	PROF & ADMIN SVS-OTHER	716.23	0.00	716.23		716.23	0.00	716.23	
	TOTAL PROFESSIONAL SERVICES	14970.90	10323.21	4647.69	145.0	65949.42	64181.49	1767.93	102.8
	PAYROLL AND BENEFITS:								
7010	PAYROLL-MANAGER	7384.62	7753.85	-369.23		40615.41	42276.94	-1661.53	
7011	PAYROLL-OPERATIONS SUPERVISC	3933.00	3932.80	0.20		21631.50	21630.40	1.10	
7020	PAYROLL-MAINTENANCE	14655.54	16756.91	-2101.37		83479.57	91456.91	-7977.34	
7030	PAYROLL-HOUSEKEEPING	15307.59	16494.98	-1187.39		74760.84	90107.16	-15346.32	
7050	PAYROLL-SECURITY	28785.00	37746.29	-8961.29		154797.95	207523.90	-52725.95	
7060	PAYROLL-OFFICE	3461.54	4100.00	-638.46		21402.64	22550.00	-1147.36	
7080	TDI	0.00	275.00	-275.00		1801.51	1375.00	426.51	
7090	HEALTH CARE	11330.58	13000.00	-1669.42		54680.70	65000.00	-10319.30	
7100	PAYROLL TAXES	6573.28	6857.75	-284.47		42198.44	38773.63	3424.81	
7140	PAYROLL PREPARATION	309.27	0.00	309.27		1664.97	0.00	1664.97	
7170	UNIFORMS	1260.33	208.33	1052.00		1260.33	1041.65	218.68	

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**COLLECTION-CONSOLIDATED
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 FOR PERIOD ENDED 05/31/2018**

----- PREPARED BY -----
 HAWAIIANA MANAGEMENT COMPANY, LTD.

DATE PRINTED: 06/21/2018

BLD ACCT: 2392 DESCRIPTION	CURRENT MONTH				YEAR TO DATE				FISCAL BEG: 1
	---ACTUAL---	---BUDGET---	---VAR.---	-BUD%--	---ACTUAL---	---BUDGET---	---VAR.---	--BUD%--	
TOTAL PAYROLL AND BENEFITS	93000.75	107125.91	-14125.16	86.8	498293.86	581735.59	-83441.73	85.7	
OTHER EXPENSES:									
7310 INSURANCE-PROPERTY	19285.00	0.00	19285.00		148353.53	96861.00	51492.53		
7315 INSURANCE-LIABILITY	0.00	0.00	0.00		10636.00	7980.00	2656.00		
7330 INSURANCE-FIDELITY	0.00	0.00	0.00		300.00	228.00	72.00		
7340 INSURANCE-UMBRELLA	0.00	0.00	0.00		0.00	3840.00	-3840.00		
7510 LOANS	5168.00	5167.78	0.22		25840.00	25838.90	1.10		
7520 MASTER ASSOC DUES-TOWER	5848.21	0.00	5848.21		29241.05	41292.00	-12050.95		
7556 APT MAINTENANCE FEE	1347.88	0.00	1347.88		6827.72	0.00	6827.72		
7710 REAL PROPERTY TAX	0.00	0.00	0.00		1054.72	0.00	1054.72		
7720 STATE GENERAL EXCISE TAX	0.00	25.00	-25.00		1745.19	125.00	1620.19		
TOTAL OTHER EXPENSES	31649.09	5192.78	26456.31	609.5	223998.21	176164.90	47833.31	127.2	
TOTAL OPERATING EXPENSES	327808.05	286993.64	40814.41	114.2	1689072.12	1679696.68	9375.44	100.6	
OPERATING SURPLUS/DEFICIT	84095.67	82553.71	1541.96	101.9	335280.81	180172.07	155108.74	186.1	
CAPITAL IMPR AND MAJOR REP & REPL:									
8536 ELEVATOR	0.00	0.00	0.00		0.00	25000.00	-25000.00		
8621 MAJOR REPR & REPL	0.00	0.00	0.00		8214.66	21630.00	-13415.34		
TOTAL CAPITAL IMPR AND MAJOR	0.00	0.00	0.00	0.0	8214.66	46630.00	-38415.34	17.6	
TOTAL CASH DISBURSEMENTS	327808.05	286993.64	40814.41	114.2	1697286.78	1726326.68	-29039.90	98.3	
CHANGE IN SECURITY DEPOSITS	0.00	0.00	0.00	0.0	0.00	0.00	0.00	0.00	
CHANGE TO TOTAL CASH & RESERVE	84095.67	82553.71	1541.96	101.9	327066.15	133542.07	193524.08	244.92	

----- PREPARED FOR -----

600 ALA MOANA BLVD
HONOLULU HI 96813

ACCT. NO: 2392

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**COLLECTION-CONSOLIDATED
CASH REPORT
AS OF 05/31/2018**

----- PREPARED BY -----

HAWAIIANA MANAGEMENT COMPANY, LTD.

ACCOUNTANT: MILDRED CABAUTAN

DATE PRINTED: 6/21/2018

BLD NUM: 2392

FISCAL BEG: 01 PAGE: 1

	TERM	MATURES	RATE	BEGINNING BALANCE	TRANSFERS TO/(FROM)	ENDING BALANCE
OPERATIONS						
1000 CHECKING ACCOUNT *				888,359.34	37,875.59	926,234.93
1007 DEBIT CARD - CPB #8900497702				5,000.00	0.00	5,000.00
TOTAL OPERATIONS				<u>893,359.34</u>	<u>37,875.59</u>	<u>931,234.93</u>
RESERVES						
1690 BANK OF THE ORIENT				241,258.51	71.73	241,330.24
1765 FINANCE FACTORS				215,564.84	0.00	215,564.84
1840 HOMESTREET BANK				241,737.45	204.29	241,941.74
1900 FIRST FOUNDATION BANK				229,909.77	45,944.06	275,853.83
TOTAL RESERVES				<u>928,470.57</u>	<u>46,220.08</u>	<u>974,690.65</u>
NET ASSOCIATION AVAILABLE CASH AND DEPOSITS				<u>1,821,829.91</u>	<u>84,095.67</u>	<u>1,905,925.58</u>

* CHECKING ACCOUNT MAY INCLUDE PENDING CAPITAL EXPENSES

BEGINNING CASH BAL.-B.O.Y. 1,578,859.43