



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 - TOWER
2018 Approved Budget 11/2/17

Budget Categories	2017 Budget	New 2018 Budget	Variance (+ or -)	Variance (by %)	Remarks
REVENUES:					
Maintenance Fees	3,209,052	3,305,324	96,272	3.0%	
Other Income	968,400	397,915	-570,485	-59%	Primary reason for reduction is electric sub metering reimbursement anticipated to be under budget by 69% in 2017.
	4,177,452	3,703,239	-474,213	-11.4%	

EXPENSES:	2017 Budget	New 2018 Budget	Variance (+ or -)	Variance (by %)	Remarks
Utilities	2,423,760	1,468,398	-955,362	-39%	Electric expenses under budget by 66% for 2017.
Contract Svcs.	0	211,992	211,992	100%	Offset by reduction in Maintenance category below. Fixed contracts are placed in this category now versus in the Maintenance category.
Maintenance	419,280	76,080	-343,200	-82%	Utilized for general supplies and building maintenance/repairs.
Professional Svcs.	1,200	0	-1,200	-100%	
Payroll & Benefits	1,119,880	1,428,872	308,992	28%	Increase is due to an increase in average salary rates and in number of staff from the original budget projections.
Other Exp.	0	2,112	2,112	100%	Real property tax.
	3,964,120	3,187,454	-776,666	-20%	

RESERVES:					
Reserve Contribution	0	515,785	515,785	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 - Tower

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)	\$390,000
Maintenance Fees	\$3,305,324
Other Income	\$397,915

2018 Estimated Income	\$4,093,239
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BOARD APPROVED 2018 PROJECTED EXPENSES

Operating Expenses	\$3,187,454
Reserve Expenses	\$36,440

2018 Estimated Expenses	\$3,223,894
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PROJECTED RESERVES AT YEAR END (projected income less expenses)	\$807,332
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Reserve Contributions %	16%
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Reserve Contribution Funding Level	58.67%
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2018 Maintenance Fee Change	3.00%
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Approved by Board of Directors on November 2, 2017

DESCRIPTION	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
PROFESSIONAL SVCS													
PAYROLL & BENEFITS	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
P/R - MANAGER	7,385	7,754	11,631	7,754	7,754	7,754	7,754	11,631	7,754	7,754	7,754	7,754	100,431
P/R - OPERATIONS SUPERVISOR	3,933	3,933	5,899	3,933	3,933	3,933	3,933	5,899	3,933	3,933	4,051	4,051	51,362
P/R - MAINTENANCE	16,600	16,600	24,900	16,600	16,757	16,925	16,925	25,387	16,925	16,925	17,098	17,098	218,740
P/R - HOUSEKEEPING	16,288	16,359	24,538	16,428	16,495	16,495	16,495	24,742	16,495	16,495	16,495	16,635	213,959
P/R - SECURITY	37,666	37,746	56,619	37,746	37,746	37,746	37,746	56,735	37,823	37,900	38,064	38,642	492,180
P/R - OFFICE	4,100	4,100	6,150	4,100	4,100	4,100	4,100	6,150	4,100	4,223	4,223	4,223	53,669
WORKERS COMP								36,780					36,780
TDI	275	275	275	275	275	275	275	275	275	275	275	275	3,300
HEALTH CARE	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	156,000
PAYROLL TAXES	6,858	6,858	10,287	6,858	6,858	6,858	6,858	10,287	6,858	6,858	6,858	6,858	89,151
UNIFORMS	208	208	208	208	208	208	208	208	208	208	208	208	2,500
BONUS												10,800	10,800
TOTAL P/R & BENEFITS	106,312	106,833	153,507	106,902	107,126	107,294	107,294	191,094	107,371	107,571	108,025	119,543	1,428,872
OTHER EXPENSES	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
ASSOC APT R. P. TAX	1,056						1,056						2,112
TOTAL OTHER EXP.	1,056						1,056						2,112
TOTAL OP EXPENSE	262,430	245,310	291,985	258,879	245,603	245,771	260,327	329,572	265,708	264,156	259,691	258,021	3,187,454
LOAN PAYMENTS	5,168	5,168	5,168	5,168	5,168	5,168	5,168	5,168	5,168	5,168	5,168	5,168	62,013
TRANSFER TO RESERVES	50,081	57,300	10,626	43,731	57,007	56,839	42,283	-26,961	36,902	38,454	42,920	44,590	515,785

THE COLLECTION - TOWER 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%	857,138	24%	1,091,850	3,979,842	
2017 Maintenance Fees	3,209,052	2018 Maint Fees	3,305,324	Target Reserve Funding Level		50%	233,569	0.93%	350,925	3,238,917	
2017 Other Income	471,933	2018 Othr Inc	397,915	Minimum Reserve Funding Level		50%	233,569	1%	412,938	3,238,917	
2017 Operating Expenses	-2,587,570	2018 Exp	-3,249,467	EOY 2018 Funding % @ Approved Lev		54.48%		3%	417,332	3,305,324	
2017 Reserve Contribution	1,093,415	2018 Contribution	453,772	Condition Codes	Source Codes		Source Codes				
Projected Reserves At Start of 2018	390,000	Target Funding L	50%	EXCELNT	E	Contractor Proposal	1	Cost at Similar Project	5		
Projected Reserve % at Start of 2018	31.3%	Tgt Ann Contrib	357,504	GOOD	G	Contractor Estimate	2	Statistical Guideline	6		
Minimum Inflation	2.5%	Req Contrib-Tgt	591,073	FAIR	F	Engineer/Arch Estimate	3	Inflate First Year?	Yes		
Projected Savings Interest	1.0%	App. % Change	3.0%	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	QOMNT	RES	DEFICIT
Elevator - Realign/Leveling		2	2016			2018	25,000	3	12,500	12,500	
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 - Lobby & 7th		5	2016			2021	95,000	3	19,000	19,000	
Utility Doors - Partial Replace		5	2016			2021	60,000	3	12,000	12,000	
Soft Goods - Pool Deck		5	2016			2021	31,500	3	6,300	6,300	
Compressor - Replace		5	2016			2021	14,500	3	2,900	2,900	
Restrooms - Remodel		8	2016			2024	28,750	3	3,594	3,594	
Spa - Resurface		8	2016			2024	11,500	3	1,438	1,438	
Window Seal - Test/Repair		10	2016			2026	416,640	3	41,664	41,664	
Tower Hallway Carpet - Replace		10	2016			2026	377,300	3	37,730	37,730	
Lobby & Club Furniture - Replace		10	2016			2026	152,250	3	15,225	15,225	
Crown Lighting - Replace		10	2016			2026	119,500	3	11,950	11,950	
Pool Metal Furniture - Replace		10	2016			2026	100,000	3	10,000	10,000	
Emergency Lights - Replace		10	2016			2026	85,000	3	8,500	8,500	
Exit Lights - Replace		10	2016			2026	60,000	3	6,000	6,000	
Artificial Green Turf - Replace		10	2016			2026	36,400	3	3,640	3,640	
Pool - Resurface		10	2016			2026	32,500	3	3,250	3,250	
Trash Compactor - Replace		10	2016			2026	16,500	3	1,650	1,650	
Window Treatment - Replace		10	2016			2026	15,750	3	1,575	1,575	
Pool Ph & Cl Control - Replace		10	2016			2026	15,000	3	1,500	1,500	
Condenser - Replace		10	2016			2026	13,000	3	1,300	1,300	
Spit System Condenser - Replace		10	2016			2026	12,700	3	1,270	1,270	
Dog Park Furniture - Replace		10	2016			2026	11,000	3	1,100	1,100	
Pool Pump - Replace		10	2016			2026	9,000	3	900	900	
Exercise Equipment - Replace		12	2016			2028	224,153	3	18,679	18,679	
Elevator Lobby Lighting - Replace		12	2016			2028	42,672	3	3,556	3,556	
Dog Park Turf - Replace		12	2016			2028	9,100	3	758	758	
Water Submetering - Replace		15	2016			2031	334,050	3	22,270	22,270	
Elevator Cab - Remodel		15	2016			2031	200,000	3	13,333	13,333	
Pool Wood Furniture - Replace		15	2016			2031	180,000	3	12,000	12,000	
Pressure Fan - Replace		15	2016			2031	67,500	3	4,500	4,500	
Ceiling Lights - Replace		15	2016			2031	40,000	3	2,667	2,667	
Fan Coil - Replace		15	2016			2031	34,100	3	2,273	2,273	
Supply Fan - Replace		15	2016			2031	30,000	3	2,000	2,000	
Metal Roof - Repair/Replace		15	2016			2031	23,625	3	1,575	1,575	
Trash Compactor Bins - Replace		15	2016			2031	13,950	3	930	930	
Split System Fan - Replace		15	2016			2031	12,700	3	847	847	
Pool Heater - Gas - Replace		15	2016			2031	7,500	3	500	500	
Pool/Spa Filter - Replace		15	2016			2031	6,300	3	420	420	
Unit 401 Loan Payoff	-84	99	2017			2032	423,000		514,957	85,277	429,679
Window Seal - Replace		20	2016			2036	1,907,520	3	95,376		95,376
Fire Alarm System - Replace/Upgrade		20	2016			2036	275,000	3	13,750		13,750
Artwork - Replace		20	2016			2036	210,000	3	10,500		10,500
Tower/Annex Roof - Replace		20	2016			2036	162,000	3	8,100		8,100
7th Floor Pavers - Replace		20	2016			2036	122,375	3	6,119		6,119
Pool Teak Deck - Replace		20	2016			2036	100,375	3	5,019		5,019
Mailboxes - Replace		20	2016			2036	90,000	3	4,500		4,500
Trash Chute - Partial Replace		20	2016			2036	48,000	3	2,400		2,400

CAPITAL INVENTORY		NORM	DONE	LAST	CO	NEXT	COST	COST	FUNDING	EOY	
ITEM	ADJUSTMENT	LIFE	LAST	COST	ND	DUE DATE	NOW	SRC	RQMNT	RES	DEFICIT
Pavilion Roof - Replace		20	2016			2036	17,500	3	875		875
Elevator - Modernize		25	2016			2041	1,450,000	3	58,000		58,000
Aluminum/Glass Handrail - Replace		25	2016			2041	1,170,000	3	46,800		46,800
Elevator Fire Doors - Replace		25	2016			2041	840,000	3	33,600		33,600
Tile Floor - Replace		25	2016			2041	162,000	3	6,480		6,480
Flower Planters - Replace		25	2016			2041	126,500	3	5,060		5,060
Glass Doors - Replace		25	2016			2041	68,750	3	2,750		2,750
Metal Awnings - Repair/Replace		25	2016			2041	13,200	3	528		528
Pool Handrail - Replace		25	2016			2041	10,000	3	400		400
Outdoor Air Handler - Replace		30	2016			2046	875,000	3	29,167		29,167
Plumbing Drain/Stacks - Major Replacement		35	2016			2051	3,431,250	3	98,036		98,036
2017 End Yr Totals							14,487,725		1,247,138	390,000	857,138

The Collection - Tower

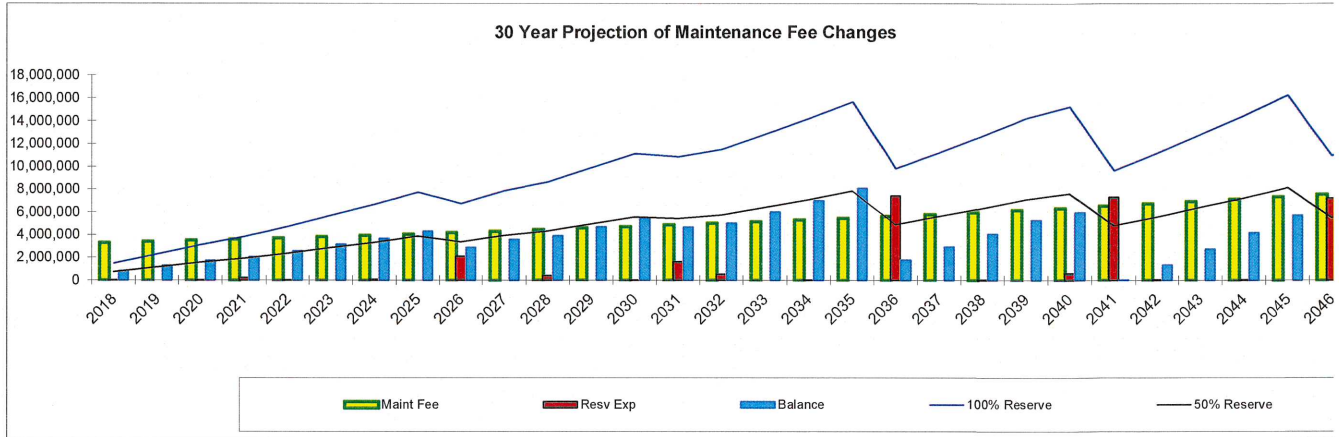
Board Approved 2018 Cash Flow Plan

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	Starting	-Reserve	-Loan	-Operating	+Maint.	+Other	+Interest	=Ending	% Maint. Fee	Net Reserve
Year	Balance	Expense	Payments	Expenses	Fees	Income	Income	Balance	Change	Contrib.
2018	390,000	36,440	62,013	3,187,454	3,305,324	397,915	Included	807,332	3.0%	417,332
2019	807,332	0	62,013	3,267,140	3,404,484	397,375	10,437	1,290,474	3.0%	472,705
2020	1,290,474	37,691	62,013	3,348,819	3,506,618	397,375	15,182	1,761,126	3.0%	455,470
2021	1,761,126	221,866	62,013	3,432,539	3,611,817	397,375	19,075	2,072,974	3.0%	292,773
2022	2,072,974	28,285	62,013	3,518,353	3,720,171	397,375	23,274	2,605,143	3.0%	508,895
2023	2,605,143	0	62,013	3,606,311	3,831,776	397,375	28,856	3,194,825	3.0%	560,826
2024	3,194,825	89,449	62,013	3,696,469	3,946,730	397,375	34,429	3,725,427	3.0%	496,173
2025	3,725,427	0	62,013	3,788,881	4,065,132	397,375	40,312	4,377,352	3.0%	611,612
2026	4,377,352	2,121,242	62,013	3,883,603	4,187,085	397,375	36,362	2,931,315	3.0%	(1,482,398)
2027	2,931,315	0	62,013	3,980,693	4,312,698	397,375	32,650	3,631,331	3.0%	667,366
2028	3,631,331	407,960	62,013	4,080,210	4,442,079	397,375	37,760	3,958,361	3.0%	289,270
2029	3,958,361	0	62,013	4,182,216	4,575,341	397,375	43,226	4,730,074	3.0%	728,487
2030	4,730,074	34,463	62,013	4,286,771	4,712,602	397,375	50,934	5,507,738	3.0%	726,729
2031	5,507,738	1,625,945	62,013	4,393,940	4,853,980	397,375	50,925	4,728,118	3.0%	(830,544)
2032	4,728,118	531,986	41,342	4,503,789	4,999,599	397,375	48,880	5,096,856	3.0%	319,857
2033	5,096,856	0	0	4,616,384	5,149,587	397,375	55,621	6,083,055	3.0%	930,578
2034	6,083,055	38,041	0	4,731,793	5,304,075	397,375	65,489	7,080,159	3.0%	931,615
2035	7,080,159	0	0	4,850,088	5,463,197	397,375	75,854	8,166,497	3.0%	1,010,484
2036	8,166,497	7,419,832	0	4,971,340	5,627,093	397,375	49,831	1,849,624	3.0%	(6,366,705)
2037	1,849,624	0	0	5,095,624	5,795,906	397,375	23,985	2,971,265	3.0%	1,097,657
2038	2,971,265	41,990	0	5,223,014	5,969,783	397,375	35,223	4,108,642	3.0%	1,102,153
2039	4,108,642	0	0	5,353,590	6,148,876	397,375	47,050	5,348,353	3.0%	1,192,661
2040	5,348,353	619,690	0	5,487,429	6,333,342	397,375	56,602	6,028,552	3.0%	623,598
2041	6,028,552	7,309,876	0	5,624,615	6,523,343	397,375	30,217	44,995	3.0%	(6,013,774)
2042	44,995	46,349	0	5,765,230	6,719,043	397,375	6,974	1,356,808	3.0%	1,304,838
2043	1,356,808	0	0	5,909,361	6,920,614	397,375	20,611	2,786,047	3.0%	1,408,628
2044	2,786,047	68,174	0	6,057,095	7,128,233	397,375	34,862	4,221,247	3.0%	1,400,338
2045	4,221,247	0	0	6,208,523	7,342,080	397,375	49,867	5,802,046	3.0%	1,530,932
2046	5,802,046	7,210,034	0	6,363,736	7,562,342	397,375	29,950	217,944	3.0%	(5,614,053)
2047	217,944	0	0	6,522,829	7,789,212	397,375	10,498	1,892,200	3.0%	1,663,758