



SPECIAL OPEN MEETING OF THE FINANCE COMMITTEE*

**Wednesday, November 15, 2023 - 1:30 p.m.
Laguna Woods Village Board Room/Virtual Meeting
24351 El Toro Road,
Laguna Woods, CA 92637**

Laguna Woods Village owners/residents are welcome to participate in all open committee meetings and submit comments or questions regarding virtual meetings using one of two options:

1. Join the Committee meeting via a Zoom link at: <https://us06web.zoom.us/j/83185869622> or by calling 669-900-6833 Access Code: 83185869622
2. Via email to meeting@vmsinc.org any time before the meeting is scheduled to begin or during the meeting. Please use the name of the committee in the subject line of the email. Name and unit number must be included.

NOTICE AND AGENDA

This Meeting May Be Recorded

1. Call to Order
2. Acknowledgement of Media
3. Approval of the Agenda
4. Chair's Remarks
5. Member Comments (Items Not on the Agenda)

Items for Discussion:

6. Room Rental Fees

Concluding Business:

- Committee Member Comments
- Adjournment

*A quorum of the GRF Board or more may also be present at the meeting.

Jim Hopkins, Chair
Steve Hormuth, Staff Officer
Telephone: 949-597-4201

STAFF REPORT

DATE: November 15, 2023
FOR: Finance Committee
SUBJECT: Recreation Room Rental Fee Change – Expense Comparison

RECOMMENDATION

Staff recommends the Committee endorse and the Board approve updating the GRF Room Rental Fees by a percentage consistent with the period-over-period change in Room Rental Expenses (ATT1). The update to fees is to be effective beginning February 1, 2024 and January 1st for each year thereafter based on future period-over-period expense comparisons.

BACKGROUND

Recreation clubhouses are available for residents to utilize for meetings, activities and events. Clubs represent the majority of room use and they receive priority rollover reservations which limits the amount of time and space available for private events such as memorial services, birthday parties and social events.

On June 10, 2019 the GRF Board held a special fee review as part of the business planning process, for the purpose of determining adequacy of fees and including non-assessment revenue assumptions in the 2020 Business Plan. All recreational fees were reviewed and proposals were made to adjust fees including Room Rentals fees. The GRF Board approved the updated Room Rental fees at their December 3, 2019 meeting with changes taking effect on January 1, 2020.

During the period of 2020 – 2023, Room Rental Fees remained flat.

On April 13, 2023 a Room Rental Fee recommendation was presented to the Community Activities Committee (CAC). A change in numerous expense assumptions resulted in significantly higher fees than the committee and membership anticipated. The motion to accept the fee recommendation failed unanimously.

At the June 6, 2023 meeting, the GRF Board approved creation of the Finance Advisory Group. The Finance Advisory Group, made up of one board member from each of the four Laguna Woods Village corporations, was tasked with review of the underlying expense assumptions included in the GRF fee analyses and reasonableness of the fee process. In October 2023, the Finance Advisory Group held three meetings open to the community. At these meetings, staff presented an expense analysis including details making up the expense categories. At the first meeting held on October 2nd, the Advisory Group discussed the details of the analysis and voted unanimously to adopt the expense categories and their underlying details. A second meeting was held on October 9th where staff presented a recommendation to apply fees consistently based on square footage. The October 9th details are covered as a separate staff report. At the third meeting held on October 18th, the Advisory Group voted unanimously to endorse staff's recommendation of adjusting the current room rental rates by the 20%, the same expense percentage increase GRF experienced from 2019 through 2024.

Recreation Room Rental Fee Change – Expense Comparison

November 15, 2023

Page 2

DISCUSSION

In an effort to ensure GRF fees keep up with inflation and changing costs, staff prepared a comparison of Room Rental expenses (ATT1). The comparison consists of Clubhouse 1 – 7 (excluding CH 4) expenses from 2019 and those same budgeted expenses for 2024 budgets, as presented in the 2024 Annual Business Plan (Greenbook). As Clubhouse expenses include costs unrelated to Room Rentals, for instance pool expense, an “Adjusted Expenses” section was included in the analysis to illustrate suggested reductions. Suggested additions were also included in this section to reflect expenses that are not currently recorded as Clubhouse expenses, for instance janitorial and building maintenance. Inclusive of the suggested reductions and additions, the comparison of 2019 vs 2024 illustrates a 20% increase in expenses.

On a go forward basis, this period-over-period comparison will be performed annually by staff.

FINANCIAL ANALYSIS

Revenue assumptions for fee changes purposefully were not incorporated into the 2024 Business Plan. The 2019 vs 2024 Expense Comparison (ATT1) illustrates a cumulative 20% increase over the five-year period (2019 vs 2024), or an average increase of 3.75% per year.

The 2024 GRF Annual Business Plan approved approximately \$470,000 in Room Rental Fee revenue to be used to offset the approximate \$3,489,000 (ATT1) of Room Rental expenses. The approved 2024 Room Rental Fee revenue represents a 13.5% recovery of the 2024 Room Rental expenses with 86.5% (100% - 13.5%) of the expenses becoming a shared cost.

The proposed 20% increase in Room Rental Fees for 2024 is estimated to result in \$86,000 of additional revenue that would be used to help offset Room Rental expenses. The increase would change the expense recovery from 13.5% to 16.2%. It should be noted, since rental pricing is determined by when a reservation is made, the 2024 recovery amount will be largely dependent on the timing of reservations.

Should the Board approve the recommendation, future fees will be tied to the period-over-period comparisons and updated annually. If history is an acceptable predictor of the future, users of the GRF rooms may anticipate an approximate / average annual increase in Room Rental Fees of 3.75% going forward.

Prepared By: Steve Hormuth, Director of Financial Services

Reviewed By: Jose Campos, Assistant Director of Financial Services

Attachment(s):

Attachment 1: 2019 vs 2024 Room Rental Expense Comparison

	2019						
	CH1	CH2	CH3	CH5	CH6	CH7	Total
Expenses							
Reimburse Agent for Compensation	\$163,971	\$151,821	\$389,851	\$150,822	\$58,197	\$80,888	\$995,550
Expense Related to Compensation	\$65,439	\$60,376	\$110,189	\$47,691	\$12,080	\$17,053	\$312,828
Materials & Supplies	\$37,250	\$11,350	\$24,232	\$14,370	\$4,950	\$13,132	\$105,284
Utilities & Fuel	\$118,791	\$51,038	\$88,945	\$111,078	\$30,173	\$51,662	\$451,687
Equipment Rentals	\$0	\$0	\$1,872	\$700	\$0	\$0	\$2,572
Community Events	\$37,000	\$69,800	\$168,292	\$70,000	\$0	\$19,753	\$364,845
Taxes	\$75	\$0	\$25	\$0	\$0	\$0	\$100
Other Operating	\$20,930	\$6,304	\$36,001	\$15,065	\$3,251	\$4,595	\$86,146
Allocated From Departments	\$133,563	\$142,036	\$114,923	\$128,061	\$60,161	\$56,771	\$635,515
600 - Recreation Admin	\$42,372	\$45,060	\$28,248	\$39,858	\$20,026	\$18,898	\$194,463
614 - Clubhouse 4	\$8,385	\$8,917	\$5,872	\$7,888	\$999	\$942	\$33,003
926 - Facilities Management	\$82,805	\$88,058	\$77,232	\$77,891	\$39,136	\$36,931	\$402,054
960 - Fleet Maintenance	\$0	\$0	\$3,570	\$2,424	\$0	\$0	\$5,995
Expenses Matching Greenbook	\$577,019	\$492,725	\$934,330	\$537,787	\$168,812	\$243,854	\$2,954,527
Suggested Reductions							
Equipment Rentals	\$0	\$0	(\$1,872)	(\$700)	\$0	\$0	(\$2,572)
Community Events	(\$37,000)	(\$69,800)	(\$168,292)	(\$70,000)	\$0	(\$19,753)	(\$364,845)
926 - Facilities Management	(\$82,805)	(\$88,058)	(\$77,232)	(\$77,891)	(\$39,136)	(\$36,931)	(\$402,054)
Suggested Additions							
Building Maintenance	\$65,342	\$24,477	\$26,071	\$19,923	\$2,668	\$4,474	\$142,954
Janitorial	\$104,526	\$104,526	\$104,526	\$104,526	\$59,338	\$104,526	\$581,967
Adjusted Expenses	\$627,082	\$463,869	\$817,531	\$513,644	\$191,682	\$296,170	\$2,909,977
Other Possible Overhead Additions							
Landscape	\$25,953	\$50,335	\$47,814	\$37,691	\$19,759	\$11,015	\$192,566
Office of the CEO	\$4,499	\$3,839	\$4,150	\$2,752	\$1,412	\$1,087	\$17,738
Media and Communications	\$14,066	\$12,001	\$12,973	\$8,602	\$4,414	\$3,398	\$55,453
Information Services	\$5,276	\$4,501	\$4,866	\$3,226	\$1,656	\$1,274	\$20,800
Financial Services	\$14,295	\$12,195	\$13,183	\$8,742	\$4,485	\$3,453	\$56,353
Security Services	\$27,158	\$23,169	\$25,046	\$16,608	\$8,522	\$6,560	\$107,062
Human Resource Services	\$7,665	\$6,539	\$7,069	\$4,687	\$2,405	\$1,851	\$30,216
With All Additions	\$725,994	\$576,448	\$932,631	\$595,951	\$234,334	\$324,808	\$3,390,166

	2024						
	CH1	CH2	CH3	CH5	CH6	CH7	Total
Expenses							
Reimburse Agent for Compensation	\$186,878	\$185,399	\$310,741	\$157,863	\$74,884	\$124,652	\$1,040,417
Expense Related to Compensation	\$59,445	\$53,414	\$86,312	\$51,065	\$28,774	\$33,981	\$312,991
Materials & Supplies	\$24,950	\$14,350	\$24,350	\$7,400	\$4,700	\$7,100	\$82,850
Utilities & Fuel	\$162,392	\$128,337	\$116,459	\$160,275	\$30,144	\$68,477	\$666,084
Equipment Rentals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community Events	\$8,500	\$17,500	\$250,164	\$108,150	\$0	\$0	\$384,314
Taxes	\$74	\$73	\$49	\$53	\$0	\$179	\$428
Other Operating	\$23,333	\$12,468	\$43,015	\$39,288	\$5,893	\$11,710	\$135,707
Allocated From Departments	\$106,907	\$106,907	\$98,774	\$108,970	\$101,887	\$101,887	\$625,331
600 - Recreation Admin	\$33,916	\$33,916	\$24,279	\$33,916	\$33,916	\$33,916	\$193,858
614 - Clubhouse 4	\$6,712	\$6,712	\$5,047	\$6,712	\$1,691	\$1,691	\$28,565
926 - Facilities Management	\$66,279	\$66,279	\$66,379	\$66,279	\$66,279	\$66,279	\$397,777
960 - Fleet Maintenance	\$0	\$0	\$3,069	\$2,063	\$0	\$0	\$5,131
Expenses Matching Greenbook	\$572,479	\$518,448	\$929,864	\$633,064	\$246,282	\$347,986	\$3,248,122
Suggested Reductions							
Equipment Rentals	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Community Events	(\$8,500)	(\$17,500)	(\$250,164)	(\$108,150)	\$0	\$0	(\$384,314)
926 - Facilities Management	(\$66,279)	(\$66,279)	(\$66,379)	(\$66,279)	(\$66,279)	(\$66,279)	(\$397,777)
Suggested Additions							
Building Maintenance	\$92,225	\$34,547	\$36,797	\$28,119	\$3,765	\$6,314	\$201,767
Janitorial	\$147,529	\$147,529	\$147,529	\$147,529	\$83,751	\$147,529	\$821,396
Adjusted Expenses	\$737,454	\$616,745	\$797,647	\$634,282	\$267,518	\$435,549	\$3,489,195
Other Possible Overhead Additions							
Landscape	\$36,630	\$71,043	\$67,485	\$53,197	\$27,888	\$15,547	\$271,790
Office of the CEO	\$3,115	\$3,437	\$3,742	\$2,997	\$1,675	\$4,031	\$18,998
Media and Communications	\$9,874	\$10,896	\$11,863	\$9,501	\$5,311	\$12,780	\$60,224
Information Services	\$8,230	\$9,081	\$9,887	\$7,919	\$4,427	\$10,652	\$50,196
Financial Services	\$7,216	\$7,963	\$8,669	\$6,944	\$3,882	\$9,339	\$44,013
Security Services	\$25,566	\$28,212	\$30,716	\$24,602	\$13,752	\$33,090	\$155,937
Human Resource Services	\$12,693	\$14,006	\$15,249	\$12,214	\$6,828	\$16,428	\$77,417
Adjusted Expenses	\$840,777	\$761,382	\$945,258	\$751,656	\$331,282	\$537,416	\$4,167,771

Change	Percent
\$44,867	4.5%
\$163	0.1%
(\$22,434)	(21.3%)
\$214,397	47.5%
(\$2,572)	(100.0%)
\$19,469	5.3%
\$328	328.0%
\$49,561	57.5%
(\$10,184)	(1.6%)
(\$605)	(0.3%)
(\$4,438)	(13.4%)
(\$4,277)	(1.1%)
(\$863)	(14.4%)
\$293,595	9.9%
(\$19,469)	5.3%
\$4,277	(1.1%)
\$58,813	41.1%
\$239,429	41.1%
\$579,218	19.9%
\$79,224	41.1%
\$1,260	7.1%
\$4,771	8.6%
\$29,397	141.3%
(\$12,340)	(21.9%)
\$48,875	45.7%
\$47,200	156.2%
\$777,605	22.9%

STAFF REPORT

DATE: November 15, 2023
FOR: Finance Committee
SUBJECT: Recreation Room Rental Fee Change - Equitable

RECOMMENDATION

Staff recommends the Committee endorse and the Board approve updating the GRF Room Rental Fees to a consistent rate per square foot for all clubhouses (ATT1). The update to fees is to be effective beginning February 1, 2024.

BACKGROUND

Recreation clubhouses are available for residents to utilize for meetings, activities and events. Clubs represent the majority of room use and they receive priority rollover reservations which limits the amount of time and space available for private events such as memorial services, birthday parties and social events.

On June 10, 2019 the GRF Board held a special fee review as part of the business planning process, for the purpose of determining adequacy of fees and including non-assessment revenue assumptions in the 2020 Business Plan. The staff recommendation included a fee based on an expense recovery specific to each clubhouse. As different costs were allocated to each clubhouse, the resulting fees differed by clubhouse. For example, fees ranged from \$0.14 to \$0.26 per 100 square feet per hour for Clubhouses 1 and 6, respectively (ATT1). The GRF Board approved the updated Room Rental fees at their December 3, 2019 meeting with changes taking effect on January 1, 2020.

During the period of 2020 – 2023, Room Rental Fees remained flat.

At the June 6, 2023 meeting, the GRF Board approved creation of the Finance Advisory Group. The Finance Advisory Group, made up of one board member from each of the four Laguna Woods Village corporations, was tasked with review of the underlying expense assumptions included in the GRF fee analyses and reasonableness of the fee process. In October 2023, the Finance Advisory Group held three meetings open to the community. At the second meeting held on October 9th, VMS staff presented a new approach for assigning room rental fees by charging a consistent rate per square foot. The Advisory Group along with members of the community who attended the open meeting discussed the pros and cons of implementation a new pricing strategy. At the request of the Advisory Group, a follow up meeting held on October 18th where staff presented further details of the proposed fee pricing per square foot approach. Upon completion of the presentation, the Advisory Group voted unanimously to endorse updating the GRF Room Rental Fees to be a consistent rate per square foot for all clubhouses.

DISCUSSION

In contrast to the current room fee calculation formula, applying a consistent price per square foot would result in:

- Equitable room charges across clubhouses
- An ability to rent out future rooms that have yet to be priced
- Rooms whose current rates are low per square foot will see increases while rooms with high rates per square foot will see decreases. For instance, the price per 100 square feet per hour would decrease for Clubhouse 6 by 31.8% while Clubhouse 1 would increase by 26.0% (ATT1).

FINANCIAL ANALYSIS

Revenue is not anticipated to change in 2024 as a result of the board's approval of staff's recommendation. Instead, rises in revenue from clubhouses whose price per square foot increased is anticipated to be offset by decreases in revenue from those clubhouses whose price per square foot fell as a result of the methodology change.

Prepared By: Steve Hormuth, Director of Financial Services

Reviewed By: Jose Campos, Assistant Director of Financial Services

Attachment(s):

Attachment 1: 2024 Room Rental Rate Comparison

Laguna Woods Village

Proposed Schedule of Room Rental Fees

Expense Approach
Increase existing rates by 20%

Equity Approach
Standardization of rates

Reservable Room	Sq Ft	Setup Hrs	Current Rate*	Minimum (2 hrs & Setup)	Proposed Rate	Minimum (2 hrs & Setup)	Percent Change	Proposed Rate	Minimum (2 hrs & Setup)	Percent Change
CC Rooms & Conference Rooms										
CC - Elm Room	595	0.5	\$1.00	\$3.00	\$1.20	\$3.00	0.0%	\$1.27	\$3.17	5.8%
CH1 - Conference Room	208	0.0	\$1.00	\$2.00	\$1.20	\$2.40	20.0%	\$0.44	\$0.89	(55.7%)
PAC - Conference Room	251	0.0	\$1.00	\$2.00	\$1.20	\$2.40	20.0%	\$0.53	\$1.07	(46.5%)
VG - Clubroom 1	440	0.5	\$4.00	\$10.00	\$4.80	\$12.00	20.0%	\$0.94	\$2.35	(76.5%)
VG - Clubroom 2	440	0.5	\$4.00	\$10.00	\$4.80	\$12.00	20.0%	\$0.94	\$2.35	(76.5%)
VG - Clubroom 3	440	0.5	\$4.00	\$10.00	\$4.80	\$12.00	20.0%	\$0.94	\$2.35	(76.5%)
Multi-Purpose Rooms										
CH1 - Multi-Purpose Room	1,755	1.0	\$3.00	\$9.00	\$3.60	\$10.80	20.0%	\$3.74	\$11.23	24.7%
CH1 - Art Studio	2,150	1.0	\$3.00	\$9.00	\$3.60	\$10.80	20.0%	\$4.58	\$13.75	52.8%
CH5 - Multipurpose Room	1,386	1.0	\$3.00	\$9.00	\$3.60	\$10.80	20.0%	\$2.95	\$8.86	(1.5%)
CH6 - Multipurpose Room	843	1.0	\$2.00	\$6.00	\$2.40	\$7.20	20.0%	\$1.80	\$5.39	(10.1%)
Small Dining Rooms										
CH1 - Dining Room 2	770	1.0	\$1.00	\$3.00	\$1.20	\$3.60	20.0%	\$1.64	\$4.93	64.2%
CH1 - Dining Room 3	770	1.0	\$1.00	\$3.00	\$1.20	\$3.60	20.0%	\$1.64	\$4.93	64.2%
CH2 - The Los Olivos	831	1.0	\$1.00	\$3.00	\$1.20	\$3.60	20.0%	\$1.77	\$5.32	77.2%
CH2 - The Grevillea	849	1.0	\$1.00	\$3.00	\$1.20	\$3.60	20.0%	\$1.81	\$5.43	81.0%
Large Dining Rooms										
PAC - Dining Room 1	2,524	1.0	\$5.00	\$15.00	\$6.00	\$18.00	20.0%	\$5.38	\$16.15	7.7%
PAC - Dining Room 2	2,524	1.0	\$5.00	\$15.00	\$6.00	\$18.00	20.0%	\$5.38	\$16.15	7.7%
Other										
PAC - Rehearsal Room	1,279	1.0	\$2.00	\$6.00	\$2.40	\$7.20	20.0%	\$2.73	\$8.18	36.3%
PAC - Auditorium	7,969	0.0	\$19.00	\$38.00	\$22.80	\$45.60	20.0%	\$16.99	\$33.98	(10.6%)
PAC - Auditorium + Rehearsal	9,248	0.0	\$23.00	\$46.00	\$27.60	\$55.20	20.0%	\$19.72	\$39.44	(14.3%)
PAC - Auditorium Event w/Admission			\$395 per Day		\$474 per Day		20.0%	\$474 per Day		20.0%

All Patios

Patios are only available by renting adjacent room

Reservable Room	Sq Ft	Setup Hrs	Current Rate	Minimum (4 hrs & Setup)	Proposed Rate	Minimum (4 hrs & Setup)	Percent Change	Proposed Rate	Minimum (4 hrs & Setup)	Percent Change
Main Lounges										
CH1 - Main Lounge	5,556	2.0	\$8.00	\$47.00	\$9.60	\$57.60	22.6%	\$11.85	\$71.08	51.2%
CH2 - The Sequoia	6,636	2.0	\$10.00	\$59.00	\$12.00	\$72.00	22.0%	\$14.15	\$84.89	43.9%
CH5 - Main Lounge (Stage Side) Total	7,688	1.5	\$13.00	\$71.00	\$15.60	\$85.80	20.8%	\$16.39	\$90.15	27.0%
CH5 - Main Lounge (Back Side) Total	2,977	1.5	\$9.00	\$49.00	\$10.80	\$59.40	21.2%	\$6.35	\$34.91	(28.7%)
CH5 - Main Lounge (All) Total	10,665	2.0	\$19.00	\$113.00	\$22.80	\$136.80	21.1%	\$22.74	\$136.44	20.7%
CH6 - Main Lounge	1,920	1.0	\$5.00	\$25.00	\$6.00	\$30.00	20.0%	\$4.09	\$20.47	(18.1%)
CH 7 - Main Lounge	4,517	1.5	\$7.00	\$38.00	\$8.40	\$46.20	21.6%	\$9.63	\$52.98	39.4%