



OPEN SESSION

REGULAR OPEN MEETING OF THE THIRD LAGUNA HILLS MUTUAL BOARD OF DIRECTORS A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION

**Tuesday, September 15, 2020 - 9:30 a.m.
Laguna Woods Village Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

NOTICE OF MEETING AND AGENDA

- 1. Call meeting to order / Establish Quorum – President Parsons**
- 2. Pledge of Allegiance – Vice President McCary**
- 3. Acknowledge Media**
- 4. Approval of Agenda**
- 5. Approval of Minutes**
 - a. August 18, 2020 – Regular Open Meeting
- 6. Report of the Chair**
- 7. Open Forum (Three Minutes per Speaker) - *At this time Members only may address the Board of Directors regarding items not on the agenda and within the jurisdiction of this Board of Directors. The Board reserves the right to limit the total amount of time allotted for the Open Forum. Members can request to speak 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 board meeting in the subject line of the email or call [949-268-2020](tel:949-268-2020) beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and unit number.***
- 8. Responses to Open Forum Speakers**
- 9. CEO/COO Report**

Please silence your cell phones.

10. Consent Calendar - *All matters listed under the Consent Calendar are recommended for action by committees and will be enacted by the Board by one motion. In the event that an item is removed from the Consent Calendar by members of the Board, such item(s) shall be the subject of further discussion and action by the Board.*

a. Finance Committee Recommendations:

Consistent with its statutory obligations the Board members individually reviewed Third Laguna Hills Mutual preliminary financials for the month of July, 2020 and by this vote ratify that such review be confirmed in this month's Board Member Open Session Meeting minutes per Civil Code 5501.

- (1) Approval of Resolution to Record Lien against Member ID 932-120-17
- (2) Approval of Resolution to Record Lien against Member ID 931-361-06

b. Landscape Committee Recommendations:

- (1) Recommend to Approve Tree Removal Request (5292 Avenida del Sol, Kahn)—One Indian Laurel Fig tree

11. Unfinished Business

- a. Entertain a Motion to Approve a Resolution for Guidelines for Financial Qualification Annual Income Requirement for Guarantors **(AUGUST Initial Notification—28 day notification for Member review and comment to comply with Civil Code §4360 has been satisfied)**
- b. Entertain a Motion to Approve the 2021 Third Business Plan
- c. Entertain a Motion to Approve the 2021 Third Reserves Funding Plan

12. New Business

- a. Entertain a Motion to Approve 2021 Collection and Lien Enforcement Policy **(SEPTEMBER Initial Notification—Must postpone 28 days for Member review and comment to comply with Civil Code §4360)**
- b. Entertain a Motion to Change the Exterior Paint and Prior to Paint Programs from a 10-year Cycle to a 15-year Cycle **(SEPTEMBER Initial Notification—Must postpone 28 days for Member review and comment to comply with Civil Code §4360)**

13. Committee Reports

- a. Report of the Finance Committee / Financial Report – Director Mutchnick. The Committee met on September 1, 2020; next meeting October 6, 2020, at 1:30 p.m. as a virtual meeting.
 - (1) Treasurer's Report
 - (2) Third Finance Committee Report
 - (3) Resales/Leasing Reports
- b. Report of the Architectural Controls and Standards Committee – President Parsons. The Committee met on July 27, 2020; next meeting September 28, 2020 at 9:30 a.m. as a virtual meeting
- c. Report of the Communications Committee – Director McCary. The Committee met on October 9, 2019; next meeting October 14, 2020 at 1:30 p.m. as a virtual meeting.
- d. Report of the Maintenance and Construction Committee – Director Mutchnick. The Committee met on September 9, 2020; next meeting November 2, 2020, at 1:30 p.m. as a virtual meeting
 - (1) Report of the Parking and Golf Cart Task Force – President Parsons.
The Task Force met on January 6, 2020; next meeting TBA
 - (2) Garden Villa Rec. Room Sub-Committee – Director Jarrett. Next meeting October 5, 2020 at 1:30 p.m. as a virtual meeting
- e. Report of the Landscape Committee – Director Jarrett. The Committee met on September 3, 2020; next meeting October 1, 2020, at 9:30 a.m. as a virtual meeting
- f. Report of the Water Subcommittee – Director Karimi. Next meeting October 14, 2020, at 10:00 a.m. as a virtual meeting
 - El Toro Water District Water Usage Fees for Households—Director Jarrett
- g. Report of the Resident Policy and Compliance Committee – Director Jarrett. The Committee met on July 29, 2020; next meeting September 22, 2020 at 9:30 a.m. as a virtual meeting.

14. GRF Committee Highlights

- a. Community Activities Committee – Director McCary. The Committee met on September 10, 2020; next meeting October 8, 2020, at 1:30 p.m. as a virtual meeting
 - (1) Equestrian Center Ad Hoc Committee – Director Bhada. The Committee met on August 25, 2020; next meeting September 23, 2020, at 9:30 a.m. as a virtual meeting.
- b. GRF Finance Committee – Director Mutchnick. The Committee met on August 31, 2020; next meeting October 21, 2020, at 1:30 p.m. as a virtual meeting
- c. GRF Landscape Committee – Director Jarrett. The Committee met on August 12, 2020; next meeting TBA.
- d. GRF Maintenance & Construction Committee – Director Bhada – The Committee met August 12, 2020; next meeting October 14, 2020, at 9:30 a.m. as a virtual meeting
 - (1) PAC Renovation Ad Hoc Committee – Director Mutchnick. The Committee met on July 13, 2020, as a virtual meeting
 - (2) Clubhouse 1 Renovation Ad Hoc Committee – Director Mutchnick. The Committee met on September 2, 2020; next meeting TBA.
- e. Media and Communications Committee – Director McCary. The Committee met on August 17, 2020 as a virtual meeting; next meeting September 21, 2020, at 1:30 p.m. as a virtual meeting
- f. Mobility and Vehicles Committee – Director Frankel – The Committee met on August 5, 2020; next meeting October 7, 2020, at 1:30 p.m. as a virtual meeting
- g. Security and Community Access Committee – Director Bhada. The Committee met on August 24, 2020; next meeting October 26, 2020 at 1:30 p.m. as a virtual meeting
 - (1) Disaster Preparedness Task Force – Director McCary. The Task Force met on July 28, 2020; next meeting September 29, 2020, 9:30 a.m. as a virtual meeting
- h. Report of the Laguna Woods Village Traffic Hearings – Director Frankel. The Traffic Hearings were on August 19, 2020; next meeting is September 16, 2020 at 9 a.m. and 1 p.m. as a virtual meeting.

15. Future Agenda Items-- *All matters listed under Future Agenda Items are items for a future Board Meetings. No action will be taken by the Board on these agenda items at this meeting. The Board will take action on these items at a future Board Meeting.*

- a. Parking Report
- b. Resident Suggestion Program
- c. Alterations Review
- d. Third Mutual Rules for Board Meetings

16. Director's Comments

17. Recess - *At this time the Meeting will recess for lunch and reconvene to Executive Session to discuss the following matters per California Civil Code §4935.*

Closed Session Agenda

Approval of Agenda

Approval of the Following Meeting Minutes;

- (a) August 6, 2020—Special Closed Meeting*
- (b) August 7, 2020 – Special Closed Meeting*
- (c) August 14, 2020 – Special Closed Meeting*
- (d) August 18, 2020—Regular Closed Session*
- (e) August 21, 2020—Special Closed Meeting*
- (f) August 27, 2020 – Special Closed Meeting*
- (g) August 28, 2020 – Special Closed Meeting*

Discuss Member Disciplinary Matters

Discuss Personnel Matters

Discuss and Consider Legal/Litigation Matters

18. Adjourn

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**MINUTES OF THE REGULAR OPEN MEETING OF THE THIRD LAGUNA HILLS MUTUAL
BOARD OF DIRECTORS, A CALIFORNIA NON-PROFIT MUTUAL BENEFIT
CORPORATION**

**Tuesday, August 18, 2020 - 9:30 a.m.
Laguna Woods Village Board Room/Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

Directors Present: Steve Parsons, Annie McCary, Lynn Jarrett, John Frankel, Robert Mutchnick, Doug Gibson, Cush Bhada, Craig Wayne, Reza Karimi, Ralph Engdahl

Directors Absent: None

Staff Present: Jeff Parker, Siobhan Foster, Robbi Doncost, Shaun Lewis, Ernesto Munoz, Eileen Paulin, Kurt Wiemann, Becky Jackson, Cheryl Silva and Grant Schultz

Others Present: VMS: Wei-Ming Tao, Rosemarie diLorenzo, Raquel Unger
GRF: Egon Garthoffner

1. Call meeting to order / Establish Quorum

Steve Parsons, President of the Corporation, chaired and opened the meeting stating it was a Regular Meeting held pursuant to notice duly given. A quorum was established, and the meeting was called to order at 9:30 a.m.

2. Pledge of Allegiance

Vice President McCary led the Membership in the Pledge of Allegiance.

3. Acknowledge Media

The Village Television Camera Crew, by way of remote cameras, was acknowledged as present.

4. Approval of Agenda

Director McCary made a motion to approve the agenda as presented. The motion was seconded by Director Mutchnick and the motion passed by unanimous consent.

5. Approval of Minutes

a. July 21, 2020—Regular Open Meeting Minutes

Director McCary made a motion to approve the July 21, 2020, Regular Open Meeting minutes as presented. Director Jarrett seconded the motion.

President Parsons announced that the July 21, 2020, Regular Meeting minutes was approved by unanimous consent.

6. Report of the Chair

President Parsons commented about the work at Gate 10 and announced the upcoming televised budget meeting. He thanked everyone in the community for wearing masks to protect the community.

Director Jarrett gave a Landscape presentation on the following topics:

- 2021 Proposed Landscape Budget
- Landscape Modernization
- Aeration
- Slopes
- Trees
- Grounds Maintenance
- Landscaping Resources on Village Website
- Aliso Creek

7. Open Forum

- A Member commented about the Garden Villa paint project and the noise from alarm on the lift. Asked if the project can be put on hold;

Ernesto Munoz, Maintenance and Construction Director, responded about the paint project schedule.

8. Responses to Open Forum Speakers

- Jeff Parker-CEO responded that we are working with the protocols Ernesto Munoz suggested for the paint project.
- President Parsons commented about the need to continue maintenance in Third Mutual

9. CEO Report

Ernesto Munoz introduced the following new employees: Robbi Doncost, Manor Alterations Manager and Shaun Lewis, Construction Manager

Jeff Parker-CEO and Siobhan Foster-COO reported on the following subjects:

- Orange County has reported 43,925 positive cumulative COVID-19 cases and 810 deaths, as well as 414 currently hospitalized with 132 in ICU. Testing continues throughout the county and we are at 6.8% positive test rate. 102 cases per 100,000 were reported. Hospitalization rate has decreased by three percent (3%). 47 cases were reported in the City of Laguna Woods and he encouraged residents to continue

to watch social distancing and wearing masks.

- Third Mutual version 1 budget hearings were held last month and version 2 budget hearing will be presented on Thursday, August 20, 2020.
-
- Flex Alert has called for voluntary shift of energy use during the hours of 3 p.m. and 10 p.m. Rolling power outages will continue during the heatwave.
- Temporary coin distribution will take place on Thursdays from 1 p.m. to 5 p.m. at Clubhouses 3 and 5. Residents can purchase one \$10 roll of quarters at these locations.
- Paving and Concert Program has begun. The schedule is listed on the website.
- El Toro Water District public hearing on rate increases will be held on Thursday, September 24, 2020 at 7:30 a.m. as a virtual meeting;
- Drive-in Movie Event will happen on August 21, 2020 and August 22, 2020 at 8 p.m. at the Village Maintenance Center.
- U.S. Census Bureau members are out in the community collecting information. They are wearing masks and practicing social distancing. Please make sure that anyone claiming to be a part of the U.S. Census Bureau properly identifies themselves.

10. Consent Calendar

10a. Finance Committee Recommendations:

Consistent with its statutory obligations the Board members individually reviewed Third Laguna Hills Mutual preliminary financials for the month of June 2020, and by this vote ratify that such review be confirmed in this month's Board Member Open Session Meeting minutes per Civil Code §5501.

- (1) Recommendation to Approve a Resolution to Record Lien against Member ID# 931-900-12

RESOLUTION 03-20-57 **RECORDING OF A LIEN**

WHEREAS, Member ID 931-900-12 is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, August 18, 2020, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-900-12 and;

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

- (2) Recommendation to Approve a Resolution to Record Lien against Member ID# 932-380-02

RESOLUTION 03-20-58
RECORDING OF A LIEN

WHEREAS, Member ID 932-380-02; is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, August 18, 2020, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-380-02 and;

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

10b. Landscape Committee Recommendations:

- (1) Recommend to Approve Tree Removal Request (3209-C Via Buena Vista, Thompson)—One Indian Laurel Fig

RESOLUTION 03-20-59
APPROVE THE REQUEST FOR REMOVAL
OF ONE INDIAN LAUREL FIG TREE
3209-C VIA BUENA VISTA

WHEREAS, September 20, 2011, that the Board of Directors adopted Resolution 03-11-149 tree removal guidelines:

- Unless there is a purposeful reason, trees should not be removed merely because they are messy, or because of residents' personal preferences concerning shape, color, size, or fragrance.
- Trees should not be removed because of view obstruction if the obstruction is at a considerable distance from the complaining manor and therefore causes only a partial obstruction.

- Trees on slopes should not be removed if the removal will contribute to the destabilization of that slope.
- Trees which are damaging or will damage a structure, pose a hazard, in failing health or interfering with neighboring trees, will be considered for removal.

WHEREAS, on August 6 2020, the Landscape Committee reviewed the request for the removal of one Indian Laurel Fig tree. The request was received from the Member at 3209-C who cited the reasons as structural damage and the tree has outgrown the area and;

WHEREAS, the Committee determined that this tree does meet the guidelines set forth in Resolution 03-11-149 and recommends approving the request for the removal of one Indian Laurel Fig tree located at 3209-C Via Buena Vista.

NOW THEREFORE BE IT RESOLVED, August 18, 2020, the Board of Directors approves the request for the removal of one Indian Laurel Fig tree located at 3209-C;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

(2) Recommend to Approve Hedge Trimming Request (5191 Duenas, Powers)

RESOLUTION 03-20-60
APPROVE THE REQUEST TO REDUCE THE HEIGHT OF A PORTION OF
THE CAROLINA CHERRY HEDGE LOCATED ADJACENT TO
5212 ELVIRA AND 5191 DUENAS

WHEREAS, on August 6 2020, the Landscape Committee reviewed the request to reduce the height of a portion of the Carolina Cherry Hedge located adjacent to the subject properties. The request was received from the Member at 5191 who contends that a hedge, which was installed by the resident at 5212 approximately two years ago and runs along the top of the slope that abuts the residences at 5191 Duenas and 5211 and 5212 Elvira, blocks the view of the neighboring open space from the patio of 5191 Duenas. The residents at 5191 contend that since the hedge is new and did not exist when the residence was purchased, the hedge should be maintained at a height that does not interfere with the view of the open space and;

WHEREAS, the Committee recommends approving the request that the portion of the Carolina Cherry Hedge located adjacent to 5212 Elvira and 5191 Duenas be maintained at a height that does not interfere with the view of the open space from 5191 Duenas.

NOW THEREFORE BE IT RESOLVED, August 18, 2020, the Board of Directors approves the request that the portion of the Carolina Cherry Hedge located adjacent to 5212 Elvira and 5191 Duenas be maintained at a height that does not interfere with the view of the open space from 5191 Duenas;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

- 10c.** (1) Approve the Resolution for Variance Request by 5598-A to Extend the Double-door Entryway into Exclusive Use Common Area and Deny the request to Replace the Existing planters with a Concrete Slab on Previously Extended Common Area

RESOLUTION 03-20-61
5598-A VARIANCE REQUESTS

WHEREAS, Mr. Douglas Ferraro of 5598-A Vista Del Mando, A Casa Palma style unit, requested Board approval of a variance to extend the 6'-0" wide by 8'-0" tall double entry doors forward by 8' toward the roofline, into exclusive use common area and to replace a planter box with a concrete slab on previously extended common area; and

WHEREAS, on July 21, 2020, the Board approved the variance request to extend the entryway into exclusive use common area; and

WHEREAS, on July 21, 2020, the Board denied the variance request to replace the planter box with a concrete slab on previously extended common area; and

WHEREAS, a proposed resolution was not included with the original approval documents and is necessary to record the Board's actions on variance requests.

NOW THEREFORE BE IT RESOLVED, on August 18, 2020, the Board of Directors hereby acknowledges and adopts this resolution for the previously given approval and denial of the two variance requests at 5598-A Vista Del Mando;

RESOLVED FURTHER, all costs for maintenance, repair, renovation, replacement or removal of the improvement, present and future, are the responsibility of the property's Member Owner at 5598-A and all future Mutual members at 5598-A;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

- 10d.** Ratify Approval of Resolution for Adoption of Modified Temporary COVID-19 Rules

RESOLUTION 03-20-62
BOARD RESOLUTION REGARDING THE ADOPTION
OF MODIFIED TEMPORARY COVID-19 RULES

RECITALS

WHEREAS, on June 26, 2020, the Third Laguna Hills Mutual and United Laguna Woods Mutual Boards of Directors adopted Temporary COVID-19 Rules on an emergency basis in response to the ongoing public health threat to members/residents of each of said Mutuals from the COVID-19 disease outbreak and global health pandemic (the "Disease").

WHEREAS, Mutual No. Fifty which had previously implemented comprehensive restrictions to reduce risk of exposure to the Disease, supported the Temporary COVID-19 Rules adopted on an emergency basis by Third Laguna Hills Mutual and United Laguna Woods Mutual on June 26, 2020.

WHEREAS, the Boards of Directors of Third Laguna Hills Mutual, United Laguna Woods Mutual, and Mutual No. Fifty sought unanimity among all corporations within Laguna Woods Village, including the Golden Rain Foundation, pertaining to the adoption of Temporary COVID-19 Rules due to the severity of the public health crisis facing the entire Laguna Woods Village Community.

WHEREAS, on July 6, 2020, Third Laguna Hills Mutual held a Special Meeting (closed) and authorized the formation of a committee (two members from each corporation) to review and make changes to the resolution adopted by Third Laguna Hills Mutual and United Laguna Woods Mutual on June 26, 2020, and supported by Mutual No. Fifty, to achieve critical unanimity among all corporations within Laguna Woods Village.

WHEREAS, designated representatives of the boards of directors from Third Laguna Hills Mutual, United Laguna Woods Mutual, the Golden Rain Foundation, and Mutual No. Fifty met on July 14, 2020, and as needed thereafter, to achieve unanimity among the corporations and develop modified Temporary COVID-19 Rules to be considered on an emergency basis by each corporation in response to the Disease.

WHEREAS, the Board of Directors of Third Laguna Hills Mutual held a duly called emergency meeting on July 24, 2020, at which a quorum of the Board was present.

WHEREAS, the meeting of the Third Laguna Hills Mutual Board was held on an emergency basis pursuant to California Civil Code Section 4923, as unforeseen circumstances require immediate attention and action by the Board where notice for such meeting was impractical.

WHEREAS, a majority of the members of the Third Laguna Hills Mutual Board determined that in accordance with California Civil Code Section 4360(d), immediate rule changes are required to compel residents to refocus on utilizing face coverings and social distancing (creating a six foot distance between people) in light of the ongoing threat of public health to Third Laguna Hills Mutual members in light of the Disease.

WHEREAS, in light of ongoing health concerns relating to the transmission of the Disease and the ease with which it spreads, the State of California has mandated that all persons be required

to wear a cloth face covering while not within their homes and to maintain social distancing as referenced above.

WHEREAS, the modified Temporary COVID-19 Rules shall be adopted on an emergency basis, without notice or a member review and comment period, in accordance with California Civil Code Section 4360(d) and shall be effective for one hundred twenty (120) days from the effective date of the initial Temporary COVID-19 Rules adopted by Third Laguna Hills Mutual and United Laguna Woods Mutual, unless the Board modifies or rescinds the modified Temporary COVID-19 Rules on an earlier date pursuant to formal Board action. It is understood that the conditions and general health advice pertaining to the Disease may change from time to time and at any time; as such, the Board acknowledges that future changes to the modified Temporary COVID-19 Rules may be required and shall be reasonably made, as applicable, within the Board's discretion.

WHEREAS, the modified Temporary COVID-19 Rules shall be hereby adopted pursuant to this Resolution and shall be deemed an effective governing document and effective operating rules for Third Laguna Hills Mutual.

RESOLUTION

IT IS HEREBY RESOLVED that the foregoing recitals are incorporated into and made a part of this Resolution.

IT IS HEREBY FURTHER RESOLVED that the modified Temporary COVID-19 Rules are hereby adopted on an emergency basis in accordance with California Civil Code Section 4360(d). A copy of the Temporary COVID-19 Rules is enclosed with this Resolution and incorporated into and made a part of this Resolution in their entirety.

IT IS HEREBY FURTHER RESOLVED that, a copy of this Resolution and the Temporary COVID-19 Rules shall be distributed and/or posted in a manner deemed suitable by the Board to adequately notify Third Laguna Hills Mutual membership.

10e. Resolution Updating the Third Board Committee Appointments

RESOLUTION 03-20-63 **THIRD MUTUAL COMMITTEE APPOINTMENTS**

RESOLVED, August 18, 2020,, that the following persons are hereby appointed to serve on the committees and services of this Corporation;

RESOLVED FURTHER, that each committee chair in consultation with the vice chair may appoint additional members and advisors with interim approval by the President subject to the approval of the Board of Directors:

Architectural Standards and Control Committee

Steve Parsons, Chair
John Frankel
Lynn Jarrett
Ralph Engdahl
Robert Mutchnick
Craig Wayne, Alternate
Voting Advisors: Mike Butler and Mike Plean
Staff Advisor: Siobhan Foster

Communications Committee

Annie McCary, Chair
Lynn Jarrett
Reza Karimi
Doug Gibson
Steve Parsons, Alternate

Executive Hearing Committee

Annie McCary, Chair
Ralph Engdahl, Co-Chair
Robert Mutchnick
Doug Gibson
Steve Parsons, Alternate
John Frankel, Alternate

Finance (Committee of the Whole)

Robert Mutchnick, Chair
Steve Parsons, Co-Chair
~~Jon Pearlstone, Chair~~
Non-Voting Advisors: John Hess, Wei-Ming Tao

Investment Task Force

Robert Mutchnick
Craig Wayne, Alternate
~~Jon Pearlstone~~

Garden Villa Recreation Room Subcommittee (Quarterly)

Lynn Jarrett, Chair
Doug Gibson
Robert Mutchnick
Craig Wayne, Alternate

~~Jon Pearlstone~~

Voting Advisors: Sharon Molineri, Stuart Hack, Randy Scott

Landscape Committee

Lynn Jarrett, Chair

Cush Bhada

Reza Karimi

Annie McCary

Ralph Engdahl, Alternate

Doug Gibson, Alternate

~~Jon Pearlstone, Co-Chair~~

Advisors: Cindy Baker,

Maintenance and Construction Committee

Robert Mutchnick, Chair

Cush Bhada, Co-Chair

John Frankel

Craig Wayne

Ralph Engdahl, Alternate

Reza Karimi, Alternate

Steve Parsons, Alternate

~~Jon Pearlstone~~

New Resident Orientation

Per Rotation List

Water Conservation Committee (Quarterly)

Reza Karimi, Chair

Lynn Jarrett

John Frankel

Ralph Engdahl

Doug Gibson, Alternate

~~Robert Mutchnick~~

Advisor: Kathryn Freshley, Kay Havens

Parking & Golf Cart Task Force

Steve Parsons, Chair

Lynn Jarrett

John Frankel

Ralph Engdahl

Craig Wayne, Alternate

Advisors: Hal Horne

Resident Policy and Compliance Task Force

Lynn Jarrett, Chair
Steve Parsons
Robert Mutchnick
Ralph Engdahl
Cush Bhada, Alternate
Reza Karimi
Voting Advisors: Stuart Hack

Energy Research Group

Cush Bhada
John Frankel
Ralph Engdahl
Reza Karimi, Alternate
Advisors: Sue Stephens, Bill Walsh

RESOLVED FURTHER, that Resolution 03-20-36, adopted May 19, 2020, is hereby superseded and canceled; and,

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

RESOLUTION 03-20-64
GRF COMMITTEE APPOINTMENTS

RESOLVED, August 18, 2020, that in compliance with Article 7, Section 7.3 of the Golden Rain Foundation Bylaws, the following persons are hereby appointed to serve on the committees of the Golden Rain Foundation:

Business Planning Committee

Steve Parsons
Robert Mutchnick
Lynn Jarrett
Jon Pearlstone

Community Activities Committee

Annie McCary
Cush Bhada
Doug Gibson, Alternate
John Frankel, Alternate
Jon Pearlstone, Alternate

Equestrian Center Ad Hoc Committee

Cush Bhada
Annie McCary

GRF Finance Committee

Steve Parsons
Robert Mutchnick
Reza Karimi, Alternate
~~Jon Pearlston~~

Purchasing Ad Hoc Committee (new)

Steve Parsons
Robert Mutchnick
Cush Bhada, Alternate
~~Jon Pearlstone~~

GRF Landscape Committee

Lynn Jarrett
Reza Karimi
Cush Bhada, Alternate
~~Ralph Engdahl, Alternate~~

GRF Maintenance and Construction Committee

Cush Bhada
John Frankel
Doug Gibson, Alternate
Ralph Engdahl, Alternate
~~Jon Pearlstone, Alternate~~

Clubhouse 1 Renovation Ad Hoc Committee

Robert Mutchnick
Cush Bhada
Ralph Engdahl
~~Jon Pearlstone~~

PAC Renovation Ad Hoc Committee

Robert Mutchnick
Ralph Engdahl
John Frankel, Alternate
~~Cush Bhada~~
~~Jon Pearlstone~~

Media and Communication Committee

Annie McCary
Lynn Jarrett

Craig Wayne, Alternate
Doug Gibson, Alternate

Mobility and Vehicles Committee

Craig Wayne
John Frankel
Cush Bhada, Alternate

Security and Community Access Committee

Cush Bhada
Doug Gibson
Annie McCary, Alternate
John Frankel, Alternate
Robert Mutchnick
Ralph Engdahl
Reza Karimi, Alternate

Disaster Preparedness

Annie McCary
John Frankel
Ralph Engdahl
Doug Gibson, Alternate

Laguna Woods Village Traffic Hearings

John Frankel
Doug Gibson
Robert Mutchnick, Alternate
Ralph Engdahl, Alternate

Strategic Planning Committee

Steve Parsons
Robert Mutchnick
Lynn Jarrett, Alternate

RESOLVED FURTHER, that Resolution 30-20-37, adopted May 19, 2020, is hereby superseded and canceled; and

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution

Director McCary made a motion to approve the consent calendar as presented. Director Mutchnick seconded the motion.

President Parsons called for the vote and the motion passed by unanimous consent.

11. Unfinished Business

11a. Entertain a Motion to Adopt a Resolution and Alternate Heat Source Policy for Alterations

President Parsons presented a summary of the following Resolution:

RESOLUTION 03-20-65 ALTERNATE HEAT SOURCE POLICY FOR ALTERATIONS

WHEREAS, there is no documented policy currently in place that outlines the procedure for an alteration alternate heat source within a manor when the original heat source system fails.

NOW THEREFORE BE IT RESOLVED, August 18, 2020, that the Board of Directors of this Corporation hereby adopts the Alteration Alternate Heat Source Policy that defines the conditions under which the Mutual will approve a heat source replacement by the Member, the standard type of heat source to be installed, and the Member responsibility for the replacement of such; and

RESOLVED FURTHER, that no new Mutual Consents will be issued that may compromise the original radiant heat source without having a corresponding alternate heat source listed on the same Mutual Consent or an existing alternate heat source already installed; and

RESOLVED FURTHER, alternative heat sources shall be hardwired and installed on a dedicated circuit as needed; and

RESOLVED FURTHER, where the original radiant heat system has been verified as compromised due to penetrations made previously or existing to the ceiling, the corresponding thermostat must be disconnected from that radiant heat system; and

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

JULY Initial Notification

28-day notification for member review and comment to comply with Civil Code §4360 has been satisfied.

Director Mutchnick made a motion to adopt a resolution for an alternate heat source policy for alterations. Director Parsons seconded the motion and the motion passed by unanimous consent.

11b. Entertain a Motion to Adopt a Resolution to Designate Smoke Free Building Policy & Procedure from the Resident Policy and Compliance Committee Meeting

Director Jarrett presented a summary of the following Resolution:

RESOLUTION 03-20-66
SMOKE-FREE BUILDING DESIGNATION POLICY AND PROCEDURE

WHEREAS, the Board of Directors (the "Board") of Third Laguna Hills Mutual ("Third") held a meeting on July 21, 2020, at which a quorum of the Board was present;

WHEREAS, the members (each, a "Member") of Third Laguna Hills Mutual ("Third") have an interest in their health, safety and welfare while within Third's common interest development (the "Development"), including when in the separate interest dwelling units located within the Development (each, a "Unit") in which the Members, their co-occupants and tenants, as applicable, reside; and

WHEREAS, certain Members have requested that Third's Board designate the buildings in which their Units are located as "smoke-free", to reduce those Members', their co-occupants and tenants, as applicable, exposure to second-hand smoke; and

WHEREAS, the Board has determined that in addition to addressing health concerns related to second-hand smoke raised by Members as referenced above, prohibiting smoking in buildings at the Development will reduce the risk of fires related to accidents stemming from the use of smoking tobacco, marijuana and other substances, and reduce maintenance and repair costs for building components needed due to wear and tear to those components caused by smoke; and

WHEREAS, the Board has consulted with Third's legal counsel on the legality of prohibiting smoking at the Development and the Board has determined that upon certain conditions and requirements being met, that multi-dwelling unit buildings at the Development can be permanently designated as "smoke-free" going forward so long as specific terms and conditions are met; and

WHEREAS, the Board recognizes that Members, their co-occupants and tenants, if applicable, have a right to privacy within their respective Units and a right to freely use and occupy the Units (in accordance with Third's governing

documents), that Members purchased their Units with the understanding that smoking was not expressly prohibited in their Unit, and that legal precedent does not exist as to whether the Board can unilaterally prohibit smoking in Units; and

WHEREAS, the Board has determined that it will designate a building containing Units as non-smoking if all of the then Members who are record owners of the Units in that building agree in writing before a notary public, that the building should be non-smoking and if certain other requirements are met; and

WHEREAS, the Board has tasked Third's legal counsel with drafting documents related to implementing and managing the designation of buildings at the Development as non-smoking that provide for such designation in a systematic, fair and reasonable manner; and

WHEREAS, Third's legal counsel has drafted those documents, the Board has reviewed those documents, and the Board believes those documents and the procedures and requirements described in those documents meet the Member needs and business requirements of Third; and

WHEREAS, those documents consist of (i) the "Smoke-Free Building Designation Policy and Procedure", (ii) the "Petition for Designating a Building as Smoke-Free", (iii) the "Petition Agreement Form" and (iv) the "Agreement And Covenant to Run with Land (Non-Smoking Building Designation)" (collectively, the "Designation Documents"), all of which are attached to this Resolution and incorporated in their entirety herein by this reference.

NOW, THEREFORE, BE IT RESOLVED, August 18, 2020, that the Board has determined that the Designation Documents, and the procedures and requirements described thereunder, shall be immediately effective upon adoption by the Board, to provide for a systematic, fair and reasonable manner to designate buildings at the Development as non-smoking.

RESOLVED FURTHER; that the directors, officers and agents of Third are hereby authorized on behalf of Third to carry out the purposes of this Resolution.

JULY Initial Notification

28-day notification for member review and comment to comply with Civil Code §4360 has been satisfied.

Director Parsons made a motion to adopt a resolution to designate a smoke free building policy and procedure. Director Mutchnick seconded the motion.

President Parsons called for the vote and the motion passed by unanimous consent.

12. New Business

12a. Landscape Committee Recommendation

Entertain a Motion to Deny Tree Removal Request: 2379-D Via Mariposa W. (Frei) –
One Silk Oak tree

Director Jarrett presented a summary of the following Resolution:

RESOLUTION 03-20-67
DENY THE REQUEST FOR REMOVAL
OF ONE SILK OAK TREE
2379-D VIA MARIPOSA W.

WHEREAS, September 20, 2011, that the Board of Directors adopted Resolution 03-11-149 tree removal guidelines:

- Unless there is a purposeful reason, trees should not be removed merely because they are messy, or because of residents' personal preferences concerning shape, color, size, or fragrance.
- Trees should not be removed because of view obstruction if the obstruction is at a considerable distance from the complaining manor and therefore causes only a partial obstruction.
- Trees on slopes should not be removed if the removal will contribute to the destabilization of that slope.
- Trees which are damaging or will damage a structure, pose a hazard, in failing health or interfering with neighboring trees, will be considered for removal.

WHEREAS, on August 6 2020, the Landscape Committee reviewed the request for the removal of one Silk Oak tree. The request was received from the Member at 2379-D who cited the reasons as litter/debris in the patio area, fire hazard, and poisonous to animals and;

WHEREAS, the Committee determined that the tree is not a poisonous tree and does not meet the guidelines set forth in Resolution 03-11-149 and recommends denying the request for the removal of one Silk Oak tree located at 2379-D Via Mariposa W.

NOW THEREFORE BE IT RESOLVED, August 18, 2020, the Board of Directors denies the request for the removal of one Silk Oak tree located at 2379-D;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

Director Wayne made a motion to deny tree removal request 2379-D Via Mariposa W. (Frei) one Silk Oak tree. Director McCary seconded the motion and the motion passed by unanimous consent.

12b. Entertain a Motion to Introduce a Resolution Approving Guidelines for Financial Qualification Annual Income Requirement for Guarantors

Director Jarrett presented a summary of the following Resolution:

RESOLUTION 03-20-XX
**AMENDMENT OF GUIDELINES FOR FINANCIAL
QUALIFICATIONS**

WHEREAS, Third Laguna Hills Mutual ("Third") is formed to manage, operate and maintain housing within Laguna Woods Village;

WHEREAS, Third is authorized to adopt rules and regulations to carry out the purposes of this Corporation through its Board of Directors;

WHEREAS, financial qualifications have been established by the Board of Directors to ensure, to the extent possible, the financial integrity of the Corporation;

WHEREAS, a review of the Guidelines for Financial Qualifications revealed an apparent discrepancy in the administration of financial qualifications applicable to applicants and to guarantors;

WHEREAS, the minimum annual income requirement for guarantors is currently established at the sum of \$80,000 plus the annual mortgage payment;

NOW THEREFORE BE IT RESOLVED, September XX, 2020, that the Third Laguna Hills Mutual amends its Guidelines for Financial Qualifications to increase the annual income requirement for guarantors to be the sum of \$150,000 plus the annual mortgage payment;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

AUGUST Initial Notification

Should the Board endorse the proposed resolution, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 28-days from the postponement to comply with Civil Code §4360.

Director Mutchnick made a motion to introduce a resolution for the amendment of guidelines for financial qualifications regarding the annual income requirement for guarantors to be placed on 28-day review. Director Parsons seconded the motion.

President Parsons called for the vote and the motion passed by a vote of 9-0-1 (Director Bhada abstained)

12c. Entertain a Motion to Introduce a Resolution for Third Mutual Rules for Board Members

Director Jarrett presented a summary of the following Resolution:

RESOLUTION 03-20-XX
RULES FOR BOARD MEETINGS

WHEREAS, each Owner Member of Laguna Woods Village has an ongoing interest and right under California law to participate in the governance of their community; and

WHEREAS, the Board of Directors of the Third Laguna Hills Mutual has an equal interest and duty under law to ensure that the management of the community's affairs is carried out professionally and in adherence with the provisions of the Davis-Stirling Act; and

WHEREAS, the Board of Directors wishes to promote order and regulate meeting time in an even and consistent fashion;

NOW THEREFORE BE IT RESOLVED, September XX, 2020, that the Board of Directors of this Corporation hereby approves the attached revised Rules for Board Meetings; and

RESOLVED FURTHER, that Resolution 03-14-04 adopted January 21, 2014 is hereby superseded and cancelled; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

AUGUST Initial Notification

Should the Board endorse the proposed resolution, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 28-days from the postponement to comply with Civil Code §4360.

Director Parsons made a motion to introduce a resolution for Third Mutual Rules for Board Members to be placed on 28-day review. Director Mutchnick seconded the motion.

Discussion ensued among the directors.

President Parsons made a motion to table this item and send it back to committee for corrections. President Parsons called for the vote to table this item and the motion passed by a vote of 10-0-0.

13. Committee Reports

- 13a.** Report of the Finance Committee / Financial Report – Director Mutchnick. gave a presentation on the Treasurer's report, Resale/Leasing report and the last Third Finance Committee report. The Committee met on August 4, 2020; next meeting September 1, 2020, at 1:30 p.m. as a virtual meeting.
- (1) Treasurer's Report
 - (2) Third Finance Committee Report
 - (3) Resales/Leasing Reports
- 13b.** Report of the Architectural Controls and Standards Committee – Director Parsons commented about the Alternate Heat Source Project. The Committee met on July 27, 2020; next meeting September 28, 2020, at 9:30 a.m. as a virtual meeting.
- 13c.** Report of the Communications Committee – Director McCary reported the Committee met on October 9, 2019; next meeting TBA.
- 13d.** Report of the Maintenance and Construction Committee – Directors Mutchnick reported on the last Committee Meeting. Many of the employees have been brought back and programs are now continuing. The Committee met on July 6, 2020; next meeting September 9, 2020, at 1:30 p.m. as a virtual meeting.
- (1) Report of the Parking and Golf Cart Task Force – President Parsons. The Task Force met on January 6, 2020; next meeting TBA.
 - (2) Garden Villa Rec. Room Sub-Committee – Director Jarrett reported the Sub-Committee met on February 10, 2020; next meeting October 5, 1:30 p.m. as a virtual meeting.
- 13e.** Report of the Landscape Committee – Director Jarrett reported on the last Landscape Committee meeting. The Committee met on August 6, 2020; next meeting September 3, 2020, at 9:30 a.m. as a virtual meeting.
- 13f.** Report of the Water Subcommittee – Director Karimi. The subcommittee met on October 9, 2019; next meeting TBA.

13g. Report of the Resident Policy and Compliance Committee – Director Jarrett reported on the last Committee meeting. Director Jarrett commented about the non-smoking building resolution, BBQ rules, and rules for board meeting. The committee met on July 29, 2020; next meeting September 22, 2020, at 9:30 a.m. as a virtual meeting.

13h. Report of the Energy Research Group – Director Mutchnick. The next meeting TBA.

14. GRF Committee Highlights

14a. Community Activities Committee – Director McCary reported on the Committee meeting. The Committee is researching outdoor fitness equipment and activities. The Committee met on August 13, 2020; next meeting September 10, 2020, at 1:30 p.m. as a virtual meeting.

(1) Equestrian Center Ad Hoc Committee – Director Bhada. The Committee met on July 15, 2020; the next meeting August 25, 2020 at 9:30 a.m.

14b. GRF Finance Committee – Director Mutchnick. The Committee met on June 29, 2020; next meeting August 19, 2020, 1:30 p.m. as a virtual meeting.

14c. GRF Landscape Committee – Director Jarrett. The Committee is looking into making the Aliso Creek a natural habitat. The Committee met on August 12, 2020; next meeting TBA.

14d. GRF Maintenance & Construction Committee – Director Bhada reported on the last Committee meeting. The Committee is looking into the lighting for the employee parking lot and PAC improvements were discussed. The Committee met on August 12 2020; next meeting October 14, 2020, at 9:30 a.m. as a virtual meeting.

(1) PAC Renovation Ad Hoc Committee – Director Mutchnick reported from the last Committee meeting. The Committee met on July 13, 2020.

(2) Clubhouse 1 Renovation Ad Hoc Committee – Director Mutchnick reporting from the last Committee meeting. The Committee met on June 1, 2020; next meeting August 28, 2020 at 9:00 a.m. as a virtual meeting

14e. Media and Communications Committee – Director McCary reported on the Committee meeting. The new Committee Chair is Sue Stephens. The Committee discussed the Village Breeze and phone books. Residents will have the opportunity to drop off their ballots at City Hall for the national election in November. The committee met on August 17, 2020; next meeting September 21, 2020, at 1:30 p.m. as a virtual meeting.

14f. Mobility and Vehicles Committee – Director Frankel reported on the Committee meeting. The Committee is discussing electric vehicles. The Committee met on August 5, 2020; next meeting October 7, 2020, at 1:30 p.m. as a virtual meeting.

14g. Security and Community Access Committee – Director Mutchnick. The Committee met on February 24, 2020; next meeting August 24, 2020, at 1:30 p.m. as a virtual meeting.

(1) Disaster Preparedness Task Force – Director Engdahl deferred his time to Director McCary. The Task Force is working on the Great Shake Out in October, how to handle pets and individuals on life support during a disaster. The Task Force met on July 28, 2020; next meeting September 29, 2020, 9:30 a.m. as a virtual meeting.

14h. Report of the Laguna Woods Village Traffic Hearings – Director Frankel. The hearings were held on July 15, 2020; next hearings will be August 19, 2020 at 9:00 a.m. as virtual meetings.

15. Future Agenda Items – *All matters listed under Future Agenda Items are items for a future Board Meetings. The Board will take action on these items at a future Board Meeting.*

15a. Parking Report

15b. Resident Suggestion Program

15c. Alterations Review

16. Director's Comments

- President Parsons encouraged residents to watch the televised Budget Meeting on Thursday. The vacancy to replace Jon Pearlstone will take place during the annual election.
- Director Bhada thanked staff for the updates on COVID-19;
- Director McCary commented that Census workers will come door-to-door to collect data from resident that did not turn in their information online or by mail.
- Director Mutchnick thanked Betty Parker and Chris Swanson in helping him with financial information.
- Director Jarrett thanked Ellyce Rothrock and Grant Schultz for helping with the slide presentation.
- Director Gibson and Wayne thanked Lynn Jarrett for her Landscape presentation.
- Director Engdahl commented that the trees are looking good in the Community.

17. Recess

The Board recessed at 11:12 a.m. and reconvened in Closed Session at 11:30 a.m.

Summary of Previous Closed Session Meetings per Civil Code Section §4935

During the July 21, 2020 Regular Closed Session, the Board:

Approved the Agenda

Approved the Meeting Minutes of:

- (a) June 12, 2020 – Special Closed Meeting*
- (b) June 16, 2020 – Regular Closed Session*
- (c) June 26, 2020 – Special Closed Meeting*
- (d) July 6, 2020 – Special Closed Meeting*

Discussed and Considered Legal and Litigation Matters

Discussed Contractual Matters

Discussed Personnel Matters

Discussed Matters Related to COVID-19

Discussed the Disciplinary Case Report

Discussed Member Payment Plans

18. Adjourn

With no further business to come before the Board of Directors, the meeting was adjourned at 2:00 p.m.

A handwritten signature in black ink, appearing to read "Lynn Jarrett", is written over a horizontal line.

Lynn Jarrett, Secretary of the Board
Third Laguna Hills Mutual

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RESOLUTION 03-20-XX

Recording of a Lien

WHEREAS, Member ID 932-120-17; is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, September 15, 2020, that the Board of Directors hereby approves the recording of a Lien for Member ID 932-120-17 and;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

RESOLUTION 03-20-XX

Recording of a Lien

WHEREAS, Member ID 931-361-06; is currently delinquent to Third Laguna Hills Mutual with regard to the monthly assessment; and

WHEREAS, a Notice of Delinquent Assessment (Lien) will be filed upon adoption of this resolution following at least a majority vote of the Board (with no delegation of such action by the Board), acting in an open meeting, and for which the Board's vote is recorded in the minutes;

NOW THEREFORE BE IT RESOLVED, September 15, 2020, that the Board of Directors hereby approves the recording of a Lien for Member ID 931-361-06 and;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

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RESOLUTION 03-20-XX

Approve the Request for Removal of One Indian Laurel Fig Tree 5292 Avenida Del Sol

WHEREAS, September 20, 2011, that the Board of Directors adopted Resolution 03-11-149 tree removal guidelines:

- Unless there is a purposeful reason, trees should not be removed merely because they are messy, or because of residents' personal preferences concerning shape, color, size, or fragrance.
- Trees should not be removed because of view obstruction if the obstruction is at a considerable distance from the complaining manor and therefore causes only a partial obstruction.
- Trees on slopes should not be removed if the removal will contribute to the destabilization of that slope.
- Trees which are damaging or will damage a structure, pose a hazard, in failing health or interfering with neighboring trees, will be considered for removal.

WHEREAS, on September 3 2020, the Landscape Committee reviewed the request for the removal of one Indian Laurel Fig tree. The request was received from the Member at 5292 who cited the reasons as structural damage, litter/debris, and the tree acts as a bridge to the roof for various animals to nest and;

WHEREAS, the Committee determined that this tree does meet the guidelines set forth in Resolution 03-11-149 and recommends approving the request for the removal of one Indian Laurel Fig tree located at 5292 Avenida Del Sol.

NOW THEREFORE BE IT RESOLVED, September 15, 2020, the Board of Directors approves the request for the removal of one Indian Laurel Fig tree located at 5292;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

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STAFF REPORT

DATE: August 18, 2020
FOR: Third Mutual Board of Directors
SUBJECT: Guidelines for Financial Qualifications
Annual Income Requirement for Guarantors

RECOMMENDATION

Endorse the Resident Policy and Compliance Committee's recommendation to increase the annual income requirement for guarantors.

BACKGROUND

The Resident Policy and Compliance Committee met on July 29, 2020 to discuss, among other items, the Guidelines for Financial Qualifications policy adopted by Third Laguna Hills Mutual ("Third"). Discussion noted the belief that the income requirement for guarantors is artificially low. Guarantors, particularly in the instance of multiple unit owners, are often being qualified in Third at lower income and asset requirements than those established for the buyers themselves.

At present, a Guarantor must verify net worth equal to the sum of the purchase price of the unit plus two hundred thousand dollars (\$200,000) in acceptable assets. Additionally, the guarantor must verify an annual income equal to the sum of the unit's annual mortgage payment plus eighty-thousand dollars (\$80,000). This requirement of guarantors applies even if the purchaser is a multiple unit owner who must themselves satisfy a higher stepped up income and asset requirement.

DISCUSSION

The purpose of guarantors is to bolster an applicant who otherwise fails to meet income and asset thresholds necessary to qualify one for membership. The committee discussed an apparent discrepancy in the administration of financial qualifications applicable to applicants and guarantors. For example, an individual who owns one unit and desires to purchase a second unit (cash, no financing) must verify assets in excess of the purchase price of Unit 1 plus the purchase price of Unit 2 plus an additional \$125,000 for each unit.

Assuming the purchase price of Unit 1 is a modest \$300,000 and the purchase price of Unit 2 is \$350,000, the applicant must verify assets of \$900,000 or more. However, the guarantor in this example must only verify the purchase price of the second unit (\$350,000) plus \$200,000 or \$550,000 total. The discrepancy is even greater when an applicant is seeking to purchase a third unit. Since the guarantor pledges to assume any obligation to Third in the event a member who they guarantee should default on their obligations, it is contrary to the Third's interest to accept a guarantor who has accumulated a lesser net worth than the person being guaranteed.

Similarly, the guarantor's current minimum income requirement of \$80,000 does not provide sufficient cushion in the event a member defaults on his obligation to Third. The high cost of living in California necessitates a higher income stream if one is responsible for multiple households.

Following discussion of several recent transaction examples, the Committee recommended increasing the minimum annual income requirement for guarantors from \$80,000 to \$150,000 and forwarding the matter to the Finance Committee.

FINANCIAL ANALYSIS

None.

Prepared By: Pamela Bashline, Community Services Manager

Reviewed By: Blessilda Wright, Compliance Supervisor

ATTACHMENT(S)

Attachment 1 – Guidelines for Financial Qualifications

Attachment 2 – Resolution Amendment of Guidelines for Financial Qualifications

ENDORSEMENT (to Board)

Discuss & Consider Guidelines for Financial Qualifications

Article 4 of the Bylaws, Section 4.2.2, Financial Qualification Assistance, provides that “In the event the person or persons seeking to become a Mutual Member are unable to satisfy the aforesaid financial requirements, the corporation may approve the person for Membership if another financially qualified person enters into an agreement with this corporation to become financially responsible for the expenses associated with such Membership and that other person meets the financial requirements established by the corporation from time to time.”

Similarly, Article II of the Covenants, Conditions and Restrictions (CC&Rs), Section 5(b) affirms “In the event the person or persons seeking to reside in the Condominium as Residents (other than lessees) are unable to satisfy the required average monthly income level, the Board may approve the application for residency if a financially responsible person who is other than one of the persons seeking to reside in the Condominium (including, but not limited to, a non-resident Owner of the Condominium) either enters into a contract with the Mutual in acceptable form and content to the Board by which such financially responsible person or persons seeking to reside in the Condominium, or presents an alternative arrangement satisfactory to the Board to assure payment of the average monthly housing expense. The Board is authorized by resolution adopted by a majority of the members of the Board to increase, decrease or otherwise modify the fixed dollar amounts set forth in this subsection 5(b) from time to time.”

The terms and conditions applicable to Guarantors were most recently codified and adopted by Resolution 03-18-131 on August 21, 2018.

By consensus, the Committee approved increasing the annual income to \$150,000 and forward to the Finance Committee for review and consideration.

ENDORSEMENT (to board)

Guidelines for Financial Qualification Annual Income Requirement for Guarantors

At the Finance committee meeting on August 6, 2020, the committee reviewed a staff report and endorsement from the Resident Policy and Compliance committee to increase the annual income requirement for guarantors.

A motion was made and carried unanimously to recommend the board follow staff's recommendation to increase the annual income requirement for guarantors to \$150,000.



RESOLUTION 03-18-131
Guidelines For Financial Qualifications

WHEREAS, Third Laguna Hills Mutual (“Mutual”), acting through its Board of Directors (“Board”), previously adopted operating rules concerning financial qualifications pursuant to the following Board resolutions:

1. Administrative Guidelines for Financial Qualification (Res. No. 03-05-17);
2. Financial Guarantor (Res. No. M3-91-38); and
3. Financial Qualifications Policy (Res. No. 03-16-95).

WHEREAS, the forgoing operating rules are collectively referred to herein as the “Financial Resolutions”.

WHEREAS, it is in the Mutual’s best interests to protect and preserve its financial integrity, ensure consistency among the provisions of its governing documents (including without limitation, the Financial Resolutions), and promote the uniform application of the provisions of said governing documents.

NOW, THEREFORE BE IT RESOLVED, on August 21, 2018, that the Board hereby adopts, and the Financial Resolutions are hereby superseded by, the Guidelines for Financial Qualifications set forth below.

GUIDELINES FOR FINANCIAL QUALIFICATIONS

The governing documents of Third Laguna Hills Mutual (“Mutual”) require each person seeking to acquire an ownership interest in a unit (“Applicant”) to obtain the prior written approval of the Mutual’s Board of Directors (“Board”) before doing so. As a condition to obtaining such approval, each Applicant must provide to the Board documentation that conclusively establishes that Applicant satisfies certain financial requirements as set forth in the Mutual’s governing documents (“Application”). For the purposes of determining whether an Application will be approved or denied, the Board has adopted these Guidelines for Financial Qualifications (“Guidelines”), which shall remain in effect until such time as these Guidelines may be changed, modified, or amended by a duly adopted Board resolution.

I. General Application Requirements.

- a. As a condition of approval, each Applicant must submit to the Mutual an Application with **all** of the following documentation provided in a form satisfactory to the Board:
 1. A federal income tax return for the most recent year that is signed, dated, and includes Schedules A, B and E, as applicable, as well as any other financial verification documents requested by the Board. By way of example, but without limitation, other verification documents may be required if any Applicant derives income from a business owned by the Applicant (personally or through a legal entity), in which case the applicable business tax schedule and profit and loss statement may also be required.



2. Net worth verification pursuant to Section II of these Guidelines.
 3. Income verification pursuant to Section III of these Guidelines.
 4. A completed Financial Statement and Credit Information form.
 5. Verification of the Applicant's identity, which must be a natural person, or a designated individual acting on behalf of a corporation, LLC or Trust.
 6. If the Applicant desires to have a Guarantor to enable the Applicant to Qualify to purchase a unit (as defined below), all documents required pursuant to Section IV of these Guidelines shall also apply to the Guarantor.
 7. If the Applicant desires to purchase more than one (1) unit or already owns at least one (1) unit at the Mutual, all documents required pursuant to Section IV of these Guidelines shall be required for each unit application.
- b. The Board may deny any Application that does not include **all** of the documentation required herein, in a form consistent with these Guidelines and satisfactory to the Board, except as otherwise required by law.
 - c. Any Application (including, without limitation, any document submitted in connection with said Application) that contains false or misleading information will be denied. If an Application was approved and it is later determined that such Application contained false or misleading information and if escrow had not closed by the time such discovery was made the Board may immediately withdraw its approval without the Mutual suffering any liability whatsoever. If escrow, as referenced immediately above, has already closed when the discovery of the false and misleading documentation is discovered, the Applicant will be deemed an owner, not in good standing and will, after a noticed hearing before the Board, be denied the owner's amenity rights, held by an owner in the Mutual, unless such rights are suspended by the Board of Directors.
 - d. Notwithstanding anything to the contrary contained herein, if more than one (1) Applicant will acquire an ownership interest or reside in any single unit, such Applicants' income and net worth may, in the Board's sole reasonable discretion, be calculated collectively.

II. Net Worth Requirements.

- a. As a condition of approval, each Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price of the unit *plus* one hundred twenty-five thousand dollars (\$125,000) in acceptable assets.
- b. When computing net worth for the purposes of this Section, acceptable assets shall be limited to those assets that are considered, in the Board's sole discretion, to be liquid,



marketable or income producing. Examples of acceptable assets include, without limitation, the following:

1. Equity in residential and income real estate.
 2. Savings accounts in banks and credit unions.
 3. Cash value life insurance.
 4. Certificates of deposit and money market accounts.
 5. IRA, SEP, 401(k), Profit Sharing and Keogh accounts.
 6. Federal, state, or municipal government bonds.
 7. U.S. traded investments (e.g., NYSE, Amex, OTC, Nasdaq, etc.) valued at current market prices.
 8. Mortgages and promissory notes; provided that the interest in such mortgages or promissory notes is reported on the Applicant's tax return.
- c. When computing net worth for the purposes of this Section, acceptable assets will **not** include, without limitation, the following:
1. Equity in mobile homes, recreational vehicles, boats, trailers, airplanes, automobiles, or other vehicles of any kind.
 2. Vacant or undeveloped real estate.
 3. Artwork, jewelry, or other collectibles (e.g., coins, dolls, stamps, etc.).
 4. Term life insurance.
 5. Annuity funds that cannot be withdrawn in lump sum.
 6. Anticipated bequests, devises or inheritances.
 7. Mortgages and promissory notes where the interest in such mortgages or promissory notes is **not** reported on the Applicant's tax return.

III. **Income Requirements.**

- a. As a condition of approval, each Applicant shall submit satisfactory verification of annual income that is greater than or equal to the *sum* of the total of the unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year.



- b. Traditional retirement account assets (e.g., 401K, ERISA, IRA, Profit Sharing, etc.) will be considered as a source of annual income in accordance with this subsection. For the purposes of the income verification requirement pursuant to subsection (a) above, the portion of an Applicant's traditional retirement account assets attributable to said Applicant's annual income shall be deemed to be the greater of the following:
 - 1. The mandatory annual distributions for the Applicant's retirement accounts; **or**
 - 2. The total amount of the Applicant's retirement accounts *multiplied* by eighty percent (80%), and then *dividing* this product by twenty-five (25) years, as follows:

$$\text{Attributable Income} = (\text{Total Retirement Account Assets} \times 80\%) \div 25$$
- c. Examples of acceptable income verifications include, without limitation, the following:
 - 1. Federal tax returns from the most recent year.
 - 2. W-2 forms or paycheck stubs.
 - 3. Bank, credit union, or investment account statements.
 - 4. Letters from bankers with verifiable first-hand knowledge of the Applicant's finances.
 - 5. Notices of annuities and social security payments.
 - 6. Credit reports.
- d. Examples of **unacceptable** income verifications include, without limitation, the following:
 - 1. Letters from employers, accountants, enrolled agents, investment counselors, or attorneys.
 - 2. Any income not reported on federal income tax returns.

IV. **Guarantors.**

- a. In the event any Applicant is unable to satisfy the financial requirements set forth in the Mutual's governing documents (including, without limitation, these Guidelines), the Board may permit said Applicant to have a financial guarantor in accordance with this Section IV ("Guarantor").
- b. Each Applicant supported by a Guarantor shall submit proof that their primary residence is located in California, USA and satisfactory verification of a net worth of at least one hundred twenty-five thousand dollars (\$125,000) in acceptable assets, notwithstanding



the requirements of Section II and Section III of these Guidelines.

- c. Each Guarantor shall enter into an agreement with the Mutual to become financially responsible, jointly and severally, for all expenses associated with the Applicant's ownership, residency and/or membership at the Mutual ("Assessment/Charges Guarantor Obligation Form"). A Assessment/Charges Guarantor Obligation Form is attached hereto as Exhibit "A" and incorporated in its entirety herein by this reference as if fully set forth in these Guidelines.
- d. Each Guarantor shall submit **all** of the following documentation in a form satisfactory to the Board:
 - 1. A fully executed and completed Assessment/Charges Guarantor Obligation Form.
 - 2. Proof that the Guarantor's primary residence is located in California, USA.
 - 3. Verification of net worth equal to the *sum* of the purchase price of the unit *plus* two hundred thousand dollars (\$200,000) in acceptable assets.
 - 4. Verification that the Guarantor's annual income is greater than or equal to the *sum* of the total of the unit's annual mortgage payment *plus* ~~eighty (\$80,000)~~ **one hundred fifty** -thousand dollars (\$**150,000**) per year.
 - 5. A credit report.
- e. The Board may withhold its approval of any Guarantor for, without limitation, any the following reasons:
 - 1. A Guarantor or Applicant fails to provide **all** of the documentation as required by subsection (d), above, in a form consistent with these Guidelines and satisfactory to the Board.
 - 2. A Guarantor is subject to a bankruptcy proceeding that is pending or has not been discharged.
 - 3. Any foreclosure or short sale of any property owned by the Guarantor.
 - 4. Any outstanding balances, collection accounts, or judgments owed by the Guarantor.
 - 5. A Guarantor's credit score is lower than 680.
 - 6. A Guarantor resides in a primary residence outside of the State of California.
 - 7. A Guarantor's bank is located outside of the State of California.



8. A Guarantor already guarantees (1) one or more units within Laguna Woods Village.
 9. A Guarantor provides any false or misleading information to the Board.
 10. Any other reasonable grounds that call into question a Guarantor's financial ability or fitness to serve in this capacity on an Applicant's behalf.
- f. Each Guarantor's assurances shall only apply to the Applicant(s) and unit expressly identified on the Assessment/Charges Guarantor Obligation Form. No Guarantor's assurances may be transferred to any other Applicant or unit.

V. **Multiple Units.** As a condition of approval, any Applicant who desires to purchase more than one (1) unit or already owns at least one (1) unit at Third Laguna Hills Mutual, Laguna Woods Mutual No. Fifty or United Laguna Woods Mutual shall submit satisfactory verification of annual income and net worth requirements pursuant to this Section V.

- a. **Net Worth Requirements.** The Applicant shall submit satisfactory verification of net worth that is greater than or equal to the *sum* of the purchase price for each unit *plus* one hundred twenty-five thousand dollars (\$125,000) in acceptable assets per unit, as follows:

Unit 1: purchase price for Unit 1 + \$125,000

Unit 2: purchase price for Unit 1 + \$125,000 +
purchase price for Unit 2 + \$125,000

Unit 3: purchase price for Unit 1 + \$125,000 +
purchase price for Unit 2 + \$125,000 +
purchase price for Unit 3 + \$125,000

- b. **Income Requirements.** The Applicant shall submit satisfactory verification of annual income as follows:

1. Annual Income that is greater than or equal to the *sum* of the following: the total of the first unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year *plus* the total of the second unit's annual mortgage payment *plus* forty-five thousand dollars (\$45,000) per year *plus* an additional twenty-two thousand five hundred dollars (\$22,500).
2. For each additional unit, the annual income requirement shall be calculated consistent with subsection (b)(1), above – that is, the additional unit's annual mortgage payment *plus* an additional twenty-two thousand five hundred dollars (\$22,500) over the previous annual income requirement, as follows:



Unit 1: annual mortgage payment + \$45,000

Unit 2: annual mortgage payment on Unit 1 + \$45,000 +
annual mortgage payment on Unit 2 + \$45,000 + \$22,500

Unit 3: annual mortgage payment on Unit 1 + \$45,000 +
annual mortgage payment on Unit 2 + \$45,000 + \$22,500 +
annual mortgage payment on Unit 2 + \$45,000 + \$22,500 + \$22,500

July Initial Notification

30-Day notification to comply with Civil Code §4360 has been satisfied.



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EXHIBIT "A"

THIRD LAGUNA HILLS MUTUAL
A California Non-Profit Mutual Benefit Corporation
(the "Mutual")

ASSESSMENT/CHARGES GUARANTOR OBLIGATION FORM

A. The Parties

Owner(s): _____ (collectively, the "Owner")
Property Address: _____ (the "Property")
Guarantor: _____ ("Guarantor")

B. Guarantee Payment. Guarantor hereby guarantees unconditionally to the Mutual and the Mutual's agents as follows:

1. Guarantor guarantees unconditionally to be jointly and severally responsible for/liable for all Charges related and charged to the Owner's assessment account.
2. Guarantor guarantees unconditionally to promptly pay for all HOA assessments, regular or special, compliance assessments, reimbursable assessments, chargeable services etc., late charges, interest, costs, trustee fees, attorney fees, or any other amount charged by the Mutual to the HOA assessment account for the Property, including fines, after a noticed hearing before the Board, reimbursement assessments, special assessments, chargeable services etc. (collectively, the "Charges".)

C. Waiver of Right to Demand Enforcement. Because the Guarantor is jointly and severally liable for the Charges, Guarantor guarantees unconditionally to waive any right to require the Mutual or the Mutual's agents to proceed against the Owner for any default occurring under the Governing Documents before seeking to enforce this Assessment/Charges Guarantor Obligation Form.

D. Broad Interpretation. This Assessment/Charges Guarantor Obligation Form shall be construed as a general, absolute, and unconditional Guaranty of payment and shall continue in perpetuity and said guarantees shall apply to all amounts charged by the Mutual to the Owner's account during the time which the Owner is a title/record owner of the Property. If any of the provisions of this Assessment/Charges Guarantor Obligation Form shall be determined to be invalid or unenforceable under applicable law, such provision shall, insofar as possible, be construed or applied in such manner as will permit enforcement.

E. Enforcement.

1. The Mutual may enforce this Assessment/Charges Guarantor Obligation Form without being obligated to resort first to any security or any other remedy against the Owner, and



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Guarantor hereby waives any notice of default and/or any right to cure same and there shall be no presentment or dishonor hereunder.

2. This Assessment/Charges Guarantor Obligation Form is general and shall inure to, and may be relied upon and enforced by, any successor or assign of the Mutual.
 3. This Assessment/Charges Guarantor Obligation Form shall be governed by the laws of the State of California and the parties specifically agree that any legal action brought under this Assessment/Charges Guarantor Obligation Form or any underlying lease shall be brought only in Orange County, California, which Court is agreed to have jurisdiction over the parties.
 4. The Parties waive the right to a jury trial in any such legal action.
 5. If the Guarantor breaches this Assessment/Charges Guarantor Obligation Form, the Mutual shall be entitled to a full award of attorney fees, costs and expenses relative to any enforcement efforts taken, including any litigation pursued to enforce this Assessment/Charges Guarantor Obligation Form. Guarantor agrees to pay the Mutual's actual attorney fees, costs, and expenses in the enforcement of the Governing Documents and this Assessment/Charges Guarantor Obligation Form, whether before the lawsuit/proceeding is filed, after the lawsuit/proceeding is filed, or in any and all trial and appellate tribunals, whether suit be brought or not, if, after default, counsel shall be employed by the Mutual.
 6. All amounts due to the Mutual hereunder shall bear interest at the highest rate allowed by law from the date of default.
- F. Modification.** Alteration, Modification or Revocation of this Assessment/Charges Guarantor Obligation Form is not permitted unless otherwise agreed to and signed by the Parties in writing.
- G. No Strict Performance Required.** Failure of the Mutual to insist upon strict performance or observance of any of the terms of the Governing Documents or to exercise any right held by the Mutual will not diminish the enforceability of this Assessment/Charges Guarantor Obligation Form. Guarantor agrees that the foregoing obligations shall in no way be terminated, affected, or impaired by reason of any action which the Mutual may take, or fail to take against the Owner, or by reason of any waiver of, or failure to enforce, any of the rights or remedies to the Mutual in the Governing Documents and all amendments thereto.
- H. Binding on Successors.** The obligations of Guarantor shall be binding upon Guarantor and his/her/their successors and assigns.
- I. Effective Immediately Upon Signature.** Guarantor fully understands this Assessment/Charges Guarantor Obligation Form is neither a reference, credit check, nor application, that the Mutual has relied on Guarantor's representations and warranties contained herein and it is fully effective upon Guarantor's signature.



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IN WITNESS WHEREOF, this Assessment/Charges Guarantor Obligation Form is executed this ____ day of _____, 20____.

By: _____

Dated: _____

Print Name: _____

Address: _____

Phone Number: _____

E-Mail: _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, before me, _____, a Notary Public in and for the State of California, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the forgoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

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RESOLUTION 03-20-XX
AMENDMENT OF GUIDELINES FOR
FINANCIAL QUALIFICATIONS

WHEREAS, Third Laguna Hills Mutual ("Third") is formed to manage, operate and maintain housing within Laguna Woods Village;

WHEREAS, Third is authorized to adopt rules and regulations to carry out the purposes of this Corporation through its Board of Directors;

WHEREAS, financial qualifications have been established by the Board of Directors to ensure, to the extent possible, the financial integrity of the Corporation;

WHEREAS, a review of the Guidelines for Financial Qualifications revealed an apparent discrepancy in the administration of financial qualifications applicable to applicants and to guarantors;

WHEREAS, the minimum annual income requirement for guarantors is currently established at the sum of \$80,000 plus the annual mortgage payment;

NOW THEREFORE BE IT RESOLVED, September 15, 2020, that the United Board of Directors amends its Guidelines for Financial Qualifications to increase the annual income requirement for guarantors to be the sum of \$150,000 plus the annual mortgage payment;

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

AUGUST Initial Notification

28-day notification for Member review and comment to comply with Civil Code §4360 has been satisfied.

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STAFF REPORT

DATE: September 15, 2020
FOR: Board of Directors
SUBJECT: 2021 Business Plan – Version 3

RECOMMENDATION

Staff recommends the board approve the 2021 Business Plan Resolution (Attachment 1) and the 2021 Reserve Funding Plan Resolution (Attachment 2) at the board meeting on September 15, 2020.

BACKGROUND

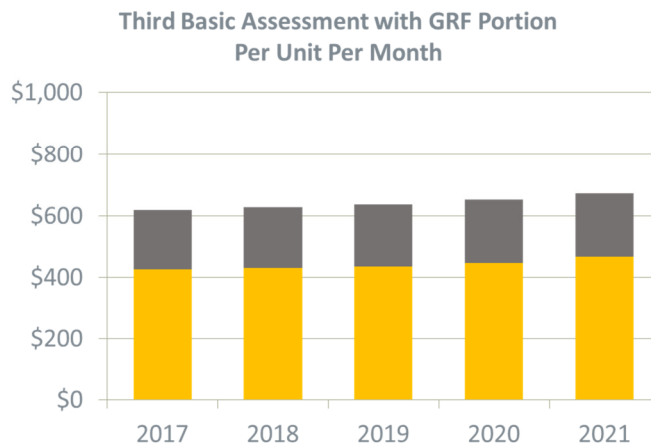
The proposed business plan for Third was reviewed several times during July and August. Comments and directives have been incorporated into this version of the budget presented for adoption.

DISCUSSION

BUSINESS PLAN SUMMARY

The proposed budget for the 2021 plan year (Attachment 3) shows that the sum of \$34,599,958 is required by the Corporation to meet the Third Laguna Hills Mutual operating expenses and reserve contributions for the year 2021. In addition, the sum of \$15,054,539 is required by the Corporation to meet the Golden Rain Foundation and Golden Rain Foundation Trust operating expenses and reserve contributions for the year 2021. Therefore, a total of \$49,654,497 is required to be collected from and paid by members of the Corporation as monthly assessments. The budget equates to a Total Basic Assessment of \$672.22 per manor per month, reflecting a net increase of \$20.00 or 3.1% when compared to current year.

Year	Assessment
2017	\$619.86
2018	\$628.42
2019	\$637.22
2020	\$652.22
2021	\$672.22



FINANCIAL ANALYSIS

The financial impact of this proposed business plan would be a total Third Basic Assessment of \$672.22 per manor per month, reflecting a net increase of \$20.00 or 3.1% when compared to current year.

Prepared By: Jose Campos, Financial Services Manager
Betty Parker, Chief Financial Officer

Reviewed By: Jeff Parker, Chief Executive Officer

ATTACHMENT(S)

ATT1 – 2021 Business Plan Resolution
ATT2 – 2021 Reserve Funding Plan Resolution
ATT3 – 2021 Third Business Plan by Department
ATT4 – 2021 Third Business Plan by Account
ATT5 – 2021 Third Budget Comparison Report
ATT6 – Program Report – Operating Fund
ATT7 – Programs Report – Reserve and Contingency Fund
ATT8 – Contracted Reserve Study Dated August 23, 2020 - Excerpts



RESOLUTION 03-20-XX

2021 BUSINESS PLAN RESOLUTION

RESOLVED, September 15, 2020, that the Business Plan of this Corporation for the year 2021 is hereby adopted and approved; and

RESOLVED FURTHER, that pursuant to said business plan, the Board of Directors of this Corporation hereby estimates that the net sum of \$34,599,958 is required by the Corporation to meet the Third Laguna Hills Mutual operating expenses and reserve contributions for the year 2021. In addition, the sum of \$15,054,539 is required by the Corporation to meet the Golden Rain Foundation and the Golden Rain Foundation Trust operating expenses and reserve contributions for the year 2021. Therefore, a total of \$49,654,497 is required to be collected from and paid by members of the Corporation as monthly assessments; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby approves expenditures from reserves in the sum of \$15,800,455 of which \$12,056,321 is planned from the Replacement Fund, \$255,000 from the Elevator Replacement Fund, \$151,843 from the Laundry Replacement Fund, \$3,265,460 from the Disaster Fund, and \$71,831 from the Garden Villa Recreation Room Fund; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby determines and establishes monthly assessments of the Corporation as shown on each member's breakdown of monthly assessments for the year 2021 and as filed in the records of the Corporation, said assessments to be due and payable by the members of this Corporation on the first day of each month for the year 2021; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

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RESOLUTION 03-20-XX

2021 RESERVE FUNDING PLAN

WHEREAS, Civil Code § 5570 requires specific reserve funding disclosure statements for common interest developments;

WHEREAS, planned assessments or other contributions to replacement reserves must be projected to ensure balances will be sufficient at the end of each year to meet the Corporation's obligations for repair and/or replacement of major components during the next 30 years; and

NOW THEREFORE BE IT RESOLVED, September 15, 2020, that the Board hereby adopts the 30-Year Alternate Reserve Funding Plan (attached) prepared by Association ReservesTM for fiscal year 2021; and

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

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30-Year Reserve Plan Summary (Alternate Funding Plan)

31071-1
NSV

Fiscal Year Start: 2021

Interest:

2.00 %

Inflation:

3.00 %

Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)

Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Special Assmt Risk	Reserve Contrbns.	Loan or Special Assmts	Interest Income	Reserve Expenses
2021	\$16,266,773	\$30,248,308	53.8 %		Medium	\$11,130,048	\$0	\$298,341	\$14,101,950
2022	\$13,593,212	\$32,231,703	42.2 %		Medium	\$12,176,273	\$0	\$238,306	\$15,749,730
2023	\$10,258,061	\$30,381,952	33.8 %		Medium	\$13,320,842	\$0	\$205,196	\$13,504,780
2024	\$10,279,320	\$31,181,030	33.0 %		Medium	\$13,587,259	\$0	\$205,029	\$13,830,263
2025	\$10,241,344	\$31,713,714	32.3 %		Medium	\$13,859,004	\$0	\$211,465	\$13,388,377
2026	\$10,923,436	\$32,767,581	33.3 %		Medium	\$14,136,184	\$0	\$224,222	\$13,765,684
2027	\$11,518,158	\$33,934,528	33.9 %		Medium	\$14,418,908	\$0	\$231,014	\$14,564,811
2028	\$11,603,268	\$34,014,866	34.1 %		Medium	\$14,707,286	\$0	\$240,146	\$14,118,583
2029	\$12,432,117	\$34,785,427	35.7 %		Medium	\$15,001,432	\$0	\$259,433	\$14,159,323
2030	\$13,533,660	\$36,539,064	37.0 %		Medium	\$15,301,460	\$0	\$274,019	\$15,217,178
2031	\$13,891,961	\$37,392,475	37.2 %		Medium	\$15,607,490	\$0	\$276,979	\$15,946,509
2032	\$13,829,920	\$37,922,369	36.5 %		Medium	\$15,919,639	\$0	\$288,808	\$14,962,461
2033	\$15,075,907	\$39,956,719	37.7 %		Medium	\$16,238,032	\$0	\$317,080	\$14,971,416
2034	\$16,659,604	\$42,675,299	39.0 %		Medium	\$16,562,793	\$0	\$343,831	\$15,812,951
2035	\$17,753,277	\$45,116,868	39.3 %		Medium	\$16,894,049	\$0	\$365,316	\$16,202,710
2036	\$18,809,931	\$47,367,628	39.7 %		Medium	\$17,231,930	\$0	\$384,289	\$16,773,856
2037	\$19,652,294	\$49,625,211	39.6 %		Medium	\$17,576,568	\$0	\$395,725	\$17,670,064
2038	\$19,954,523	\$51,214,647	39.0 %		Medium	\$17,928,100	\$0	\$406,396	\$17,568,779
2039	\$20,720,240	\$53,254,008	38.9 %		Medium	\$18,286,662	\$0	\$411,062	\$18,996,429
2040	\$20,421,534	\$54,117,633	37.7 %		Medium	\$18,652,395	\$0	\$403,115	\$19,552,119
2041	\$19,924,926	\$54,819,166	36.3 %		Medium	\$19,025,443	\$0	\$383,247	\$20,900,680
2042	\$18,432,934	\$54,729,226	33.7 %		Medium	\$19,405,952	\$0	\$375,079	\$19,106,527
2043	\$19,107,437	\$57,078,362	33.5 %		Medium	\$19,794,071	\$0	\$391,055	\$19,260,576
2044	\$20,031,988	\$59,950,911	33.4 %		Medium	\$20,189,952	\$0	\$388,899	\$21,719,221
2045	\$18,891,618	\$61,007,190	31.0 %		Medium	\$20,593,751	\$0	\$359,708	\$22,734,769
2046	\$17,110,308	\$61,697,999	27.7 %		High	\$21,005,626	\$0	\$313,299	\$24,182,507
2047	\$14,246,726	\$61,586,685	23.1 %		High	\$21,425,739	\$0	\$263,026	\$23,856,860
2048	\$12,078,630	\$62,313,674	19.4 %		High	\$21,854,253	\$0	\$221,741	\$24,039,900
2049	\$10,114,725	\$63,177,112	16.0 %		High	\$22,291,339	\$0	\$186,447	\$24,046,349
2050	\$8,546,162	\$64,772,465	13.2 %		High	\$22,737,165	\$0	\$149,366	\$25,029,318

THIRD LAGUNA HILLS MUTUAL 2021 BUSINESS PLAN - BY DEPARTMENT

DESCRIPTION	2017 ACTUAL	2018 ACTUAL	2019 ACTUAL	2020 PLAN	2021 PLAN	ASSESSMENT Per Manor Per Month		
						2020	2021	Change
DEPARTMENT								
Office of the CEO	\$202,818	\$280,554	\$300,423	\$413,153	\$306,603	\$5.64	\$4.19	(\$1.45)
Information Services	333,508	446,920	385,215	593,013	641,787	8.10	8.76	0.66
General Services	1,265,072	1,398,168	1,423,231	1,620,230	1,659,535	22.13	22.66	0.53
Financial Services	1,770,447	1,899,460	2,260,066	2,280,799	2,608,116	31.15	35.62	4.47
Security Services	78,634	147,684	189,761	176,324	147,863	2.41	2.02	(0.39)
Landscape Services	4,647,880	4,520,658	4,850,661	5,196,408	5,391,682	70.97	73.63	2.66
Human Resource Services	0	0	453	149,985	149,985	2.05	2.05	0.00
Maintenance & Construction	4,121,282	4,214,295	3,209,809	3,578,161	3,949,241	48.87	53.93	5.06
Non Work Center	5,451,517	5,717,930	5,730,986	5,845,034	5,766,634	79.82	78.76	(1.06)
Net Operating:	\$17,871,158	\$18,625,669	\$18,350,605	\$19,853,107	\$20,621,446	\$271.14	\$281.62	\$10.48
RESERVE CONTRIBUTIONS:								
Replacement Fund	\$9,885,240	\$9,885,240	\$10,251,360	\$10,690,704	\$10,690,704	\$146.00	\$146.00	\$0.00
Elevator Replacement Fund	366,120	366,120	439,344	366,120	366,120	5.00	5.00	0.00
Laundry Replacement Fund	0	0	0	73,224	73,224	1.00	1.00	0.00
Disaster Fund	2,196,720	2,028,305	2,028,305	1,133,508	1,830,600	15.48	25.00	9.52
Unappropriated Exp. Fund	805,464	732,240	585,792	585,792	585,792	8.00	8.00	0.00
Total Reserve Contributions	\$13,253,544	\$13,011,905	\$13,304,801	\$12,849,348	\$13,546,440	\$175.48	\$185.00	\$9.52
TOTAL MUTUAL	\$31,124,702	\$31,637,574	\$31,655,406	\$32,702,455	\$34,167,886	\$446.62	\$466.62	\$20.00
GOLDEN RAIN FOUNDATION								
GRF OPERATING	\$12,420,562	\$13,075,237	\$13,460,408	\$13,297,161	\$13,663,283	\$181.60	\$186.60	\$5.00
GRF RESERVE CONTRIBUTIONS	1,757,376	1,464,480	1,391,256	1,757,376	1,391,256	24.00	19.00	(5.00)
TOTAL GRF	\$14,177,938	\$14,539,717	\$14,851,664	\$15,054,537	\$15,054,539	\$205.60	\$205.60	\$0.00
TOTAL BASIC ASSESSMENTS	\$45,302,640	\$46,177,291	\$46,507,070	\$47,756,992	\$49,222,425	\$652.22	\$672.22	\$20.00
SURCHARGES (unique to units with common laundry facilities, elevators, and/or Garden Villa Rec Rooms)								
Laundry Revenue	(\$113,421)	(\$132,633)	(\$210,085)	(\$220,000)	(\$240,000)	(\$5.31)	(\$5.79)	(\$0.48)
Laundry Operating	267,167	154,818	210,085	220,007	240,000	5.31	5.79	0.48
Elevator Operating	328,855	332,359	363,183	374,555	346,374	16.91	15.63	(1.28)
Laundry Replacement Fund	82,896	82,896	73,224	0	0	0.00	0.00	0.00
Garden Villa Rec Room Fund	59,616	59,616	81,972	85,698	85,698	5.75	5.75	0.00
	\$625,114	\$497,056	\$518,379	\$460,260	\$432,072	\$22.66	\$21.38	(\$1.28)
TOTAL BUSINESS PLAN	\$45,927,753	\$46,674,347	\$47,025,449	\$48,217,252	\$49,654,497			

THIRD LAGUNA HILLS MUTUAL 2021 BUSINESS PLAN - BY ACCOUNT

DESCRIPTION	2017	2018	2019	2020	2021	ASSESSMENT		
	ACTUAL	ACTUAL	ACTUAL	PLAN	PLAN	Per Manor Per Month		
						2020	2021	Change
REVENUES:								
Non-assessment Revenues:								
Fees and Charges to Residents	\$330,901	\$977,604	\$1,087,533	\$588,163	\$674,156	\$8.03	\$9.21	(\$1.18)
Miscellaneous	603,772	850,369	995,189	643,249	640,447	8.78	8.75	0.03
Total Revenues	\$934,673	\$1,827,973	\$2,082,722	\$1,231,412	\$1,314,603	\$16.81	\$17.96	(\$1.15)
EXPENSES:								
Employee Compensation	\$6,366,132	\$6,734,884	\$6,492,437	\$7,046,233	\$7,211,121	\$96.23	\$98.48	\$2.25
Expenses Related to Compensation	2,545,018	2,937,749	2,570,068	2,823,771	3,046,212	38.56	41.60	3.04
Material and Supplies	745,666	774,841	742,572	853,992	850,344	11.66	11.61	(0.05)
Electricity	382,461	455,577	357,458	310,331	211,441	4.24	2.89	(1.35)
Sewer	1,639,467	1,695,720	1,685,382	1,715,400	1,773,600	23.43	24.22	0.79
Water	2,706,828	2,809,708	2,610,093	2,876,390	2,971,182	39.28	40.58	1.30
Trash	458,710	514,757	531,455	546,114	564,007	7.46	7.70	0.24
Legal Fees	230,869	427,069	726,416	499,985	499,985	6.83	6.83	0.00
Professional Fees	103,610	100,652	149,906	144,760	149,616	1.98	2.04	0.06
Equipment Rental	7,661	7,624	5,128	3,478	4,652	0.05	0.06	0.01
Outside Services	1,358,253	1,388,020	1,293,726	1,080,117	1,383,401	14.75	18.89	4.14
Repairs and Maintenance	8,519	19,607	5,990	10,474	11,109	0.14	0.15	0.01
Other Operating Expense	180,259	126,687	226,843	165,294	165,022	2.26	2.25	(0.01)
Insurance	469,396	444,898	495,924	495,408	783,504	6.77	10.70	3.93
Property Insurance	703,375	822,241	1,016,612	1,021,615	1,021,615	13.95	13.95	0.00
Uncollectible Accounts	118,609	134,208	361,190	120,100	75,000	1.64	1.02	(0.62)
Allocated Expenses	780,998	1,059,401	1,162,127	1,371,057	1,214,238	18.72	16.61	(2.11)
Total Expenses	\$18,805,831	\$20,453,642	\$20,433,327	\$21,084,519	\$21,936,049	\$287.95	\$299.58	\$11.63
RESERVE CONTRIBUTIONS:								
Replacement Fund	\$9,885,240	\$9,885,240	\$10,251,360	\$10,690,704	\$10,690,704	\$146.00	\$146.00	\$0.00
Elevator Replacement Fund	366,120	366,120	439,344	366,120	366,120	5.00	5.00	0.00
Laundry Replacement Fund	0	0	0	73,224	73,224	1.00	1.00	0.00
Disaster Fund	2,196,720	2,028,305	2,028,305	1,133,508	1,830,600	15.48	25.00	9.52
Unappropriated Exp. Fund	805,464	732,240	585,792	585,792	585,792	8.00	8.00	0.00
Total Reserve Contributions	\$13,253,544	\$13,011,905	\$13,304,801	\$12,849,348	\$13,546,440	\$175.48	\$185.00	\$9.52
TOTAL MUTUAL	\$31,124,702	\$31,637,574	\$31,655,406	\$32,702,455	\$34,167,886	\$446.62	\$466.62	\$20.00
GOLDEN RAIN FOUNDATION								
GRF OPERATING	\$12,420,562	\$13,075,237	\$13,460,408	\$13,297,161	\$13,663,283	\$181.60	\$186.60	\$5.00
GRF RESERVE CONTRIBUTIONS	1,757,376	1,464,480	1,391,256	1,757,376	1,391,256	24.00	19.00	(5.00)
TOTAL GRF	\$14,177,938	\$14,539,717	\$14,851,664	\$15,054,537	\$15,054,539	\$205.60	\$205.60	\$0.00
TOTAL BASIC ASSESSMENTS	\$45,302,640	\$46,177,291	\$46,507,070	\$47,756,992	\$49,222,425	\$652.22	\$672.22	\$20.00
SURCHARGES (unique to units with common laundry facilities, elevators, and/or Garden Villa Rec Rooms)								
Laundry Revenue	(\$113,421)	(\$132,633)	(\$210,085)	(\$220,000)	(\$240,000)	(\$5.31)	(\$5.79)	(\$0.48)
Laundry Operating	267,167	154,818	210,085	220,007	240,000	5.31	5.79	0.48
Elevator Operating	328,855	332,359	363,183	374,555	346,374	16.91	15.63	(1.28)
Laundry Replacement Fund	82,896	82,896	73,224	0	0	0.00	0.00	0.00
Garden Villa Rec Room Fund	59,616	59,616	81,972	85,698	85,698	5.75	5.75	0.00
	\$625,114	\$497,056	\$518,379	\$460,260	\$432,072	\$22.66	\$21.38	(\$1.28)
TOTAL BUSINESS PLAN	\$45,927,753	\$46,674,347	\$47,025,449	\$48,217,252	\$49,654,497			

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	<u>2017 Actuals</u>	<u>2018 Actuals</u>	<u>2019 Actuals</u>	<u>2020 Budget</u>	<u>2021 Budget</u>	<u>Increase/ (Decrease)</u>	<u>VAR %</u>
Non-Assessment Revenues:							
Fees and Charges for Services to Residents							
46501000 - Permit Fee	\$70,387	\$107,788	\$160,232	\$143,514	\$159,607	(\$16,094)	(11%)
46501500 - Inspection Fee	49,756	71,304	81,310	76,520	76,520	0	0%
46502000 - Resident Maintenance Fee	210,759	798,512	845,991	368,129	438,029	(69,901)	(19%)
Total Fees and Charges for Services to Residents	330,901	977,603	1,087,533	588,163	674,157	(85,995)	(15%)
Laundry							
46005000 - Coin Op Laundry Machine	113,421	132,633	210,085	220,000	240,000	(20,000)	(9%)
Total Laundry	113,421	132,633	210,085	220,000	240,000	(20,000)	(9%)
Investment Income							
49001000 - Investment Income - Nondiscretionary	49,205	136,438	287,663	150,532	12,000	138,532	92%
49002000 - Investment Income - Discretionary	330,718	349,685	377,456	385,805	390,000	(4,195)	(1%)
Total Investment Income	379,923	486,123	665,119	536,337	402,000	134,337	25%
Unrealized Gain/(Loss) On AFS Investments							
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	(111,552)	(166,633)	0	0	213,000	(213,000)	0%
Total Unrealized Gain/(Loss) on AFS Investments	(111,552)	(166,633)	0	0	213,000	213,000	0%
Miscellaneous							
46002000 - Traffic Violation	0	(25)	(25)	0	0	0	0%
46004500 - Resident Violations	92,230	75,975	18,580	56,999	30,000	26,999	47%
44501000 - Additional Occupant Fee	147	0	0	0	0	0	0%
44501510 - Lease Processing Fee - Third	174,218	247,699	259,475	252,000	259,475	(7,475)	(3%)
44502000 - Variance Processing Fee	0	(150)	(150)	0	0	0	0%
44502500 - Non-Sale Transfer Fee - Third	3,590	2,050	1,500	2,000	1,500	500	25%
44503520 - Resale Processing Fee - Third	205,296	153,086	163,072	175,000	163,072	11,928	7%
44505500 - Hoa Certification Fee	4,295	7,290	8,015	5,250	7,800	(2,550)	(49%)
44507000 - Golf Cart Electric Fee	66,878	69,077	70,609	68,000	70,000	(2,000)	(3%)
44507200 - Electric Vehicle Plug-In Fee	7,848	6,824	10,657	7,000	11,000	(4,000)	(57%)
44507500 - Carport Space Rental Fee	2,870	5,536	4,006	4,000	4,600	(600)	(15%)
47001000 - Cash Discounts - Accounts Payable	31	11	701	0	0	0	0%
47001500 - Late Fee Revenue	34,778	56,148	49,541	57,000	60,000	(3,000)	(5%)
47002020 - Collection Administrative Fee - Third	3,000	3,500	1,800	0	6,000	(6,000)	0%
47002500 - Collection Interest Revenue	7,701	7,586	13,658	9,000	25,000	(16,000)	(178%)
47501000 - Recycling	2,119	6,070	4,360	7,000	2,000	5,000	71%
48001000 - Legal Fee	0	178,203	390,534	0	0	0	0%
49004000 - Insurance Reimbursement	16,723	0	0	0	0	0	0%
49009000 - Miscellaneous Revenue	(90)	31,500	(1,143)	0	0	0	0%
Total Miscellaneous	621,635	850,379	995,190	643,249	640,447	2,802	0%
Total Non-Assessment Revenue	1,334,329	2,280,105	2,957,927	1,987,749	2,169,604	(181,856)	(9%)
Expenses:							
Employee Compensation							
51011000 - Salaries & Wages - Regular	2,123,628	2,239,371	2,291,242	2,728,278	2,854,473	126,195	5%
51021000 - Union Wages - Regular	5,528,190	5,513,054	5,184,318	6,014,985	5,425,824	(589,161)	(10%)
51041000 - Wages - Overtime	46,881	33,060	38,477	24,561	20,749	(3,812)	(16%)
51051000 - Union Wages - Overtime	105,746	72,283	84,309	57,065	35,281	(21,784)	(38%)
51061000 - Holiday & Vacation	442,110	850,889	846,976	738,150	697,928	(40,221)	(5%)
51071000 - Sick	225,316	268,934	284,345	301,087	284,681	(16,407)	(5%)
51081000 - Sick - Part Time	0	0	0	24	262	238	987%
51091000 - Missed Meal Penalty	2,841	2,396	2,883	1,095	1,236	140	13%
51101000 - Temporary Help	93,786	107,647	78,125	1,876	19,400	17,524	934%
51981000 - Compensation Accrual	6,277	(76,517)	51,315	0	0	0	0%
Total Employee Compensation	8,574,776	9,011,117	8,861,990	9,867,121	9,339,833	(527,288)	(5%)
Compensation Related							
52411000 - F.I.C.A.	634,942	674,629	658,282	740,744	702,023	(38,721)	(5%)
52421000 - F.U.I.	37,923	8,585	7,764	10,574	9,872	(701)	(7%)
52431000 - S.U.I.	46,250	75,836	59,548	53,774	50,211	(3,563)	(7%)
52441000 - Union Medical	1,829,696	1,868,879	1,799,566	1,894,443	1,801,043	(93,400)	(5%)
52451000 - Workers' Compensation Insurance	353,702	663,184	522,021	613,988	511,213	(102,776)	(17%)
52461000 - Non Union Medical & Life Insurance	234,110	282,024	299,952	304,840	351,459	46,620	15%
52461500 - VUL Premium	0	18,337	0	0	0	0	0%
52461550 - VUL Interest	0	(579)	0	0	0	0	0%
52471000 - Union Retirement Plan	324,117	331,261	364,577	335,396	450,404	115,008	34%
52481000 - Non-Union Retirement Plan	67,537	52,766	52,322	119,124	124,243	5,119	4%
52981000 - Compensation Related Accrual	1,442	66,528	(35,193)	0	0	0	0%
Total Compensation Related	3,529,720	4,041,450	3,728,838	4,072,883	4,000,469	(72,415)	(2%)
Materials and Supplies							
53001000 - Materials & Supplies	492,949	464,057	445,734	513,296	514,232	936	0%
53002500 - Printed Membership Materials	1,328	0	0	0	0	0	0%
53003000 - Materials Direct	725,063	878,331	916,023	1,274,117	1,007,648	(266,470)	(21%)
53004000 - Freight	832	231	1,386	0	3,816	3,816	0%
Total Materials and Supplies	1,220,172	1,342,619	1,363,143	1,787,413	1,525,696	(261,717)	(15%)
Cost of Goods Sold							
53101000 - Cost Of Sales - Warehouse	0	0	12,569	0	0	0	0%
Total Cost of Goods Sold	0	0	12,569	0	0	0	0%

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	2017 Actuals	2018 Actuals	2019 Actuals	2020 Budget	2021 Budget	Increase/ (Decrease)	VAR %
Utilities and Telephone							
53301000 - Electricity	496,679	478,675	370,031	390,500	365,300	(25,200)	(6%)
53301500 - Sewer	1,639,467	1,695,720	1,685,382	1,715,400	1,773,600	58,200	3%
53302000 - Water	2,706,828	2,809,708	2,610,093	2,876,390	2,971,182	94,792	3%
53302500 - Trash	471,802	545,960	543,235	559,854	574,820	14,966	3%
53304000 - Telephone	43,096	0	0	0	0	0	0%
Total Utilities and Telephone	5,357,872	5,530,064	5,208,741	5,542,144	5,684,902	142,758	3%
Legal Fees							
53401500 - Legal Fees	230,869	427,069	726,416	499,985	499,985	0	0%
Total Legal Fees	230,869	427,069	726,416	499,985	499,985	0	0%
Professional Fees							
53402000 - Audit & Tax Preparation Fees	41,461	42,056	0	0	0	0	0%
53402020 - Audit & Tax Preparation Fees - Third	0	0	43,377	44,500	45,400	900	2%
53403500 - Consulting Fees	4,603	5,313	2,756	11,824	15,780	3,956	33%
53403520 - Consulting Fees - Third	73,278	75,911	103,772	88,436	88,436	0	0%
Total Professional Fees	119,342	123,280	149,906	144,760	149,616	4,856	3%
Equipment Rental							
53501500 - Equipment Rental/Lease Fees	26,535	22,377	37,814	19,963	18,217	(1,747)	(9%)
Total Equipment Rental	26,535	22,377	37,814	19,963	18,217	(1,747)	(9%)
Outside Services							
53601000 - Bank Fees	20,895	20,026	6,604	25,179	31,679	6,500	26%
53601500 - Credit Card Transaction Fees	0	0	2,343	0	0	0	0%
53604500 - Marketing Expense	5,180	5,940	5,960	0	5,000	5,000	0%
54603500 - Outside Services Direct	7,821,990	9,643,004	11,329,714	11,541,973	10,988,267	(553,706)	(5%)
53704000 - Outside Services	64,661	83,773	102,980	93,428	97,088	3,661	4%
Total Outside Services	7,912,726	9,752,744	11,447,601	11,660,580	11,122,035	(538,545)	(5%)
Repairs and Maintenance							
53701000 - Equipment Repair & Maint	11,702	6,840	9,626	16,157	15,968	(189)	(1%)
53702500 - Building Repair & Maint	0	14,508	0	0	0	0	0%
53703000 - Elevator /Lift Maintenance	272,448	319,531	353,266	364,090	336,584	(27,506)	(8%)
Total Repairs and Maintenance	284,150	340,879	362,892	380,247	352,552	(27,695)	(7%)
Other Operating Expense							
53801000 - Mileage & Meal Allowance	4,382	5,787	8,250	14,959	14,478	(481)	(3%)
53801500 - Travel & Lodging	191	404	1,005	2,934	2,764	(170)	(6%)
53802000 - Uniforms	92,931	75,790	76,960	93,574	87,700	(5,874)	(6%)
53802500 - Dues & Memberships	1,135	824	1,553	2,053	2,866	813	40%
53803000 - Subscriptions & Books	3,318	1,160	1,641	2,042	2,322	279	14%
53803500 - Training & Education	5,751	4,887	6,532	18,731	20,157	1,427	8%
53804000 - Staff Support	0	0	0	1,107	0	(1,107)	(100%)
53901000 - Benefit Administrative Fees	27	0	0	0	0	0	0%
53901500 - Volunteer Support	0	0	0	1,253	0	(1,253)	(100%)
53903000 - Safety	84	0	0	556	1,008	453	81%
54001000 - Board Relations	3,672	3,980	6,931	0	0	0	0%
54001020 - Board Relations - Third	10,312	3,883	8,556	7,500	7,525	25	0%
54001500 - Public Relations	110	(29)	(1)	0	0	0	0%
54002000 - Postage	40,569	51,402	43,798	53,788	52,980	(808)	(2%)
54002500 - Filing Fees / Permits	1,014	409	1,866	956	503	(453)	(47%)
Total Other Operating Expense	163,496	148,497	157,091	199,454	192,303	(7,151)	(4%)
Income Taxes							
54301000 - State & Federal Income Taxes	10	10	80,720	0	0	0	0%
Total Income Taxes	10	10	80,720	0	0	0	0%
Insurance							
54401000 - Hazard & Liability Insurance	397,657	391,239	444,073	439,870	716,432	276,562	63%
54401500 - D&O Liability	67,542	46,761	46,634	48,466	125,000	76,534	158%
54402000 - Property Insurance	703,375	822,241	1,016,612	1,021,615	3,087,644	2,066,029	202%
54403000 - General Liability Insurance	4,197	6,898	5,217	7,072	7,072	0	0%
Total Insurance	1,172,771	1,267,140	1,512,536	1,517,022	3,936,148	2,419,125	159%
Investment Expense							
54201000 - Investment Expense	41,598	41,724	33,890	46,981	21,430	(25,551)	(54%)
Total Investment Expense	41,598	41,724	33,890	46,981	21,430	(25,551)	(54%)
Net Allocation to Mutuals							
48502500 - Mutual General Operating	0	0	(20,513)	0	0	0	0%
54602500 - Allocated Expenses	1,003,189	1,217,840	1,298,759	1,576,803	1,426,122	(150,681)	(10%)
Total Net Allocation To Mutuals	1,003,189	1,217,840	1,278,246	1,576,803	1,426,122	(150,681)	(10%)
Uncollectible Accounts							
54602000 - Bad Debt Expense	118,609	134,208	361,190	120,100	75,000	(45,100)	(38%)
Total Uncollectible Accounts	118,609	134,208	361,190	120,100	75,000	(45,100)	(38%)
(Gain)/Loss on Sale or Trade							
54101500 - (Gain)/Loss On Investments	(39)	13,470	271,923	0	0	0	0%
Total (Gain)/Loss on Sale or Trade	(39)	13,470	271,923	0	0	0	0%
Total Expenses	29,755,797	33,414,485	35,595,507	37,435,456	38,344,306	908,850	2%

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	<u>2017 Actuals</u>	<u>2018 Actuals</u>	<u>2019 Actuals</u>	<u>2020 Budget</u>	<u>2021 Budget</u>	<u>Increase/ (Decrease)</u>	<u>VAR %</u>
Excess of Revenues Over Expenses	<u>(\$28,421,468)</u>	<u>(\$31,134,380)</u>	<u>(\$32,637,580)</u>	<u>(\$35,447,708)</u>	<u>(\$36,174,702)</u>	<u>\$726,994</u>	<u>2%</u>

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	2021 Budget Operating	2021 Budget Reserves	Total
Non-Assessment Revenues:			
Fees and Charges for Services to Residents			
46501000 - Permit Fee	\$159,607	\$0	\$159,607
46501500 - Inspection Fee	76,520	0	76,520
46502000 - Resident Maintenance Fee	438,029	0	438,029
Total Fees and Charges for Services to Residents	674,157	0	674,157
Laundry			
46005000 - Coin Op Laundry Machine	240,000	0	240,000
Total Laundry	240,000	0	240,000
Investment Income			
49001000 - Investment Income - Nondiscretionary	0	12,000	12,000
49002000 - Investment Income - Discretionary	0	390,000	390,000
Total Investment Income	0	402,000	402,000
Unrealized Gain/(Loss) On AFS Investments			
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	0	213,000	213,000
Total Unrealized Gain/(Loss) on AFS Investments	0	213,000	213,000
Miscellaneous			
46004500 - Resident Violations	30,000	0	30,000
44501510 - Lease Processing Fee - Third	259,475	0	259,475
44502500 - Non-Sale Transfer Fee - Third	1,500	0	1,500
44503520 - Resale Processing Fee - Third	163,072	0	163,072
44505500 - Hoa Certification Fee	7,800	0	7,800
44507000 - Golf Cart Electric Fee	70,000	0	70,000
44507200 - Electric Vehicle Plug-In Fee	11,000	0	11,000
44507500 - Carport Space Rental Fee	4,600	0	4,600
47001500 - Late Fee Revenue	60,000	0	60,000
47002020 - Collection Administrative Fee - Third	6,000	0	6,000
47002500 - Collection Interest Revenue	25,000	0	25,000
47501000 - Recycling	2,000	0	2,000
Total Miscellaneous	640,447	0	640,447
Total Non-Assessment Revenue	1,554,604	615,000	2,169,604
Expenses:			
Employee Compensation			
51011000 - Salaries & Wages - Regular	2,854,473	0	2,854,473
51021000 - Union Wages - Regular	3,612,110	1,813,714	5,425,824
51041000 - Wages - Overtime	20,749	0	20,749
51051000 - Union Wages - Overtime	20,949	14,332	35,281
51061000 - Holiday & Vacation	543,570	154,359	697,928
51071000 - Sick	221,719	62,962	284,681
51081000 - Sick - Part Time	175	88	262
51091000 - Missed Meal Penalty	1,201	34	1,236
51101000 - Temporary Help	19,400	0	19,400
Total Employee Compensation	7,294,346	2,045,488	9,339,833
Compensation Related			
52411000 - F.I.C.A.	546,649	155,374	702,023
52421000 - F.U.I.	7,843	2,030	9,872
52431000 - S.U.I.	40,062	10,149	50,211
52441000 - Union Medical	1,288,520	512,523	1,801,043
52451000 - Workers' Compensation Insurance	372,737	138,476	511,213
52461000 - Non Union Medical & Life Insurance	351,459	0	351,459
52471000 - Union Retirement Plan	322,232	128,172	450,404
52481000 - Non-Union Retirement Plan	124,243	0	124,243
Total Compensation Related	3,053,745	946,723	4,000,469

Materials and Supplies

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	2021 Budget Operating	2021 Budget Reserves	Total
53001000 - Materials & Supplies	389,603	124,629	514,232
53003000 - Materials Direct	463,528	544,120	1,007,648
53004000 - Freight	2,386	1,430	3,816
Total Materials and Supplies	855,517	670,179	1,525,696
Utilities and Telephone			
53301000 - Electricity	365,300	0	365,300
53301500 - Sewer	1,773,600	0	1,773,600
53302000 - Water	2,971,182	0	2,971,182
53302500 - Trash	564,007	10,813	574,820
Total Utilities and Telephone	5,674,089	10,813	5,684,902
Legal Fees			
53401500 - Legal Fees	499,985	0	499,985
Total Legal Fees	499,985	0	499,985
Professional Fees			
53402020 - Audit & Tax Preparation Fees - Third	45,400	0	45,400
53403500 - Consulting Fees	15,780	0	15,780
53403520 - Consulting Fees - Third	88,436	0	88,436
Total Professional Fees	149,616	0	149,616
Equipment Rental			
53501500 - Equipment Rental/Lease Fees	4,652	13,565	18,217
Total Equipment Rental	4,652	13,565	18,217
Outside Services			
53601000 - Bank Fees	31,679	0	31,679
53604500 - Marketing Expense	5,000	0	5,000
54603500 - Outside Services Direct	1,255,470	9,732,797	10,988,267
53704000 - Outside Services	91,252	5,836	97,088
Total Outside Services	1,383,401	9,738,633	11,122,035
Repairs and Maintenance			
53701000 - Equipment Repair & Maint	11,109	4,859	15,968
53703000 - Elevator /Lift Maintenance	336,584	0	336,584
Total Repairs and Maintenance	347,693	4,859	352,552
Other Operating Expense			
53801000 - Mileage & Meal Allowance	14,379	99	14,478
53801500 - Travel & Lodging	2,763	1	2,764
53802000 - Uniforms	61,483	26,218	87,700
53802500 - Dues & Memberships	2,713	153	2,866
53803000 - Subscriptions & Books	2,322	0	2,322
53803500 - Training & Education	19,373	784	20,157
53903000 - Safety	981	27	1,008
54001020 - Board Relations - Third	7,525	0	7,525
54002000 - Postage	52,980	0	52,980
54002500 - Filing Fees / Permits	503	0	503
Total Other Operating Expense	165,021	27,282	192,303
Insurance			
54401000 - Hazard & Liability Insurance	716,432	0	716,432
54401500 - D&O Liability	60,000	65,000	125,000
54402000 - Property Insurance	1,021,615	2,066,029	3,087,644
54403000 - General Liability Insurance	7,072	0	7,072
Total Insurance	1,805,119	2,131,029	3,936,148
Investment Expense			
54201000 - Investment Expense	0	21,430	21,430
Total Investment Expense	0	21,430	21,430

Net Allocation to Mutuals

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12/31/2021
 THIRD LAGUNA HILLS MUTUAL

	2021 Budget Operating	2021 Budget Reserves	Total
54602500 - Allocated Expenses	1,214,238	211,884	1,426,122
Total Net Allocation To Mutuals	1,214,238	211,884	1,426,122
Uncollectible Accounts			
54602000 - Bad Debt Expense	75,000	0	75,000
Total Uncollectible Accounts	75,000	0	75,000
Total Expenses	22,522,421	15,821,885	38,344,306
Excess of Revenues Over Expenses	<u>(\$20,967,817)</u>	<u>(\$15,206,885)</u>	<u>(\$36,174,702)</u>

**THIRD LAGUNA HILLS MUTUAL
2021 BUSINESS PLAN
Programs Report**

DESCRIPTION	2017 ACTUALS	2018 ACTUALS	2019 ACTUALS	2020 BUDGET	2021 BUDGET	Increase/(Decrease) \$ %	
OPERATING FUND - MAINTENANCE & CONSTRUCTION							
PLUMBING SERVICE	\$776,888	\$740,507	\$827,584	\$682,989	\$676,492	(\$6,497)	(1%)
PEST CONTROL	279,081	281,908	326,966	364,272	645,800	281,528	77%
CARPENTRY SERVICE	469,716	427,819	149,952	422,426	455,942	33,516	8%
ELECTRICAL SERVICE	115,399	93,736	99,796	133,883	135,290	1,407	1%
FIRE PROTECTION	72,010	87,961	86,599	131,252	133,931	2,679	2%
APPLIANCE REPAIRS	129,690	106,484	130,996	87,257	90,825	3,568	4%
MISCELLANEOUS REPAIRS BY OUTSIDE SERVICES	41,725	34,075	58,234	58,664	58,664	0	0%
SOLAR MAINTENANCE	0	15,911	28,149	25,000	25,000	0	0%
GUTTER CLEANING	132,148	132,890	132,957	0	0	0	0%
CURB CUTS	0	0	10,000	0	0	0	0%
GV MAILROOM RENOVATIONS	53,786	0	0	0	0	0	0%
BALCONY/BREEZEWAY RESURFACING	291,946	478,073	0	0	0	0	0%
BUILDING REHAB/DRY ROT	154,877	198,433	0	0	0	0	0%
ROOF REPAIRS	349,416	274,541	0	0	0	0	0%
PAINT- TOUCHUP	165,742	244,896	0	0	0	0	0%
TOTAL	\$3,032,424	\$3,117,235	\$1,851,233	\$1,905,743	\$2,221,944	\$316,202	17%

Line 11 moved to reserves in 2018.

Lines 12 - 15 moved to reserves in 2019.

OPERATING FUND - GENERAL SERVICES

16	JANITORIAL SERVICE	\$701,593	\$874,334	\$882,450	\$943,316	\$962,945	\$19,629	2%
17	CONCRETE SERVICE	344,015	376,281	393,686	368,011	379,831	11,820	3%
18	GUTTER CLEANING	12,575	9,759	41,466	178,802	179,758	956	1%
19	WELDING	97,283	71,402	99,041	110,744	115,027	4,283	4%
20	TRAFFIC CONTROL	15,717	28,168	14,238	19,357	21,974	2,617	14%
21	PAVING MAINTENANCE & REPAIRS	84,634	48,602	0	0	0	0	0%
22	CARPENTRY SERVICE	143	0	0	0	0	0	0%
TOTAL		\$1,255,960	\$1,408,547	\$1,430,881	\$1,620,230	\$1,659,535	\$39,305	2%

Line 19 moved into General Services in 2019.

Line 21 moved into Reserves Fund - General Services in 2019.

**THIRD LAGUNA HILLS MUTUAL
2021 BUSINESS PLAN
Programs Report**

DESCRIPTION		2017 ACTUALS	2018 ACTUALS	2019 ACTUALS	2020 BUDGET	2021 BUDGET	Increase/(Decrease) \$ %	
OPERATING FUND - LANDSCAPE								
23	LANDSCAPE ADMINISTRATION	\$128,807	\$94,424	\$148,803	\$144,057	\$332,008	\$187,952	130%
24	NURSERY & COMPOSTING	248,971	257,078	257,239	243,431	290,340	46,909	19%
25	GROUNDS MAINTENANCE	2,902,897	2,808,720	2,912,356	3,224,508	3,173,855	(50,653)	(2%)
26	IRRIGATION	941,320	937,145	1,053,388	1,053,886	1,053,027	(858)	(0%)
27	SMALL EQUIPMENT REPAIR	191,985	204,148	204,044	216,279	226,338	10,059	5%
28	PEST CONTROL	230,346	227,888	291,533	314,248	316,113	1,865	1%
29	TREE MAINTENANCE	3,554	(8,745)	226,784	0	0	0	0%
TOTAL		\$4,647,880	\$4,520,658	\$5,094,147	\$5,196,408	\$5,391,682	\$195,274	4%

Line 29 moved to reserves in 2020.

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OPERATING EXPENDITURES MAINTENANCE AND CONSTRUCTION

The General Maintenance Operating section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

1) Plumbing Service

\$676,492

This item provides funding for the variety of plumbing services related to plumbing components that are the responsibility of the Mutual. The main categories of service include addressing various types of stoppages, leak investigation and remedial work related to plumbing leaks (in-wall, under-slab, etc.). Since 2015, plumbing technicians also perform drywall cuts to expedite repairs to in-wall leaks and pipe re-routes. The technicians are certified to handle the removal/abatement of drywall. This will allow, in most cases, a single visit by one department to a manor for the cutout and repair process. Service levels are based on historical averages of hours, materials, and outside services.

Underground leaks are addressed by certified contractors due to CAL OSHA shoring requirements and asbestos cement pipe (Transite) repair and abatement concerns. A contingency amount is included in the budget for such services.

2) Pest Control

\$645,800

A licensed pest control contractor provides the Mutual with pest control services for termite eradication and bee removal services. The budget is developed based on historical trends and the existence of termites as identified by the Mutual's pest control contractor. A staff inspector and a representative of the contractor conduct inspections in response to all reported evidence of live termites and upon request at the time a manor is resold. Based on the results of those inspections, a list of buildings requiring fumigation is compiled. Whenever possible, localized treatments of the infested areas will be performed for dry wood termites to minimize the fumigation requirements. Subterranean termites are also treated at the localized point of infestation.

The buildings listed for fumigation typically are scheduled for the following year and worked into the budget. Fumigation costs are based on a pre-determined contract value per building type. The current contract is with Newport Exterminating. The projected costs are budgeted in four categories, Fumigation – Tenting; Local Treatments; Fumigation – Landscaping (for plant removal); and Fumigation – Motel (Lodging) Costs. Lodging costs include costs related to providing temporary housing to residents displaced from buildings being fumigated. Although not required by law, Mutual policy is to provide lodging for two nights while the fumigation is in process.

The lodging budget is based on the number of units contained in each of the buildings to be fumigated and a contract in place with a local hotel.

The budget for fumigation (whole structure tenting) is based on a weighted average of each building type with costs applied to those buildings based on a pre-determined contract value per building type. This approach is used to determine budgetary estimates for the Business Plan, as the full list of actual buildings that will require treatment are often not known until after the preparation of a given year's Business Plan.

Projected funding for 2021 includes fumigation of buildings that have been qualified for whole structure tenting through inspections conducted in 2020. The increase in the 2021 budget includes the fumigation of buildings that were not able to be fumigated in 2020, due to the pandemic.

3) Carpentry Service

\$455,942

This line item provides for response to service requests for carpentry and carpentry-related service work on the Mutual's buildings, carports and laundries. Items addressed through Carpentry Services include, but are not limited to the following:

- exterior and entry door repair
- repair/replace entry locks
- door weather stripping replacement
- board-up windows/shore up sites
- building cracks and stucco repair
- acoustic ceiling repair
- laundry room window repair
- insect screen install/repair
- wall/ceiling insulation replacement
- building address number replacement
- support scaffolding
- carport structure repair
- carport cabinet repair
- garage door repair
- patio gate repair
- vinyl and tile floor repairs
- removal of bird/animal in wall
- drywall/texture repair
- mailbox door and lock repair
- cabinet repair

Budgeting for this item is essential to continue maintaining the high service level expected and to complete all necessary maintenance concerns requested by residents for the services described above in a timely manner. These repairs are performed by in-house staff and outside contractors.

4) Electrical Service

\$135,290

This item provides funding for the variety of electrical services related to electrical components that are the responsibility of the Mutual, which include the following:

- Repair/replace common area outlets
- Service common area circuit breakers
- Repair underground wiring
- Replace conduit and wiring
- Replace damaged doorbell light
- Replace main breaker
- Repair/replace common area lighting
- Replace common area light bulbs
- Perform miscellaneous service calls

5) Fire Protection

\$133,931

(A) Fire Alarm System Inspections for All Multi-story Buildings (Maintenance Services, WC904):

This item addresses bi-annual fire alarm system inspections of 81 3-story buildings.

(B) Fire Extinguisher Service (Maintenance Services, WC 904):

This service, provided by an outside vendor, covers the annual inspection, maintenance and repair or replacement of the 1,300 fire extinguishers located throughout Third Laguna Hills Mutual. This service includes: (1) inspection and replacement (as needed) of various components; (2) replacement of powders and gases; (3) hydrostatic testing when required; (4) proper tagging of fire extinguishers to indicate date of service and certification; (5) replacement of irreparable or missing extinguishers and extinguishers that must be replaced in accordance with Fire Authority regulations and (6) repair of extinguisher cabinet glass and other parts.

(C) Sprinkler System Service (Maintenance Services, WC 904):

This item is used to address the inspection and servicing of the fire suppression sprinkler systems in the trash chutes of three-story buildings. Sprinkler system service includes certified contractor quarterly inspection of all components of the system and implementation of identified repairs. All work is per NFPA 14 and California Title 19 fire regulations. Staff included funding based on contract pricing for quarterly inspections and provisions for repairs in 2021.

(D) Standpipe Testing (Maintenance Services, WC 904):

This item is used to address the inspection and repair of the Fire Standpipe Systems (Class I or II standpipe systems) in each of the 53 Garden Villa style buildings. NFPA requires semi-annual inspection of these systems. Additionally, NFPA requires flow testing/certification and fire hose pressure testing/certification by a qualified contractor on a five-year schedule or when repairs or use of the system results in the need for certification. The required five-year testing was last completed in 2019; therefore it is not required again until 2024.

For the 2021 Business Plan, staff included funding for the required semi-annual inspections and a contingency for as needed system repairs determined to be necessary during the inspection processes.

(E) Chimney Cleaning (Maintenance Operations, WC 910):

This item provides for as needed inspection and cleaning of original installation chimneys. Staff included funding for 15 as-needed chimney inspection/cleanings for 2021. Per Board direction, staff included funding for replacement of missing spark arrestors on original chimneys.

(F) Dryer Vent Cleaning (Maintenance Operations, WC 910):

This item is used to address the cleaning of original dryer vent ducts in both laundry facilities and manors with original washer/dryer hookups throughout Third Laguna Hills Mutual. The dryer vents in the GV & LH-21 buildings are cleaned every 2 years. The next cleaning is due in 2022.

6) Appliance Repairs

\$90,825

This item addresses repairs to the Mutual's laundry appliances. In 2019, the Mutual installed 370 high-efficiency commercial dryers in common area laundry rooms, and added laundry pedestals to most dryers in 3-story buildings. Based on a full dryer replacement, staff only provided a minimum budget to address items not covered under the manufacturer's warranty.

The Mutual maintains 455 high-efficiency laundry room washing machines. In 2019, laundry pedestals were also added to the newer model washing machines in 3-story buildings. Budgeting for this item is based on inventory changes for Maytag washing machines and historical trends.

7) Miscellaneous Repairs by Outside Service

\$58,664

This funding is used to address items that are generally not repairable by in-house crews. This item also includes funding for other repairs that require outside services, but that do not fit into one of the categories below.

As these items are emergent in nature, budgets are based on both historical averages, trends and on planned program scopes of work.

(A) Broken Windows

Replacement of broken panes of glass in the Mutual's common area makes up the majority of this category. Also included in this item are repairs and replacements to window frames, weather stripping and hardware that are the responsibility of the Mutual.

(B) Sliding Glass Door Track

This item covers the bottom track of the sliding glass doors in the Mutual's manors. Generally, there are two reasons for replacing these tracks. The first is due to the weight of the dual pane glass door, which wears down the door rollers. Through normal use the door rubs and scrapes on the track, cutting down the guiding fin. After many years of use the door will no longer stay on the track. The second reason for replacement is corrosion of the track resulting from a reaction with the adjacent stucco and moisture. This corrosion is being mitigated through the placement of a plastic plate between the concrete and the stucco it rests against.

(C) Phone Line Repairs

This item is used to address repairs associated with the Mutual's responsibility for providing one working phone line to each manor.

(D) Lead Paint Testing

In 2010, new EPA regulations went into effect requiring special procedures and handling when performing Renovation, Repair and Painting (RRP) of building components where lead-based paint is present. The presence of lead in paint must be determined before proceeding with work that qualifies under the regulations. Determination of the presence of lead paint must be performed by a Certified Lead Inspector/Risk Assessor. This budget is included to pay for the costs of lead testing performed by a Certified Lead Inspector/Risk Assessor on miscellaneous projects that will be completed by an outside service. Staff included an estimated provision for such testing and abatement.

(E) Miscellaneous

This item includes funding for other repairs that require outside services, but that do not fit into one of the above categories. A two-year average of miscellaneous costs was used as the basis for this category.

8) Solar Maintenance

\$25,000

This item provides for the Operation and Maintenance (O&M) services set forth below by an outside contractor in relation to the Third Mutual solar energy projects.

Daily:

1. Real-time performance monitoring and alert triage
2. Product warranty administration (creating/tracking/logging)
3. 24/7 customer support

Annually:

1. Inverter inspection, maintenance and thermal scans
2. DC wiring and electrical equipment inspections, maintenance, thermal scans and performance testing (current at maximum power (IMP) & operating circuit voltage (VOC) on 100% of the strings
3. Solar module inspection and thermal scans
4. Array racking and component inspection and maintenance
5. Inspection, cleaning and maintenance of meters and sensors
6. Pyranometer calibration
7. Removal of material within arrays and balance of system (BOS)
8. Repairs and replacements as required
9. Maintenance summary report
10. 2x Annual Module cleaning/washing

OPERATING EXPENDITURES GENERAL MAINTENANCE

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

16) Janitorial Service

\$962,945

Service levels provided in this category include scheduled janitorial services for breezeways and common areas of multi-story buildings, free-standing laundry buildings, and miscellaneous janitorial services in Mutual common areas and car port cleanings. Budgeting for this category is based on the following established service levels:

Description	Quantity	Times/Year	Hours/Visit
GV Buildings	53	50	3.5
LH-21 Buildings	28	50	2.5
Carport Cleaning	2682	3	7/per day
Laundry Rooms <small>(stand-alone)</small>	44	16	1.4
Multi Story Building Breezeways: As needed			
Miscellaneous (Ticket Response): As needed			

The Multi-Story Building Breezeways item includes hours for reactive wash downs on an as-requested basis at two- and three-story buildings. Each request is inspected by staff to evaluate whether wash downs are required and will take corrective actions based on those investigations. There are 81 three-story buildings and 254 two-story buildings that may require periodic wash downs within the Mutual. Based on water shortages and increased water costs to offer periodic wash downs, the Mutual in recent years offers this service only on an as-requested basis.

17) Concrete Repair & Replacement

\$379,831

This line item addresses pro-active and resident requests for repair or replacement of concrete slabs, walkways and driveways. Concrete repairs include crack filling and grinding-down of walkways that have lifted. Replacement of concrete occurs when lifting exceeds grinding capability. Repairs to block trash enclosures or laundry room walls are also addressed under this budget item.

The budget for this item is developed based on historical averages and recent trends and is managed by the General Services Department.

18) Gutter Cleaning

\$179,758

This item provides for the cleaning of building rain gutters to ensure their proper function and drainage. This work is completed during the fourth quarter of the year, in accordance with the approved policy.

The budget includes funding for an outside service to clean the gutters of one, two and 3 story buildings once during the fourth quarter of the year, as well as providing labor hours for cleaning gutters on an as-requested basis throughout the year using in-house staff.

The leaf/debris removal program was implemented to remove debris, mostly leaves and pine needles, from the flat roofs prior to the winter season. This preventive measure serves to reduce the potential for water backups on flat roofs during the rainy season, 317 buildings with flat roofs are included in this program.

19) Welding

\$115,027

Welding services are utilized in the repair/replacement of railings, gates, fences, and the repair/replacement of steel step rails. Balcony welding that is required as the result of dry rot repairs discovered during prior to paint is also provided. This item includes work completed as requested by Staff and residents through service requests to Resident Services. Historical averages and trends are used to develop budgetary estimates. A contingency amount for lead testing and abatement, required due to EPA lead handling regulations, is included.

20) Traffic Control

\$21,974

This line item addresses the installation and maintenance of devices required to facilitate traffic safety and circulation throughout the Community. This includes parking lot and street striping, and replacement of directional and vehicular control signage. Historical averages and trends for hours and materials are used for budget development.

OPERATING EXPENDITURES LANDSCAPE

The Department of Landscape Services is responsible for providing the following major functions:

23) Landscape Administration	\$332,008
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Landscape Administration support is provided to the Mutual Boards and Committees at regularly scheduled meetings. Additionally, the administrative staff provides customer service, maintains databases, and prepares work efficiency reports and annual operating budgets. Other tasks not directly related to the daily operation of individual work centers are included in this budget.

The 2021 Administration Budget has increased by \$187,952, 130% over the 2020 Budget due to the annual increase in wage rates, including elimination of turnover factor.

24) Nursery & Composting	\$290,340
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The Nursery work center supports other crews by growing and providing shrubs and trees for use throughout the community for new and replanting tasks. By growing all the plants used by the crews on site, the costs of new and replacement plant material are greatly reduced. The Composting work center supports other crews by recycling tree and shrub cuttings, using a tub grinder, into the mulch used throughout the community. By recycling the green waste produced by the pruning within the Community, disposal costs are greatly reduced as well as eliminating the expense of purchasing mulch.

The 2021 Nursery and Composting Budget have increased by \$46,909, 19% from the 2020 Budget due to reallocation of hours.

25) Grounds Maintenance	\$3,173,855
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Shrub-Bed Maintenance

Components required for shrub-bed maintenance consist of all pruning, raking, weeding, mulching, re-planting, and edging of the planters around buildings. The shrub-bed maintenance cycle varies seasonally and is performed on 83 shrub-bed acres in Third Mutual. Beginning in 2020 the costs for small slope maintenance were included in shrub-beds due the tasks being concurrent.

The 2021 Shrub-Bed Maintenance Budget has decreased by \$251,511 (11%) over the 2020 Budget due to the following factors:

- Annual increase in wage rates, including elimination of turnover factor
- Inclusion of in-house costs for small slope maintenance
- Increase in agronomic costs (fertilizer, herbicides, etc.)

Turf Maintenance

The turf maintenance responsibilities consist of 165 acres in Third Mutual. The mowing cycle schedules are adjusted seasonally throughout the year to respond to growing conditions.

The 2021 Turf Maintenance Budget has increased by \$40,337, 5% over the 2020 Budget due to the following factors:

- Annual increase in wage rates, including elimination of turnover factor
- Increase in hours and materials for turf repair to increase the overall appearance of the turf
- Increase in agronomic costs (fertilizer, herbicides, etc.)

Miscellaneous Tasks

The Grounds Maintenance work center also perform various miscellaneous tasks, including general cleanup, storm damage repair and cleanup, storm preparation, employee training, preparation of areas for paint crew access, and preparation of exterior for building fumigation.

The 2021 Miscellaneous Tasks Budget has increased by \$141,821, 97% over the 2020 Budget due to the annual increase in wage rates, including elimination of turnover factor and reallocation of hours.

Garden Villa Maintenance

The landscape maintenance performed at the Garden Villas consists of watering and pruning Mutual owned container plants and raised planters. Replacement of plants is also performed when plants have died or overgrown the planter. Residents are responsible for maintaining their personal plants.

The 2021 Garden Villa Maintenance Budget has increased by \$18,700, 35% over the 2020 Budget due to the following factors:

- Annual increase in wage rates, including elimination of turnover factor
- Increase in materials for replacement pots, saucers, and plant material

26) Irrigation

\$1,053,027

This is a support work center, providing irrigation support to other Landscape Maintenance sections. The irrigation work center oversees 5,683 watering zones throughout Third Mutual, controlled by 223 irrigation controllers. These controllers are managed by a central irrigation computer through the use of radio and telephone communication transmission technologies. The system is weather sensitized and adjusts watering schedules based on daily fluctuations

in plant evapotranspiration rates (ET). The irrigation crew also maintains and cleans landscape drains throughout the Community on a regular basis.

The 2021 Irrigation Maintenance Budget has decreased by \$858 (.1%) from the 2020 Budget due to reallocation of hours.

27) Small Equipment Repair

\$226,338

The Small Equipment Repair work center supports other crews by providing mower and small equipment maintenance, repair, and delivery. Supplies and materials used by crews to maintain lawns, slopes, and shrub beds are ordered and received through this department.

The 2021 Small Equipment Repair Budget has increased by \$10,059, 5% over the 2020 Budget due to reallocation of hours.

28) Pest Control

\$316,113

This is a support work center, providing pest control support to other Landscape Maintenance Sections. Pest Control uses various methods to control a variety of landscape pests. Pests include; weeds, insects including wasps and bees (in landscaping), and rodents and other vertebrates.

The 2021 Pest Control Budget has increased by \$1,865, 1% over the 2020 Budget due to the following factors:

- Annual increase in wage rates, including elimination of turnover factor
- Increase in rodent control calls

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**THIRD LAGUNA HILLS MUTUAL
2021 RESERVES PLAN
Programs Report**

DESCRIPTION	2017 ACTUALS	2018 ACTUALS	2019 ACTUALS	2020 BUDGET	2021 BUDGET	Increase/(Decrease) \$ %	
RESERVE FUNDS - MAINTENANCE & CONSTRUCTION							
BUILDING NUMBERS	\$4,196	\$32,797	\$33,961	\$30,000	\$30,000	\$0	0%
BUILDING STRUCTURES	1,588,675	2,084,453	2,534,260	2,787,028	3,599,789	812,761	29%
ELECTRICAL SYSTEMS	5,322	50,907	50,400	59,495	59,495	0	0%
ENERGY PROJECTS	5,157	7,997	27,491	10,000	0	(10,000)	(100%)
EXTERIOR LIGHTING	112,857	302,074	59,319	75,000	75,000	0	0%
FENCING	107,210	21,576	123,758	54,703	58,920	4,217	8%
GARDEN VILLA LOBBY	36,751	114,664	111,162	112,500	112,500	0	0%
GARDEN VILLA MAILROOM	0	54,023	75,477	33,867	439	(33,428)	(99%)
GARDEN VILLA RECESSED AREAS	36,350	71,111	40,436	65,000	65,000	0	0%
GARDEN VILLA REC ROOM HEAT PUMP/WATER HEATER	6,313	15,546	23,584	9,644	6,017	(3,627)	(38%)
GUTTERS	272,815	136,466	39,017	98,289	76,206	(22,083)	(22%)
MAILBOXES	13,490	6,701	29,282	50,000	51,899	1,899	4%
PAINT PROGRAM	1,703,787	1,482,768	2,031,797	2,055,556	1,506,039	(549,517)	(27%)
PRIOR TO PAINT	637,050	1,538,859	1,228,861	1,470,323	1,071,350	(398,973)	(27%)
PAVING/CONCRETE	296,129	518,479	693,336	775,112	694,149	(80,963)	(10%)
ROOFS	1,210,590	1,576,174	1,550,899	1,415,904	1,439,294	23,390	2%
EXTERIOR WALLS	0	0	148,913	165,000	35,000	(130,000)	(79%)
WASTE LINE REMEDIATION	750,596	723,670	741,873	1,000,000	1,000,000	0	0%
WATER LINES - COPPER PIPE REMEDIATION	109,199	104,547	199,817	500,000	500,000	0	0%
ELEVATORS	306,380	309,899	332,267	255,000	255,000	0	0%
LAUNDRY COUNTERTOP/FLOOR	32,872	50,380	51,423	59,912	58,888	(1,024)	(2%)
LAUNDRY APPLIANCES	17,075	46,293	20,935	58,508	92,955	34,447	59%
TOTAL	\$7,252,814	\$9,249,385	\$10,148,267	\$11,140,841	\$10,787,940	(\$352,901)	(3%)

Lines 31, 42 - 45 include major repairs moved from operations in 2019.

Line 31 includes the funds moved from Disaster fund in 2020.

Line 37 moved from operations to reserves in 2018.

RESERVE FUNDS - GENERAL SERVICES

52	PRIOR TO PAINT	\$3,410	\$1,184	\$3,735	\$11,405	\$11,856	\$451	4%
53	PAVING/CONCRETE	0	0	32,375	76,146	79,002	2,856	4%
54	EXTERIOR WALLS	15,375	50,000	0	49,147	49,147	0	0%
TOTAL		\$18,785	\$51,184	\$36,111	\$136,698	\$140,005	\$3,307	2%

**THIRD LAGUNA HILLS MUTUAL
2021 RESERVES PLAN
Programs Report**

DESCRIPTION	2017 ACTUALS	2018 ACTUALS	2019 ACTUALS	2020 BUDGET	2021 BUDGET	Increase/(Decrease) \$	%
RESERVE FUNDS - LANDSCAPE							
55 LANDSCAPE MODERNIZATION	\$0	\$49,813	\$797,341	\$599,129	\$487,823	(\$111,306)	(19%)
56 IMPROVEMENT & RESTORATION	0	0	0	0	126,524	126,524	100%
57 TREE MAINTENANCE	738,686	828,245	228,647	853,812	920,872	67,060	8%
58 WASTE LINE REMEDIATION	204	0	0	0	0	0	0%
TOTAL	\$738,890	\$878,058	\$1,025,987	\$1,452,942	\$1,535,219	\$82,278	6%

DISASTER FUND - MAINTENANCE & CONSTRUCTION

59 MOISTURE INTRUSION - RAIN LEAKS	\$451,593	\$208,073	\$873,957	\$475,025	\$237,513	(\$237,512)	(50%)
60 MOISTURE INTRUSION - PLUMBING LEAKS	617,676	796,702	882,146	650,000	400,000	(250,000)	(38%)
61 MOISTURE INTRUSION - PLUMBING STOPPAGES	119,932	153,986	208,893	100,000	50,000	(50,000)	(50%)
62 MOISTURE INTRUSION - MISCELLANEOUS	88,503	161,029	148,226	93,095	46,548	(46,547)	(50%)
63 DAMAGE RESTORATION SERVICES	72,251	337,753	108,912	369,812	220,370	(149,442)	(40%)
TOTAL	\$1,349,954	\$1,657,543	\$2,222,135	\$1,687,932	\$954,431	(\$733,501)	(43%)

Lines 59 – 63 funding for the construction portion of damage restoration was moved to Reserve Funds under the Building Structures line.

DISASTER FUND - LANDSCAPE

64 FIRE RISK MANAGEMENT	\$0	\$0	\$31,335	\$180,000	\$180,000	\$0	0%
TOTAL	\$0	\$0	\$31,335	\$180,000	\$180,000	\$0	0%

DISASTER FUND - FINANCIAL SERVICES

65 INSURANCE PREMIUMS	\$0	\$0	\$0	\$0	\$2,131,029	\$2,131,029	100%
TOTAL	\$0	\$0	\$0	\$0	\$2,131,029	\$2,131,029	100%

GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION

66 GARDEN VILLA RECREATION ROOMS	\$114,123	\$63,429	\$71,036	\$70,982	\$71,831	\$849	1%
TOTAL	\$114,123	\$63,429	\$71,036	\$70,982	\$71,831	\$849	1%

RESERVE EXPENDITURES MAINTENANCE AND CONSTRUCTION

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

30) Building Numbers

\$30,000

Third Laguna Hills Mutual is comprised of 1,405 buildings with 6,102 manors. This program was funded to replace building numbers throughout the Mutual to increase their visibility.

In 2018, the Third Board directed staff to concentrate on installing cul-de-sac signs prior to the building address signs. The cul-de-sac signs were completed in 2019.

On May 19, 2020, the Board approved a \$30,000 budget reduction for this project, which has deferred all address sign installations to 2021.

Building address signs will also be installed on buildings scheduled for painting during the 10-year paint program cycle.

31) Building Structures

\$3,599,789

Building Structures (MO, Carpentry & Carport Panel Replacements) - This reserve component is designed to address building structural that are exhibiting deterioration and to eradicate dry rot through a systematic and proactive approach utilizing an aggressive inspection process designed to address all buildings in Third Mutual to include both architectural and structural components through outside services and staff labor hours and material costs. This includes but is not limited to balcony replacements, wood balcony railing replacements, ramp replacements, walkway replacements, trellis structure replacements, beam replacements, window replacements, garage door replacements, carport panel replacements, Garden Villa Recreation Room kitchen and restroom flooring replacements, asbestos and lead abatement and testing, associated engineering cost and City building permit application and inspection fees. Replacements are qualified and generated on both a reactive and a proactive basis.

Building Structures Replacements - This reserve component is designed to address building structures that are exhibiting deterioration and will be utilized on a contingency basis. It is assumed that full replacement of this component would never be required. The unit cost is a contingency estimate for a typical building structure repair.

Building Structures Dry Rot - This reserve component is dedicated to eradicating dry rot through a systematic and proactive approach utilizing an aggressive inspection process. This process is designed to address all building types within the Mutual including architectural and structural components.

Parapet Wall Removals - This reserve component is to address moisture intrusion problems on the Villa Paraisa and Casa Grande style buildings by removing and replacing the parapet wall design with a sloped roof.

Foundations - This reserve component is dedicated to foundation repairs most often due to soil erosion and settlement. Although the unit cost will vary, it is a contingency estimate for typical foundation repairs.

Building Rehab/Dry Rot - This reserve component is designed to address building structural that are exhibiting deterioration and to eradicate dry rot identified by Members through service requests or during the course of other maintenance activities in Third Mutual to include minor replacement of wood members, such as fascia boards, shear panel repair, wood stud replacement, stucco repair, T-111/Hardi siding replacement, rafter tail replacements, exterior crown molding replacement, and red wood siding/trim replacement.

As part of the 2021 building structure repairs, staff will proactively assess buildings for drainage deficiencies that could lead to building settlement, and will implement the necessary modifications.

Balcony Inspections

This reserve item is new for 2021 and is necessary due to Senate Bill 326, which states that a statistically significant sample of all of the mutual's exterior elevated elements is to be inspected once every 9 years. The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. The report will include detailed information of each inspected element's condition, expected future performance, remaining useful life, and any repair/replacement recommendations. VMS will be contracting with a licensed structural engineer or architect to inspect (187 buildings) the exterior elevated elements for which the mutual has maintenance or repair responsibility. This will be evenly divided by 9 years or approximately 21 buildings per year.

Damage Restorations - This reserve component is for reconstruction of manors/buildings resulting from rain leaks, plumbing leaks, plumbing stoppages, and moisture intrusion events. During the 2021 Business Planning Meeting, the Board asked that all costs related to the reconstruction or replacement of mutual owned components, be moved from the Disaster Fund to the Replacement/Reserve Fund. However, restoration costs exceeding \$25K will be submitted to the Mutual's insurance carrier.

32) Electrical Systems

\$59,495

Electrical Systems – Panel Replacements

This reserve component is funded to address electrical panel maintenance and a contingency for potential panel failures.

It has been determined by staff that the grounding of the Garden Villa and LH-21 electric panels are not up to code and should be improved for safety reasons. Staff completed

grounding improvements to 20 of the GV buildings in 2018. The 2019 budget included funding for 23 GV buildings and the remaining 10 buildings were scheduled to be completed in 2020 until the project was placed on hold. In the event the work is not completed it will resume in 2021. There are still approximately 30 LH-21 buildings requiring maintenance.

Electrical Systems – Alternate Heat Source (Heat Pump & Wall Heaters)

Third Mutual is responsible for providing a heat source in the bedroom and living/dining room areas of its manors. At the time of original construction, the provided heat source was in-ceiling radiant heat systems. If an original in-ceiling radiant heat system fails or requires replacement as the result of some maintenance activity, the Mutual must provide a replacement heat source. The Mutual replaces failed heat systems with an appropriate and cost effective type unit for the room being heated. Typically that is a wall heater in the bedrooms and a through-the-wall heat pump in the living room and dining room. The type of unit used is contingent on several factors, the most important being the BTU's required to heat the area being heated.

Based on the Mutual's Heat Source Replacement policy adopted in 2013 (beginning with the 2014 Business Plan) funding for this item was moved from operating to reserves.

The budget allows for 3 heat pumps and 3 wall heaters to be replaced each year if necessary.

34) Exterior Lighting

\$75,000

Funding in this program provides for lighting upgrades throughout the community and the related annual operation and maintenance costs for the street lights.

Contingency funding is also included for a walkway lighting consultant as well as any needed repairs to common area lighting performed by in-house staff.

35) Fencing

\$58,920

Third Mutual has approximately 13 miles or 70,000 linear feet (10 feet per unit) of decorative wooden split rail fencing throughout its property. The Mutual uses wooden split rail fencing as an inexpensive way to create decorative boundaries between buildings, as well as define slope areas.

The 2021 planned expenditures are based on replacing 4,022 square feet of fencing which includes anticipated repairs and current requests.

36) Garden Villa Lobby

\$112,500

This reserve component addresses the renovation of the lobby areas of the Mutual's Garden Villa-style buildings, which is performed on a program basis. The lobbies ceiling, walls, and floor covering are inspected annually and those with the poorest condition, receive the highest priority for renovation. Member requests for lobby improvements are considered during the evaluation process each year. The Lobby renovation program consists of asbestos testing, abatement of the existing acoustic ceiling, removal of the wallpaper including the adhesive,

clearance testing, new ceiling texture, wall repair and texture, paint, installation of new baseboards and carpet replacement.

The 2021 budget includes funding for nine lobby renovations.

37) Garden Villa Mailroom

\$439

This reserve component addresses the renovation of mailrooms in the Mutual's Garden Villa style buildings. The scope of work includes:

- Removal of wall paneling and replacement with drywall
- Installation of new molding
- Light diffuser panel replacement
- Painting of walls, molding, doors and door trim
- Remove and replace ceramic tile flooring if needed

The last four Garden Villa Mail Room renovations were completed in 2020 and the program will resume in 2026.

38) Garden Villa Recessed Areas

\$65,000

GV Recessed Area Carpet: This reserve component addresses the green outdoor carpet replacement of the recessed areas of the Mutual's Garden Villa style buildings, which is performed on a program basis. The scope of work includes water testing, removal of the indoor/outdoor carpet in recessed areas, crack repairs to the concrete slab, application of waterproofing sealant (where applicable), application of waterproof barrier and liner at planter boxes (where applicable), and installation of new carpet.

Funding in this reserve item provides for the replacement of the synthetic recessed area carpets at 9 Garden Villa style buildings, which is performed on an annual program basis.

39) Garden Villa Rec Room Heat Pump/Water Heater

\$6,017

Water Heaters: There are 53 Garden Villa Recreation Room water heaters in the Mutual. Replacement of the water heaters is implemented proactively at the end of their 10-year serviceable life. Nine water heaters are due for replacement in 2021.

Heat Pumps: Replacement of the heat pumps is based on an annual inspection with consideration to the unit's expected lifecycle, maintenance and repair history, age and its overall condition, or upon failure. No heat pumps are expected to require replacement in 2021. Replacements will resume in 2022.

This reserve component is designed to address repairs and replacements of original construction building rain gutter and downspout systems on all of the Mutual's buildings that are exhibiting deterioration.

Gutter Repairs: The gutter systems are constructed of galvanized metal pieces joined together in ten foot long sections or less. Typically, original gutter systems fail at the joints and corrode, which result in leaks. The funding for this program is reactive and based on resident requests.

Gutter Replacement: This reserve item is designed to address the replacement of failing, original rain gutter sections, and downspout systems on all of the Mutual's buildings.

New Gutter Installation: Beginning in 2020, \$50,000 was added to the budget for new gutter installations in order to address drainage issues and to prevent foundation erosion in conjunction with buildings on the exterior paint program.

The reduction in 2021 is due to a funding cut for gutter repairs and/or replacements performed by in-house staff

41) Mailboxes

\$51,899

Third Mutual has approximately 4,271 individual mailboxes. Each cluster mailbox will house up to 4, 8 or 12 units.

The current mailbox clusters are deteriorating and are no longer compliant to USPS standards. The 2021 funding level may replace up to 21 cluster mailboxes, based on 12 mailboxes per cluster.

42) Paint Program

\$1,506,039

During the 2021 Business Planning Meeting, the Mutual elected to consider changing the Exterior paint program from a 10-year to a 15-year paint cycle for the 16,495,970 square feet of exterior building surfaces. All exterior components of each building are to be painted every 15 years. The building components painted include the body, (stucco and/or siding) and the trim (fascia boards, beams, overhangs, doors, closed soffits and structural and ornamental metal surfaces).

Deck topcoat resurfacing, replacement of HIP Reflective address building numbers, lead testing and Lead RRP (Renovation, Repair and Painting) activities are performed in conjunction with the Exterior Paint Program. Non-wood alternatives are used where possible.

Funding also includes interior and exterior touch-up painting which was moved from Operating to Reserves in 2019.

Planned expenditures are based on the square footage and the number of buildings planned for 2021 with a 15-year exterior paint cycle in place.

43) Prior to Paint

\$1,071,350

PTP: The reserve component for prior to paint repairs will prepare building surfaces for painting. This work is performed by outside contractors and in-house staff includes structural and non-structural repairs; mitigation of dry rot; balcony and breezeway decking repairs which are performed every 15 years in conjunction with the Exterior Paint Program.

Top Coat Resurfacing: The reserve component for is designed to provide a waterproof topcoat sealant to the elevated balcony and breezeway deck surfaces and inspections and repairs of the deck structures every 7.5 years, which is mid-way between the 15-year exterior paint cycle.

Planned expenditures are based on the square footage and the number of buildings planned for 2021. Funding also includes costs related to asbestos and lead testing with the abatement of dry rotted components

Parkway Concrete: Each year staff inspects the Mutual sidewalks to receive paving work for potential tripping hazards and areas are identified for replacement to eliminate the long waiting periods required with the current reactive program. Staff also identifies all damaged drainage gutters in the area and includes their replacement cost in this budget item. This program works in conjunction with the current paving program.

Asphalt Repairs: As part of the Mutual's asphalt repaving program, each year all asphalt pavement in the community is inspected and rated for wear. When the pavement rating justifies replacement, the work is budgeted for the upcoming year. For the purpose of reserve planning, an estimated life of 25 years is used.

Seal Coat: The application of a seal coat over asphalt is necessary to extend the useful life of pavement. Asphalt receives a seal coat 5 years after paving and also on a continuous 7-year cycle thereafter. This type of preventive maintenance is considered the most efficient and cost-effective method of extending the serviceable life of asphalt paving.

Golf Cart Parking & Striping: Staff was directed to consider additional opportunities to create golf cart parking in areas where landscaping has declined or is absent. The proposed budget for 2021 will provide for an additional 10 golf cart parking spaces.

45) Roofs**\$1,439,294**

Roofs Preventive Maintenance: The Built-up Roof (BUR) Maintenance Program is intended to extend the serviceable life of existing BUR roofs by three to five years, for a total serviceable life of 18-20 years. The program emphasizes aggressive repair and maintenance on BUR roofs at 5-year intervals.

The current roofing contract provides for the 5-year preventive maintenance of each roof system at no cost to the Mutual. In 2021, 202,589 square feet will be addressed by the roofing contractor on roofing replacements completed in 2016.

The 10-year preventive maintenance program for 2021 includes those built-up roofs that were replaced in 2011.

Roofs Built-Up – PVC Cool Roof: The Built-Up Roofing ("BUR") Replacement Program is designed to identify and replace BUR roof systems that have reached their serviceable life prior to failure with PVC Cool Roofs which have a serviceable life of 25 years. All roofs 15 years of age and older are visually inspected and a query of all reported rain leaks for the subject buildings is generated.

The roofs are ranked by condition and those with the worst overall performance are slated for replacement. Therefore, not all BUR roofs are replaced upon expiration of their anticipated 16-year serviceable life.

Roofs Built-Up – PVC Cool Roof & Lightweight Tile: The useful life of a built up roof was estimated to be 16 years; however, through the inspection process, staff has concluded that the useful life of these roof systems are greater than their warranty life. The extended service life of these roofs translates to lower costs required to secure the expected level of service from this asset.

During the 2020 Business Planning Meeting, the Board authorized staff to lower the reserve costs required to maintain the built up roofs by \$100,000 per year. This savings will offset the funding needed to replace the lightweight tile roofs which are failing prior to the end of their expected useful life.

Roofs – Lightweight Tile: In 1990, staff was directed to replace 377 wood shake roofs with lightweight tile roof systems due to the potential fire risks associated with wood shake roofing. Although the lightweight tile roof products were projected to have a 40 year serviceable life, they have required a high rate of leak repairs. Buildings with the lightweight roof tile systems have incurred an average roofing repair cost of \$3,766 per building.

Staff instituted a program to begin the replacement of lightweight tile roofs with Certain Teed Landmark 40 Composition Shingle. This product has a proven record of virtually maintenance free performance which will not require framing upgrades to install and is projected to last 40 years. The look and profile of composition shingles has significantly improved in recent years and these roof systems have an appealing architectural look without the worry of tile breakage issues.

The Community has approximately 700 buildings with this type of system which were installed from 2001 through 2013 and have performed virtually problem free since. This system has a lifetime warranty and the Mutual's contractor offers a 5-year labor warranty.

46) Exterior Walls

\$35,000

Shepherd's Crook: Barbed wire is no longer a city-approved material for wall security. In 2017, the City of Laguna Woods passed a resolution to include Shepherd's Crook as an acceptable replacement to the existing barbed wire. A 21-year plan was created to replace the barbed wire with Shepherds Crook at approximately 1,400+ lineal feet per year.

Since 2020, planned expenditures include the cost of clearing and grubbing which was not previously included in prior years.

47) Waste Line Remediation

\$1,000,000

Waste Lines: In 2006, the Board established a reserve line item for Waste Lines. The program provides for the evaluation of waste lines and the establishment and implementation of a strategy for replacement. Lining the underground and under slab pipe is possible with a liner and epoxy resin product, and was expanded to include interior pipes in 2017.

Staff uses a combination of a reactive and proactive approach for the repair of waste lines. Reactively staff addresses backups as they arise and proactively all lines in the surrounding units are epoxy lined.

In 2020, the Board authorized additional funding to accelerate this program.

The 2021 planned expenditures will remain the same as last year, at \$1,000,000.

48) Water Lines – Copper Pipe Remediation

\$500,000

In 2006, the Board established a reserve line item for copper water lines. This budget item funds the epoxy lining of failed copper water supply lines in the Mutual. Buildings are selected as candidates for epoxy-lining based on a leak criteria and the frequency of leaks in a given building. Staff tracks leaks associated with the copper lines, and criteria-based calculations are made to identify the candidate building.

The program is reactive as well as proactive. When a manor meets the epoxy-lining criteria, the entire building where the manor is located is epoxy-lined.

Staff is currently using the approved leak rate ratio of two leaks in a three year period or manors with one leak equating to 1/3 of the total number of manors in a building to qualify a building for remediation.

The 2021 program includes funding for the lining of approximately 97 manors.

49) Elevators

\$255,000

The Elevator Replacement Fund provides funding for component replacement and upgrades to the 82 passenger elevators in the Mutual.

The elevator mechanical component replacement contract expired in 2018 and was subsequently advertised for contractor bids. The lowest quote received was significantly more than the previous contract amount and only allowed for 8 elevators to receive component replacement in 2019.

Starting in 2020, the annual budget was decreased to provide funding for 5 elevators, instead of 10.

50) Laundry Countertop/Floor

\$58,888

Countertops: The laundry facilities in Third Mutual are comprised of 81 three-story buildings with three laundry rooms each and 44 free standing laundry rooms. The three-story building laundry rooms have one folding table that will be replaced with a wall mounted countertop. The free standing laundry rooms have four wall mounted countertops and are treated as one component for reserve purposes. The current replacement policy is reactive and countertops are replaced upon failure or non-reparability.

Estimated Life = 20 Years. Planned expenditures are based on the historical replacement quantities, anticipated useful life, and current estimated cost plus inflation.

Flooring: There are three laundry facilities, one on each floor, of Third Mutual's 81 three-story buildings for a total of 243. Each of these laundry facilities has sheet vinyl floor covering. The Laundry Room Flooring Program addresses 6 buildings yearly, each with 3 floors for a total of 18 laundry room floors per year. Once the existing vinyl flooring is professionally removed by an abatement contractor, staff then applies an epoxy floor coating.

Estimated Life = 25 years. Planned expenditures are based on the historical replacement quantities, anticipated life, and current estimated costs plus inflation.

The 2021 program will replace the flooring in six buildings or 18 laundry room floors.

51) Laundry Appliances

\$92,955

Water Heaters: There are 125 laundry water heaters in the Mutual. The Mutual's policy is to replace all water heaters in their 10th year of life. Planned expenditures are based on the anticipated useful life and current estimated cost of materials and labor plus inflation.

Dryers: The Board approved the replacement of all existing residential dryers with commercial, coin operated machines. The level of the machines was raised by placing them on pedestals for easier use. Per Board directive, the number of dryers in stand-alone laundry facilities was reduced to 2 units. This was achieved when all dryers were replaced in 2019.

Washers: There are 455 washers in the Mutual's laundry facilities. The current replacement policy is reactive and washers are currently replaced upon failure or non-reparability. Some washers are now requiring replacement and the budget has been increased to account for 30 replacements in 2021.

The budget increase accounts for the replacement of 30 washing machines in the 3-story buildings.

RESERVE EXPENDITURES GENERAL SERVICES

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

52) Prior to Paint

\$11,856

The Mutual has a 10-year full exterior paint program. This budget item includes a contingency for railing welding repairs on the buildings scheduled for the 2021 exterior paint program.

53) Paving/Concrete

\$79,002

General Maintenance & Street Repairs; Asphalt Repairs, Main Line Repair, Crack Filling: Funding for asphalt and concrete in General Services addresses the reactive component of roadway and sidewalk repairs. Areas are addressed throughout the year as they are identified to eliminate the liability associated with the long waiting required with the annual proactive program. All street asphalt is also inspected and minor repairs and crack filling work is performed when needed to keep the roadways safe.

Sweeping/Scrubbing Garages: Twice a year 53 Garden Villa underground garages are cleaned and scrubbed to help keep these areas well maintained which helps extend the life of the parking surface areas.

54) Exterior Walls

\$49,147

This is a contingency for both perimeter and common wall replacements.

Funding is provided in this item to address common area walls, as well as the Mutual's perimeter walls. A contingency amount is included to address the repair or replacement of damaged common walls. This program assumes that an average of 1% of the walls would require repair every year.

Walls – Common Area: This budget line item was transferred from the Maintenance & Construction Department in 2020 and provides contingency funding for improvements to the common interior walls in the Mutual. This program addresses the need to provide common wall repair or replacement throughout the community.

Walls – Perimeter: Third Laguna Hills Mutual utilizes perimeter walls to provide physical security. The majorities of the walls were built over 35 years ago, and is typically made of concrete block. In addition to providing security to the community, this program replaces walls due to damage or deterioration.

**RESERVE EXPENDITURES
LANDSCAPE SERVICES**

The Department of Landscape Services is responsible for providing the following major functions:

55) Landscape Modernization **\$487,823**

Landscape renovation and modernization programs are included in the Landscape Modification budget and are designed to address specific areas of concern, as determined by collaboration between Staff and the Landscape Committee. These projects are funded through the Replacement Fund. Each program requires varying levels of time and materials, depending upon the site(s) and project(s) selected to be completed each year.

The 2021 Landscape Modernization Budget has decreased by \$100,367 or (17%) from the 2020 Budget due to reallocation of work to outside services and prudent use of contractors.

56) Improvement & Restoration **\$126,524**

The landscape in the Community is aging and in much of it is passed its useful life. The Improvement and Restoration work center replaces aging and dead plantings as well as re-landscaping areas that are difficult to maintain and irrigate.

This is a new work center; some of this work had been previously performed by outside services.

57) Tree Maintenance **\$920,872**

Tree Maintenance crews, supplemented by contractors, perform routine tree trimming on approximately 29,000 trees within the Community. The service level is on a five- year rotating cycle based upon the specific trimming needs of each tree species. All pruning is performed in accordance with International Society of Arboriculture pruning techniques. The tree inventory is maintained using the Arbor Pro program. Starting in 2020, Staff was supplemented by outside services to complete the scheduled maintenance cycle.

DISASTER FUND MAINTENANCE AND CONSTRUCTION

This was one of the first funds established for the Mutual to reserve for contingencies and uninsured damages. The purpose of this fund is to provide for emergency expenditures or catastrophic damages not covered by insurance, including insurance policy deductible amounts. Also, possibly for write-offs of uncollectible accounts according to original definition of the General Operating Fund. In the 2009 Business Plan, this fund was renamed from the General Operating Fund to the Disaster Fund to better convey its purpose. This fund is not required by Civil Code and is therefore excluded from reserve plan calculations.

59) Moisture Intrusion – Rain Leaks

\$237,513

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to roof leaks, deteriorated roof membranes, roof flashing/connections, windows, stucco walls, atrium back-ups, gutter systems, rain flooding, skylights (non-alteration), and vents, that may cause damage to framing, walls, etc. and will need repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

60) Moisture Intrusion – Plumbing Leaks

\$400,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to plumbing leaks from the under-slab, in-wall, supply line, drain line, that may cause damage to framing, walls, etc. and will need repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

61) Moisture Intrusion – Plumbing Stoppages

\$50,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of units due to plumbing stoppages from main lines, internal lines, toilets, sink/basins, and multi-fixture stoppages, that may cause damage to framing, walls, etc. and will need repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

62) Moisture Intrusion – Miscellaneous

\$46,548

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of units with miscellaneous moisture from tub/shower enclosures, cracked tile/missing grout, humidity, irrigation, loose sink/countertop connections, washing machines (non-alteration), service work related, foundations, window condensation, and mold, that may cause damage to

floors, walls, base boards, etc. and will need repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

63) Damage Restoration Services

\$220,370

This line item funds the emergency mitigation and restoration services necessary to fulfill the Mutual's policy and protect Mutual property against further loss or damage. Services include coordination of leak investigations, dispatch of emergency mitigation and remediation contractors, environmental testing, asbestos abatement and mold remediation where required, and repair of damaged building components.

Funding levels for this category are based on historic averages.

Part of this expenditure is reimbursed to the Mutual through hearings that review the circumstances of the moisture intrusion event in order to determine if the member should be held responsible for costs associated with the restoration.

**DISASTER FUND
LANDSCAPE**

64) Fire Risk Management

\$180,000

This line item funds the Orange County Fire Authority mandated vegetation management to provide adequate defensible space on perimeter land adjacent to open space and on interior slopes per OCFA guidelines and maps.

The proposed 2021 expenditure is equal to the 2020 amount budgeted in Reserves.

For 2021, the Staff recommends \$180,000 for Fire Risk Management.

**DISASTER FUND
FINANCIAL SERVICES**

65) Insurance Premiums

\$2,131,029

This line item funds for D&O liability and Property insurance. D&O liability coverage is for any actual or alleged wrongful act in the directors or officers respective capacities as an insured of the organization. Property insurance provides coverage against most damage to property incurred as the result of a loss such as fire or moisture intrusion events.

2021 expenditures assumes insurance premium of \$2,131,029 to be paid from the Disaster Fund.

**GARDEN VILLA REC ROOM FUND
MAINTENANCE AND CONSTRUCTION**

66) Garden Villa Recreation Rooms

\$71,831

The Replacement Reserve-Villa Furnishings Fund was established in 1975 for the replacement of furnishings in the Villa buildings. Several policy changes were made through the years regarding the fund name and usage. On September 19, 1995, the Board of Directors adopted Resolution M3-95-82 approving a fund name of Garden Villa Recreation Room Fund. The purpose of this fund is to provide for all expenditures in the recreation rooms of Garden Villa buildings (repairs, replacements and preventive maintenance), other than janitorial services. On June 16, 2009 the Board directed that water heater and heat pump components previously paid from this fund will be paid from the Replacement Fund.

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DEFINITION OF FUNDS

RESERVE FUNDS

REPLACEMENT RESERVE FUND

This fund was established at the original construction of the Mutual. The purpose of the Reserve Fund is to provide for repair, restoration, replacement, or maintenance of structural elements and mechanical equipment within the Mutual including, but not limited to, building structures, plumbing, roofs, paving, and walls.

<i>Fund</i>	<i>Year</i>	<i>Beginning Balance</i>	<i>Interest</i>	<i>Contributions</i>	<i>Assessment PMPM</i>	<i>Planned Expenditures</i>	<i>ENDING BALANCE</i>
	2020	\$ 13,824,460	\$ 250,998	\$ 10,690,704	\$ 146.00	\$ (11,020,002)	\$ 13,746,160
	2021	\$ 13,746,160	\$ 261,267	\$ 10,690,704	\$ 146.00	\$ (12,056,321)	\$ 12,641,809
	2022	\$ 12,641,809	\$ 306,061	\$ 11,276,496	\$ 154.00	\$ (12,075,245)	\$ 12,149,122
	2023	\$ 12,149,122	\$ 309,034	\$ 11,862,288	\$ 162.00	\$ (11,437,817)	\$ 12,882,627
	2024	\$ 12,882,627	\$ 330,968	\$ 12,448,080	\$ 170.00	\$ (11,735,900)	\$ 13,925,775
	2025	\$ 13,925,775	\$ 363,594	\$ 13,033,872	\$ 178.00	\$ (11,797,876)	\$ 15,525,365

ELEVATOR REPLACEMENT RESERVE FUND

This Elevator Replacement Fund was established in the 1978 Business Plan and only manors located within buildings containing common elevators contributed to this fund. The Board adopted Resolution M3-97-10, which changed this from a surcharge to a shared cost for all members of the Mutual effective January 1, 1998. The purpose of this fund is to provide for repair, restoration, replacement, or maintenance of elevator components including, but not limited to, cab doors, buttons and refurbishment, controllers, hoistway doors, hydraulic cylinders, and pit water proofing.

<i>Year</i>	<i>Beginning Balance</i>	<i>Interest</i>	<i>Contributions</i>	<i>Assessment PMPM</i>	<i>Planned Expenditures</i>	<i>ENDING BALANCE</i>
2020	\$ 1,837,556	\$ 33,210	\$ 366,120	\$ 5.00	\$ (124,230)	\$ 2,112,656
2021	\$ 2,112,656	\$ 43,364	\$ 366,120	\$ 5.00	\$ (255,000)	\$ 2,267,140
2022	\$ 2,267,140	\$ 58,632	\$ 439,344	\$ 6.00	\$ (283,083)	\$ 2,482,033
2023	\$ 2,482,033	\$ 57,273	\$ 512,568	\$ 7.00	\$ (894,796)	\$ 2,157,078
2024	\$ 2,157,078	\$ 48,869	\$ 512,568	\$ 7.00	\$ (917,166)	\$ 1,801,349
2025	\$ 1,801,349	\$ 44,215	\$ 585,792	\$ 8.00	\$ (651,250)	\$ 1,780,106



LAUNDRY REPLACEMENT RESERVE FUND

The Laundry Replacement Fund was one of the first funds established by the Mutual. Only manors originally built to be served by Mutual-owned laundry facilities contribute to this fund. As part of the 2019 Business Plan approval, this fund was changed from a surcharge to a shared cost for all members of the Mutual effective January 1, 2019. The purpose of this fund is to provide for repair, restoration, replacement, or maintenance of equipment in common laundry facilities including, but not limited to, washers, dryers, water heaters and plumbing fixtures.

Year	Beginning Balance	Interest	Contributions	Assessment PMPM	Planned Expenditures	ENDING BALANCE
2020	\$ 418,421	\$ 7,363	\$ 73,224	\$ 1.00	\$ (89,051)	\$ 407,957
2021	\$ 407,957	\$ 7,373	\$ 73,224	\$ 1.00	\$ (151,843)	\$ 336,711
2022	\$ 336,711	\$ 8,479	\$ 148,448	\$ 2.00	\$ (141,535)	\$ 350,104
2023	\$ 350,104	\$ 8,770	\$ 148,448	\$ 2.00	\$ (145,073)	\$ 360,248
2024	\$ 360,248	\$ 9,241	\$ 148,448	\$ 2.00	\$ (127,685)	\$ 388,253
2025	\$ 388,253	\$ 10,247	\$ 183,060	\$ 2.50	\$ (139,804)	\$ 441,755

OTHER FUNDS

DISASTER FUND

The Disaster Fund is used for the repair or replacement of mutual assets damaged by uninsured or unexpected disasters in addition to providing for certain insurance premiums as directed by the Board. This fund may also be used for write-offs of uncollectible accounts according to original definition of the General Operating Fund. This fund is not required by Civil Code and is not included in the reserve plan calculations.

Year	Beginning Balance	Interest	Contributions	Assessment PMPM	Planned Expenditures	ENDING BALANCE
2020	\$ 9,216,804	\$ 157,196	\$ 1,833,508	\$ 15.48	\$ (933,966)	\$ 10,273,542
2021	\$ 10,273,542	\$ 191,122	\$ 1,830,600	\$ 25.00	\$ (3,265,460)	\$ 9,029,804
2022	\$ 9,029,804	\$ 187,272	\$ 1,830,800	\$ 25.00	\$ (1,163,000)	\$ 9,884,876
2023	\$ 9,884,876	\$ 204,080	\$ 1,830,800	\$ 25.00	\$ (1,192,000)	\$ 10,727,356
2024	\$ 10,727,356	\$ 220,633	\$ 1,830,800	\$ 25.00	\$ (1,222,000)	\$ 11,556,589
2025	\$ 11,556,589	\$ 236,908	\$ 1,830,800	\$ 25.00	\$ (1,253,000)	\$ 12,371,097

2020 includes a \$700,000 transfer from operating surplus

2021 expenditures assumes insurance premium of \$2,131,029 to be paid from the Disaster Fund.



UNAPPROPRIATED EXPENDITURES FUND

In 1977, Resolution No. 696 established the Supplemental Appropriations Fund. The fund name was changed to the Unappropriated Expenditures Fund in 1991. This contingency fund is used for significant expenditures not otherwise identified in the Business Plan. This fund is not required by Civil Code and is not included in the reserve plan calculations.

Year	Beginning Balance	Interest	Contributions	Assessment PMPM	Planned Expenditures	ENDING BALANCE
2020	\$ 3,212,980	\$ 65,094	\$ 585,792	\$ 8.00	\$ (200,000)	\$ 3,663,866
2021	\$ 3,663,866	\$ 75,135	\$ 585,792	\$ 8.00	\$ (400,000)	\$ 3,924,793
2022	\$ 3,924,793	\$ 80,254	\$ 585,792	\$ 8.00	\$ (410,000)	\$ 4,180,839
2023	\$ 4,180,839	\$ 85,275	\$ 585,792	\$ 8.00	\$ (420,000)	\$ 4,431,906
2024	\$ 4,431,906	\$ 90,186	\$ 585,792	\$ 8.00	\$ (431,000)	\$ 4,676,884
2025	\$ 4,676,884	\$ 94,976	\$ 585,792	\$ 8.00	\$ (442,000)	\$ 4,915,652

GARDEN VILLA RECREATION ROOM FUND

Surcharge Fund: Only manors located within the 53 Garden Villa buildings contribute to this fund.

The Replacement Reserve-Villa Furnishings Fund was established in 1975 for the replacement of furnishings in the Villa buildings. Several policy changes were made through the years regarding the fund name and usage. On September 19, 1995, the Board of Directors adopted Resolution M3-95-82 approving a fund name of Garden Villa Recreation Room Fund. The purpose of this fund is to provide for all expenditures in the recreation rooms of Garden Villa buildings (repairs, replacements and preventive maintenance), other than janitorial services. On June 16, 2009 the Board directed that water heater and heat pump components previously paid from this fund will be paid from the Replacement Fund. This fund is not required by Civil Code and is not included in the reserve plan calculations.

Year	Beginning Balance	Interest	Contributions	Assessment PMPM	Planned Expenditures	ENDING BALANCE
2020	\$ 61,299	\$ 1,304	\$ 85,698	\$ 5.75	\$ (70,982)	\$ 77,319
2021	\$ 77,319	\$ 1,685	\$ 85,698	\$ 5.75	\$ (71,831)	\$ 92,871
2022	\$ 92,871	\$ 2,016	\$ 89,424	\$ 6.00	\$ (73,600)	\$ 110,711
2023	\$ 110,711	\$ 2,354	\$ 89,424	\$ 6.00	\$ (75,400)	\$ 127,089
2024	\$ 127,089	\$ 2,700	\$ 93,150	\$ 6.25	\$ (77,300)	\$ 145,639
2025	\$ 145,639	\$ 3,052	\$ 93,150	\$ 6.25	\$ (79,200)	\$ 162,641

Note: Garden Villa Rec Room Fund surcharge applies only to manors within Garden Villa buildings.

Executive Summary

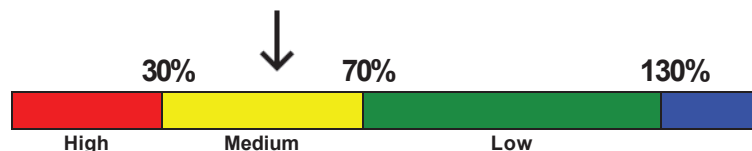
Association: Third Mutual - Laguna Woods Village
Location: Laguna Woods, CA
Report Period: January 1, 2021 through December 31, 2021

Assoc. #: 31071-1
of Units: 6,102

Findings/Recommendations as-of: January 1, 2021

Projected Starting Reserve Balance	\$16,266,773
Current Full Funding Reserve Balance	\$30,248,308
Average Reserve Deficit (Surplus) Per Unit	\$2,291
Percent Funded	53.8 %
Recommended 2021 "Annual Full Funding Contributions"	\$13,160,000
Alternate minimum contributions to keep Reserve above \$0	\$11,130,048
Most Recent Reserve Contribution Rate	\$11,130,048

Reserves % Funded: 53.8%



Special Assessment Risk:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves2.00 %
Annual Inflation Rate3.00 %

This is an Update "No-Site-Visit" Reserve Study, and is based on a prior Report prepared by Association Reserves for your 2020 Fiscal Year. No site inspection was performed as part of this Reserve Study. This Reserve Study was prepared by a credentialed Reserve Specialist, Sean Erik Andersen RS #68.

The Reserve Fund is between the 30% funded level and the 70% funded level at 53.8 % Funded, which is a fair position for the fund to be in. This means that the mutual's special assessment & deferred maintenance risk is currently medium. The objective of your multi-year Funding Plan is to Fully Fund Reserves and ultimately achieve a position of strength in the fund, where the Mutual will enjoy a low risk of Reserve cash flow problems.

Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions to \$13,160,000.

*The Alternative Contribution rate, also called Threshold Funding will keep the Reserve Funds above \$8,290,000. This figure for your association is \$11,130,048.

To receive a copy of the full Reserve Study, contact the Mutual.

Executive Summary

31071-1

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
Paved Surfaces				
103	Parkway Concrete - Repair/Replace	1	0	\$155,000
109	Creation of Golf Cart Parking	1	1	\$25,000
109	Creation of Golf Cart Parking -2021	0	0	\$50,000
201	2021 Asphalt Paving Replacement	25	0	\$467,800
201	2022 Asphalt Paving Replacement	25	1	\$401,400
201	2023 Asphalt Paving Replacement	25	2	\$337,200
201	2024 Asphalt Paving Replacement	25	3	\$281,400
201	2025 Asphalt Paving Replacement	25	4	\$266,900
201	2026 Asphalt Paving Replacement	25	5	\$345,300
201	2027 Asphalt Paving Replacement	25	6	\$343,600
201	2028 Asphalt Paving Replacement	25	7	\$341,200
201	2029 Asphalt Paving Replacement	25	8	\$329,300
201	2030 Asphalt Paving Replacement	25	9	\$327,500
201	2031 Asphalt Paving Replacement	25	10	\$329,500
201	2032 Asphalt Paving Replacement	25	11	\$322,400
201	2033 Asphalt Paving Replacement	25	12	\$323,700
201	2034 Asphalt Paving Replacement	25	13	\$285,200
201	2035 Asphalt Paving Replacement	25	14	\$302,300
201	2036 Asphalt Paving Replacement	25	15	\$285,600
201	2037 Asphalt Paving Replacement	25	16	\$269,500
201	2038 Asphalt Paving Replacement	25	17	\$270,600
201	2039 Asphalt Paving Replacement	25	18	\$269,700
201	2040 Asphalt Paving Replacement	25	19	\$245,000
201	2041 Asphalt Paving Replacement	25	20	\$258,700
201	2042 Asphalt Paving Replacement	25	21	\$261,000
201	2043 Asphalt Paving Replacement	25	22	\$235,200
201	2044 Asphalt Paving Replacement	25	23	\$272,300
201	2045 Asphalt Paving Replacement	25	24	\$316,200
201	2046 Asphalt Paving Replacement	25	24	\$316,200
201	Asphalt Paving Annual Replace	1	1	\$130,000
202	Paving Seal Coat - Annually	1	0	\$50,000
205	(2021) Concrete & Paving Maint	10	0	\$79,100
205	(2022) Concrete & Paving Maint	10	1	\$78,000
205	(2023) Concrete & Paving Maint	10	2	\$51,900
205	(2024) Concrete & Paving Maint	10	3	\$114,800
205	(2025) Concrete & Paving Maint	10	4	\$97,800
205	(2026) Concrete & Paving Maint	10	5	\$52,500
205	(2027) Concrete & Paving Maint	10	6	\$55,500
205	(2028) Concrete & Paving Maint	10	7	\$74,600
205	(2029) Concrete & Paving Maint	10	8	\$72,000
205	(2030) Concrete & Paving Maint	10	9	\$73,300
Roofing & Gutters				
1308	(2021-2029) LWT to Comp Shingle	1	0	\$110,000
1308	LWT to Comp Shingle Roofs	1	9	\$415,000
1310	(2039) Malibu/Capistrano Tile Roofs	40	18	\$750,000
1310	(2040) Malibu/Capistrano Tile Roofs	40	19	\$1,040,000

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
1310	(2041) Malibu/Capistrano Tile Roofs	40	20	\$450,000
1310	(2042) Malibu/Capistrano Tile Roofs	40	21	\$285,000
1310	(2043) Malibu/Capistrano Tile Roofs	40	22	\$427,000
1310	(2044) Malibu/Capistrano Tile Roofs	40	23	\$1,135,000
1310	(2045) Malibu/Capistrano Tile Roofs	40	24	\$888,000
1310	(2046) Malibu/Capistrano Tile Roofs	40	25	\$1,192,000
1310	(2047) Malibu/Capistrano Tile Roofs	40	26	\$510,000
1310	(2048) Malibu/Capistrano Tile Roofs	40	27	\$584,000
1310	(2049) Malibu/Capistrano Tile Roofs	40	28	\$575,000
1310	(2050) Malibu/Capistrano Tile Roofs	40	29	\$998,000
1310	(2051) Malibu/Capistrano Tile Roofs	40	30	\$937,000
1310	(2052) Malibu/Capistrano Tile Roofs	40	31	\$822,000
1310	(2053) Malibu/Capistrano Tile Roofs	40	32	\$811,000
1310	(2054) Malibu/Capistrano Tile Roofs	40	33	\$807,000
1310	(2055) Malibu/Capistrano Tile Roofs	40	34	\$429,000
1311	Metal Tile Roof 2030-2049 - Replace	1	9	\$218,000
1314	PVC Cool Roof System - Replace	1	0	\$1,200,000
1316	Roof Preventative Maintenance	1	0	\$69,500
1317	Emergency Roof Repairs	1	0	\$110,000
1330	(2040-2048) Gutter Repair/Replace	1	19	\$175,000
1331	(2020-2029) Gutter Repair/Replace	1	0	\$100,000
1331	(2030-2039) Gutter Repair/Replace	1	9	\$50,000
Building Structures				
151	Damage Restoration	1	0	\$889,000
1860	(2022) Fire Alarm Consultant	0	1	\$30,000
1860	(2023-2028) Fire Alarm System	20	2	\$210,000
3210	(2021-2025) MO/Carpentry/CP Panels	1	0	\$610,000
3210	(2026-2039) MO/Carpentry/CP Panels	1	5	\$360,000
3210	(2040-2050) MO/Carpentry/CP Panels	1	19	\$290,000
3213	(2021-2022) Bldg Structure Dry Rot	1	0	\$1,025,000
3213	(2023-2027) Bldg Structure Dry Rot	1	2	\$513,000
3213	(2028-2037) Bldg Structure Dry Rot	1	7	\$256,000
3213	(2038-2050) Bldg Structure Dry Rot	1	17	\$128,000
3216	(2021) Bldg Struct Replacement	0	0	\$500,000
3216	(2022) Bldg Struct Replacement	0	1	\$750,000
3216	(2023-2027) Bldg Struct Replacement	1	2	\$350,000
3216	(2028-2037) Bldg Struct Replacement	1	7	\$175,000
3216	(2038-2050) Bldg Struct Replacement	1	17	\$87,500
3219	(2021) Parapet Wall Removal	0	0	\$300,000
3219	(2022-2024) Parapet Wall Removal	1	1	\$240,000
3220	Bldg Struct Foundation Repairs	1	0	\$75,000
3223	(2022-2027) Storage Cabinets	1	0	\$91,000
3225	(2021) Glulam/Beam - Repair	10	0	\$1,283,000
3225	(2022) Glulam/Beam - Repair	10	1	\$310,000
3225	(2024) Glulam/Beam - Repair	10	3	\$150,000
3225	(2026) Glulam/Beam - Repair	10	5	\$150,000
3225	(2027) Glulam/Beam - Repair	10	6	\$410,000
3225	(2028) Glulam/Beam - Repair	10	7	\$205,000
3225	(2029) Glulam/Beam - Repair	10	8	\$150,000

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
3225	(2030) Glulam/Beam - Repair	10	9	\$51,000
3230	(2021-2024) Bldg Rehab Dry Rot/Lead	1	0	\$280,000
3230	Annual Bldg Rehab Dry Rot/Lead	1	4	\$180,000
Decking Projects				
150	(2020-2025) Decks - Resurface	1	0	\$293,000
150	(2026-2050) Decks - Resurface	1	5	\$190,000
151	Balcony Inspections	1	0	\$50,000
152	Decks - Topcoat	1	0	\$132,000
Prior To Painting & Painting Projects				
153	PTP Deck Resurface with Painting	1	0	\$61,300
1115	(2021) Full Cycle Exterior Painting	1	0	\$1,224,000
1115	Annual Full Cycle Exterior Painting	1	1	\$1,126,000
1116	Annual Paint Touch-Up	1	0	\$221,000
1400	Annual HIP Reflective Address Signs	1	0	\$37,200
1401	(2021) Bldg # Signage Replacement	20	0	\$81,000
1401	(2022) Bldg # Signage Replacement	20	1	\$81,000
1401	(2023) Bldg # Signage Replacement	20	2	\$81,000
1401	(2024) Bldg # Signage Replacement	20	3	\$81,000
1401	(2025) Bldg # Signage Replacement	20	4	\$81,000
1401	(2026) Bldg # Signage Replacement	20	5	\$81,000
1401	(2027) Bldg # Signage Replacement	20	6	\$81,000
1401	(2028) Bldg # Signage Replacement	20	7	\$81,000
1401	(2029) Bldg # Signage Replacement	20	8	\$81,000
1401	(2030) Bldg # Signage Replacement	20	9	\$48,700
2901	PTP Annual Lead Abatement	1	1	\$6,500
2901	PTP Annual Lead Abatement (2021)	1	0	\$10,000
2902	PTP Annual Asbestos Abate (2021)	1	0	\$51,800
2902	PTP Annual Asbestos Abatement	1	1	\$35,300
2910	(2021) PTP Repair Work	1	0	\$632,000
2910	(2022-2050) PTP Repair Work	1	1	\$626,000
Elevators				
2800	Miscellaneous Elevator Components	1	0	\$15,400
2801	(2034) Cab Door Replacement	30	13	\$63,000
2801	(2035) Cab Door Replacement	30	14	\$150,000
2801	(2036) Cab Door Replacement	30	15	\$150,000
2801	(2037) Cab Door Replacement	30	16	\$150,000
2801	(2038) Cab Door Replacement	30	17	\$150,000
2801	(2039) Cab Door Replacement	30	18	\$150,000
2801	(2040) Cab Door Replacement	30	19	\$150,000
2801	(2041) Cab Door Replacement	30	20	\$63,000
2802	(2021) Cab Door Operators Replace	30	0	\$49,500
2802	(2022) Cab Door Operators Replace	30	1	\$49,500
2802	(2023) Cab Door Operators Replace	30	2	\$49,500
2802	(2024) Cab Door Operators Replace	30	3	\$49,500
2802	(2045) Cab Door Operators Replace	30	24	\$101,000
2802	(2046) Cab Door Operators Replace	30	25	\$120,000
2802	(2047) Cab Door Operators Replace	30	26	\$120,000
2802	(2048) Cab Door Operators Replace	30	27	\$120,000
2802	(2049) Cab Door Operators Replace	30	28	\$120,000

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
2802	(2050) Cab Door Operators Replace	30	29	\$40,000
2804	(2021) Cab Remodel & Flooring	30	0	\$63,100
2804	(2022) Cab Remodel & Flooring	30	1	\$63,100
2804	(2023) Cab Remodel & Flooring	30	2	\$63,100
2804	(2024) Cab Remodel & Flooring	30	3	\$63,100
2806	(2023) Controllers & Call Buttons	30	2	\$590,000
2806	(2024) Controllers & Call Buttons	30	3	\$590,000
2806	(2025) Controllers & Call Buttons	30	4	\$590,000
2806	(2026) Controllers & Call Buttons	30	5	\$590,000
2806	(2027) Controllers & Call Buttons	30	6	\$590,000
2806	(2028) Controllers & Call Buttons	30	7	\$590,000
2806	(2029) Controllers & Call Buttons	30	8	\$590,000
2806	(2030) Controllers & Call Buttons	30	9	\$708,000
2808	(2021) Hoistway Doors Replace	30	0	\$38,000
2808	(2022) Hoistway Doors Replace	30	1	\$59,100
2808	(2023) Hoistway Doors Replace	30	2	\$44,600
2808	(2024) Hoistway Doors Replace	30	3	\$44,600
2850	(2021) Machine Room Power Units	30	0	\$71,500
2850	(2022) Machine Room Power Units	30	1	\$71,500
2850	(2023) Machine Room Power Units	30	2	\$71,500
2850	(2024) Machine Room Power Units	30	3	\$71,500
2850	(2045) Machine Room Power Units	30	24	\$143,000
2850	(2046) Machine Room Power Units	30	25	\$172,000
2850	(2047) Machine Room Power Units	30	26	\$172,000
2850	(2048) Machine Room Power Units	30	27	\$172,000
2850	(2049) Machine Room Power Units	30	28	\$172,000
2850	(2050) Machine Room Power Units	30	29	\$57,200
2852	(2021) Solid State Soft Starters	20	0	\$18,000
2852	(2022) Solid State Soft Starters	20	1	\$18,000
2852	(2023) Solid State Soft Starters	20	2	\$18,000
2852	(2024) Solid State Soft Starters	20	3	\$18,000
2852	(2036) Solid State Soft Starters	20	15	\$36,000
2852	(2037) Solid State Soft Starters	20	16	\$36,000
2852	(2038) Solid State Soft Starters	20	17	\$36,000
2852	(2039) Solid State Soft Starters	20	18	\$36,000
2852	(2040) Solid State Soft Starters	20	19	\$18,000
Garden Villas				
332	(2021) GV Water Heaters	10	0	\$6,300
332	(2023) GV Water Heaters	10	2	\$1,150
332	(2024) GV Water Heaters	10	3	\$1,150
332	(2026) GV Water Heaters	10	5	\$1,700
332	(2027) GV Water Heaters	10	6	\$1,700
332	(2028) GV Water Heaters	10	7	\$8,900
332	(2029) GV Water Heaters	10	8	\$5,000
332	(2030) GV Water Heaters	10	9	\$6,000
336	GV Rec Room Heat Pump	1	0	\$2,000
912	(2021) GV Lobby Renovations	0	0	\$75,150
912	(2022) GV Lobby Renovations	0	1	\$88,000
912	(2026) GV Lobby Renovations	0	5	\$75,300
912	(2027) GV Lobby Renovations	0	6	\$100,400

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
912 (2028) GV Lobby Renovations	0	7	\$75,300
912 (2029) GV Lobby Renovations	0	8	\$37,700
912 (2030) GV Lobby Renovations	0	9	\$87,900
912 (2031) GV Lobby Renovations	0	10	\$87,900
912 (2032) GV Lobby Renovations	20	11	\$62,800
912 (2033) GV Lobby Renovations	20	12	\$87,900
912 (2034) GV Lobby Renovations	20	13	\$25,200
912 (2035) GV Lobby Renovations	20	14	\$25,200
912 (2036) GV Lobby Renovations	20	15	\$130,000
912 (2037) GV Lobby Renovations	20	16	\$130,000
912 (2038) GV Lobby Renovations	20	17	\$130,000
912 (2039) GV Lobby Renovations	20	18	\$130,000
912 (2040) GV Lobby Renovations	20	19	\$130,000
915 (2021) Mail Room Renvoations	0	0	\$500
915 (2026) Mail Room Renvoations	10	5	\$80,000
915 (2027) Mail Room Renvoations	10	6	\$80,000
915 (2028) Mail Room Renvoations	10	7	\$80,000
915 (2029) Mail Room Renvoations	10	8	\$80,000
915 (2030) Mail Room Renvoations	10	9	\$80,000
915 (2031) Mail Room Renvoations	10	10	\$24,000
1950 (2022-2035) GV Concrete Filler	1	1	\$212,500
1951 GV Recessed Area Carpet	1	0	\$65,000
Lighting Replacement Projects			
360 Street Light Replacement	1	0	\$29,000
370 Exterior Lighting Replacement	1	0	\$50,000
Walls, Fencing & Railings			
501 Common Interior Walls- Repair	1	0	\$25,000
501 Perimeter Block Wall - Repair	1	0	\$24,200
504 Shepherds Crooks - Replace/Repair	1	0	\$147,500
516 Split Rail Fencing Replacement	1	0	\$57,000
Laundry Facilities			
603 (2021-2029) Epoxy Floors - Replace	1	0	\$51,500
603 (2041) Epoxy Floors - Replace	20	20	\$51,500
990 2021-2023 Countertops - Replace	1	0	\$15,000
990 2034-2043 Countertops - Replace	1	13	\$15,500
992 Commercial Washers - Replace	1	0	\$62,000
993 Commercial Dryers - Replace	1	6	\$39,000
994 (2021) Laundry Water Heaters	10	0	\$33,000
994 (2022) Laundry Water Heaters	10	1	\$13,100
994 (2023) Laundry Water Heaters	10	2	\$13,100
994 (2024) Laundry Water Heaters	10	3	\$8,100
994 (2025) Laundry Water Heaters	10	4	\$16,200
994 (2026) Laundry Water Heaters	10	5	\$8,100
994 (2027) Laundry Water Heaters	10	6	\$6,100
994 (2028) Laundry Water Heaters	10	7	\$17,200
994 (2029) Laundry Water Heaters	10	8	\$6,100
994 (2030) Laundry Water Heaters	10	9	\$32,400
Sewer Lines, Water Lines & Elect			
318 (2021-2040) Waste Line Liners	1	0	\$100,000

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
318 (2034-2047) GV Waste Line Liners	1	13	\$82,000
319 (2021) Copper Water Lines	0	0	\$500,000
319 (2022-2028) Copper Water Lines	1	1	\$300,000
319 (2029) Copper Water Lines	1	8	\$130,000
340 Elect System & Panel Replacement	1	0	\$50,000
341 Heat Pumps/Wall Heaters, Replace	1	0	\$9,500
2810 (2020-2028) Energy Consultant	1	0	\$10,100
Grounds & Miscellaneous			
450 Pedestal Mailboxes - Replace	1	0	\$27,000
Landscape Projects			
1020 Trees - Trim & Maintenance	1	0	\$1,450,000
1022 Annual Modernization - Refurbish	1	1	\$110,000
1022 Landscape Improvement & Restoration	1	0	\$200,000
1024 Slope Renovations	1	0	\$600,000
1026 (2021) Turf Reduction Program	0	0	\$19,000
246 Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

30-Year Reserve Plan Summary (Alternate Funding Plan)

31071-1
NSV

Fiscal Year Start: 2021

Interest:

2.00 %

Inflation:

3.00 %

Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)

Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Special Assmt Risk	Reserve Contribs.	Loan or Special Assmts	Interest Income	Reserve Expenses
2021	\$16,266,773	\$30,248,308	53.8 %		Medium	\$11,130,048	\$0	\$298,341	\$14,101,950
2022	\$13,593,212	\$32,231,703	42.2 %		Medium	\$12,176,273	\$0	\$238,306	\$15,749,730
2023	\$10,258,061	\$30,381,952	33.8 %		Medium	\$13,320,842	\$0	\$205,196	\$13,504,780
2024	\$10,279,320	\$31,181,030	33.0 %		Medium	\$13,587,259	\$0	\$205,029	\$13,830,263
2025	\$10,241,344	\$31,713,714	32.3 %		Medium	\$13,859,004	\$0	\$211,465	\$13,388,377
2026	\$10,923,436	\$32,767,581	33.3 %		Medium	\$14,136,184	\$0	\$224,222	\$13,765,684
2027	\$11,518,158	\$33,934,528	33.9 %		Medium	\$14,418,908	\$0	\$231,014	\$14,564,811
2028	\$11,603,268	\$34,014,866	34.1 %		Medium	\$14,707,286	\$0	\$240,146	\$14,118,583
2029	\$12,432,117	\$34,785,427	35.7 %		Medium	\$15,001,432	\$0	\$259,433	\$14,159,323
2030	\$13,533,660	\$36,539,064	37.0 %		Medium	\$15,301,460	\$0	\$274,019	\$15,217,178
2031	\$13,891,961	\$37,392,475	37.2 %		Medium	\$15,607,490	\$0	\$276,979	\$15,946,509
2032	\$13,829,920	\$37,922,369	36.5 %		Medium	\$15,919,639	\$0	\$288,808	\$14,962,461
2033	\$15,075,907	\$39,956,719	37.7 %		Medium	\$16,238,032	\$0	\$317,080	\$14,971,416
2034	\$16,659,604	\$42,675,299	39.0 %		Medium	\$16,562,793	\$0	\$343,831	\$15,812,951
2035	\$17,753,277	\$45,116,868	39.3 %		Medium	\$16,894,049	\$0	\$365,316	\$16,202,710
2036	\$18,809,931	\$47,367,628	39.7 %		Medium	\$17,231,930	\$0	\$384,289	\$16,773,856
2037	\$19,652,294	\$49,625,211	39.6 %		Medium	\$17,576,568	\$0	\$395,725	\$17,670,064
2038	\$19,954,523	\$51,214,647	39.0 %		Medium	\$17,928,100	\$0	\$406,396	\$17,568,779
2039	\$20,720,240	\$53,254,008	38.9 %		Medium	\$18,286,662	\$0	\$411,062	\$18,996,429
2040	\$20,421,534	\$54,117,633	37.7 %		Medium	\$18,652,395	\$0	\$403,115	\$19,552,119
2041	\$19,924,926	\$54,819,166	36.3 %		Medium	\$19,025,443	\$0	\$383,247	\$20,900,680
2042	\$18,432,934	\$54,729,226	33.7 %		Medium	\$19,405,952	\$0	\$375,079	\$19,106,527
2043	\$19,107,437	\$57,078,362	33.5 %		Medium	\$19,794,071	\$0	\$391,055	\$19,260,576
2044	\$20,031,988	\$59,950,911	33.4 %		Medium	\$20,189,952	\$0	\$388,899	\$21,719,221
2045	\$18,891,618	\$61,007,190	31.0 %		Medium	\$20,593,751	\$0	\$359,708	\$22,734,769
2046	\$17,110,308	\$61,697,999	27.7 %		High	\$21,005,626	\$0	\$313,299	\$24,182,507
2047	\$14,246,726	\$61,586,685	23.1 %		High	\$21,425,739	\$0	\$263,026	\$23,856,860
2048	\$12,078,630	\$62,313,674	19.4 %		High	\$21,854,253	\$0	\$221,741	\$24,039,900
2049	\$10,114,725	\$63,177,112	16.0 %		High	\$22,291,339	\$0	\$186,447	\$24,046,349
2050	\$8,546,162	\$64,772,465	13.2 %		High	\$22,737,165	\$0	\$149,366	\$25,029,318

Budget Summary

31071-1
NSV

	Useful Life		2021 Rem. Useful Life		Estimated Replacement Cost in 2021	2021 Expenditures	01/01/2021 Fully Funded Balance	Remaining Bal. to be Funded	2021 Contributions
	Min	Max	Min	Max					
Paved Surfaces	0	25	0	24	\$9,164,200	\$801,900	\$4,946,628	\$7,555,012	\$541,323
Roofing & Gutters	1	40	0	34	\$15,087,500	\$1,589,500	\$5,987,325	\$13,498,000	\$1,981,024
Building Structures	0	20	0	19	\$10,048,500	\$5,053,000	\$6,351,600	\$4,137,500	\$4,179,899
Decking Projects	1	1	0	5	\$665,000	\$475,000	\$475,000	\$190,000	\$476,707
Prior To Painting & Painting Projects	1	20	0	9	\$4,808,800	\$2,318,300	\$2,847,285	\$2,340,650	\$2,917,582
Elevators	1	30	0	29	\$8,545,300	\$255,500	\$5,571,850	\$8,007,305	\$217,658
Garden Villas	0	20	0	19	\$2,214,650	\$148,950	\$555,050	\$2,020,780	\$263,547
Lighting Replacement Projects	1	1	0	0	\$79,000	\$79,000	\$79,000	\$0	\$56,631
Walls, Fencing & Railings	1	1	0	0	\$253,700	\$253,700	\$253,700	\$0	\$181,866
Laundry Facilities	1	20	0	20	\$387,900	\$161,500	\$215,270	\$204,130	\$144,027
Sewer Lines, Water Lines & Elect	0	1	0	13	\$1,181,600	\$669,600	\$669,600	\$512,000	\$488,607
Grounds & Miscellaneous	1	1	0	0	\$27,000	\$27,000	\$27,000	\$0	\$19,355
Landscape Projects	0	1	0	1	\$2,379,000	\$2,269,000	\$2,269,000	\$110,000	\$1,691,774
					\$54,842,150	\$14,101,950	\$30,248,308	\$38,575,377	\$13,160,000

Percent Funded: 53.8%



STAFF REPORT

DATE: September 15, 2020
FOR: Board of Directors
SUBJECT: 2021 Collection and Lien Enforcement Policy

RECOMMENDATION

Staff recommends approval of the 2021 Collection and Lien Enforcement Policy.

BACKGROUND

The proposed 2021 Third Laguna Hills Mutual Collection and Lien Enforcement Policy outlines the procedures, policies, and practices employed by the Mutual in enforcing lien rights or other legal remedies against members who are in default in payment of assessments. The policy statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7) and will be distributed to members in November 2020 as part of the Annual Policy Statement.

DISCUSSION

Third legal counsel has determined that proposed changes are substantive enough to trigger the 28-day notice requirement for review.

FINANCIAL ANALYSIS

None.

Prepared By: Betty Parker, Chief Financial Officer

ATTACHMENT(S)

ATT1: 2021 Collection and Lien Enforcement Policy (Redline)
ATT2: 2021 Collection and Lien Enforcement Policy (Clean)
ATT3: Resolution

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**YEAR 2021 COLLECTION AND LIEN ENFORCEMENT
POLICY AND
PROCEDURES FOR ASSESSMENT DELINQUENCIES**

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~~PURPOSE~~ ANNUAL POLICY STATEMENT

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The following is a statement of the specific procedures, policies and practices (“Policy Statement”) employed by Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation (the “Mutual”) in enforcing lien rights or other legal remedies for default in payment of its assessments against its owners (“Members”). This Policy Statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7).

The collection of delinquent assessments is of vital concern to all Members of the Mutual. Such efforts ensure that all Members pay their fair share of the costs of services and facilities provided and maintained by the Mutual. Members’ failure to pay assessments when due creates a cash-flow problem for the Mutual and causes those Members who make timely payment of their assessments to bear a disproportionate share of the community’s financial obligations. ~~Special~~ Payment of special assessments must be received in a timely fashion in order to finance the needs for which said special assessments are ~~imposed~~ levied.

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Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual has been vested with certain enforcement rights and remedies which are in addition to those which exist

generally for creditors. These rights and remedies are described in this Policy Statement.

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION AND RECOGNIZING THEIR LEGAL OBLIGATIONS, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES, INTEREST, COLLECTION COSTS, AND POSSIBLE RESULTANT LEGAL ACTION, AND INCLUDING THE LEGAL OBLIGATION TO REIMBURSE THE MUTUAL FOR THE COSTS OF SUCH LEGAL ACTION. IT IS IN THE BEST INTEREST OF YOU AND EVERY OTHER MEMBER OF THE MUTUAL FOR EACH OF YOU TO MAKE YOUR MONTHLY PAYMENTS ON TIME.

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REGARDLESS OF WHETHER THE MUTUAL RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL MEMBERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

BASIC POLICIES AND PROCEDURES

~~Delinquency reports are made monthly by the Mutual's managing agent to the Board of Directors of the Mutual ("Board"), identifying the delinquent Member, and the amount and length of time the assessments have been in arrears.~~ The policies and practices outlined in this Policy Statement shall remain in effect until such time as ~~they~~any of them may be changed, modified, or amended by a duly adopted resolution of the Mutual's Board ~~of Directors ("Board")~~, or ~~unless~~until the applicable statutory scheme changes, in which event, the policies and practices in this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions.

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Delinquency reports are prepared monthly by the Mutual's managing agent to the Mutual's Board, identifying the delinquent Member, and the amount and length of time the assessments have been in arrears.

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In accordance with the Mutual's governing documents (including, without limitation, the Articles of Incorporation, the Bylaws, the recorded CC&Rs, rules and regulations, and written policies) (collectively, the "Governing Documents"), and the California Civil Code, to ensure the prompt payment of monthly regular assessments and special assessments, the Mutual employs the following collection and lien enforcement policies and procedures, including for the collection of said assessments, as well as late charges, interest, legal fees and other costs of collection, fines, fees, and chargeable services charged against Members pursuant to the Governing Documents and current law:

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1. Assessment Due Date

Regular assessments ("Carrying Charges" as defined in Article 1, Section 8 of the CC&Rs or as otherwise defined) are due and payable to the Mutual, in advance, in equal monthly installments, on the first (1st) day of each month. It is each Member's responsibility to pay assessments in full each month regardless of whether a billing statement is received.

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Special assessments shall be due and payable on the due date specified by the Board in the notice ~~imposing~~ of the levy of the special assessment or in the ballot presenting the special assessment to the Members for approval. In no event shall a special assessment be due and payable earlier than thirty (30) days after the special assessment is duly ~~imposed~~ levied. If a special assessment is payable in installments and an installment payment for that special

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assessment is delinquent for more than fifteen (15) days, all installments will be accelerated, and the entire unpaid balance of the special assessment shall become immediately due and payable. The remaining balance shall be subject to late fees and interest as provided herein.

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2. Reminder Notice

If the current monthly regular assessment is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or if a special assessment is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice is may, but is not required to, be sent to the Member. It is each Member's responsibility to pay assessments in full each month regardless of whether a reminder notice is sent or received.

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PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE RECEIVED BY THE MUTUAL WITHIN THIS FIFTEEN (15) DAY GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS NOT SUFFICIENT.

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3. Administrative Collection Fee

~~It is the policy of the Mutual not to routinely waive any~~ Any duly imposed late charges, interest, or ~~actually~~ incurred "Costs of Collection." shall not be routinely waived. "Costs of Collection" as used in this Policy Statement include, without limitation, an administrative collection fee, currently in the amount of Five Hundred Dollars (\$500) (the "Administrative Collection Fee"), which is charged by the Mutual's managing agent to cover staff's costs to prepare the files for delivery to the Mutual's legal counsel or collection agent in order to carry out

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legal and/or collection actions authorized hereunder, as well as ~~direct~~ costs incurred in handling the collection by the Mutual's legal counsel and/or collection agent, and costs incurred for recording, posting, publishing, serving, and/or mailing documents attendant to ~~this~~ the legal and/or collection process.

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The Administrative Collection Fee may be increased by majority vote of the Mutual's Board and may be collected by the Mutual's legal counsel ~~on its~~ and/or collection agent on the Mutual's behalf, and remitted to the Mutual's managing agent, or may be directly collected by the Mutual's managing agent.

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4. Late Charge and Interest

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IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. Any notices or invoices for assessments will be sent to Members by first-class mail addressed to the Member at his ~~or~~ her/their/its address as shown on the books and records of the Mutual. However, it is the Member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the Member's mailing address, pursuant to Civil Code section 4041.

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Both state law and the Mutual's Governing Documents allow the imposition of late charges and interest on delinquent assessments. Such late charges and interest may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel and/or collection agent for further handling.

A late ~~payment~~ charge for a delinquent assessment ~~will~~ may be assessed imposed in the amount of Sixty Dollars (\$60.00) ~~and will be imposed~~

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on any assessment payment that is more than fifteen (15) days in arrears. ~~Further, both state law and the Mutual's Governing Documents provide for interest on~~ The amount of the late charge may increase from time to time but shall in no event exceed ten percent (10%) of the delinquent assessment ~~and the late charge, and accordingly interest.~~

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Interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate of twelve percent (12%) as allowed by Civil Code section 5650. ~~Such interest may be imposed and collected per the foregoing sentence regardless of whether the Member's delinquent account is referred, pursuant to the Mutual's legal counsel for further handling.~~ Board Resolution.

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Non-assessment fines, fees, and chargeable services are also subject to ~~a late fee~~ fees and interest, in an amount determined by Board resolution.

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5. Demand Letter (aka Pre-Lien Notice)

If full payment of the delinquent amount is not received by the close of business on the day which is fifteen (15) days after the date ~~of the~~ Assessment is due, unless a Reminder Notice states otherwise, a Demand Letter (also known as a Pre-Lien Notice pursuant to California Civil Code sections 5660, ~~as detailed further below,~~) will be sent to the Member by Certified Mail. A Pre-Lien Notice is a pre-requisite prior to recording a lien against the property and provides information regarding the sums claimed as being delinquent. No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

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The Mutual, through its managing agent, ~~will~~ may also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances ~~can be~~ are given that the Mutual will ~~in fact reach~~ contact the

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Member by telephone, and the Member is responsible to pay ~~off~~ the ~~delinquency~~ delinquent amount whether or not a telephone reminder is actually made to, or received by the Member. ~~6. Alternate Means to Collect Delinquent Sums~~

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The Pre-Lien Notice shall include the following information (per California Civil Code Section 5660):

(a) A general description of the collection and lien enforcement procedures of the Mutual and the method of calculation of the amount, a statement that the owner of the Manor has the right to inspect the association records pursuant to Section 5205, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed:

“IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION”

(b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney’s fees, any late charges, and interest, if any:

(c) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association:

(d) The right to request a meeting with the board as provided in Section 5665:

(e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association's "meet and confer" program required in Article 2 (commencing with Section 5900) of Chapter 10;

(f) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure;

6. Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount (~~such as a duly levied and imposed~~including any outstanding assessment, fine, fee, Costs of Collection or chargeable service including associated late charges and interest) is not received by the close of business on the thirtieth (30th) day after ~~the date of the Demand Letter/Pre-Lien Notice (and with respect to recording a lien against a Member's separate interest in the condominium project ("Manor") which is governed by the Mutual, on the thirtieth (30th) day after~~ receipt of the Demand Letter/Pre-Lien Notice), unless the debt is disputed as detailed further below, the Mutual may thereafter, at its option, in accordance with the requirements and conditions herein and applicable law, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by any and all means authorized by law and the Mutual's Governing Documents including, without limitation, by: (1) suspending a Member's right (and that of the Resident or Tenant of that Member's Manor) to use Mutual and/or GRF-Golden Rain Foundation of Laguna Woods services and/or facilities; ~~(2)~~ after providing the owner with notice of

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a duly noticed hearing before the Board (no suspension imposed shall prevent the delinquent owner from the use, benefit and pleasure of the owner's Manor); (2) legal action(s), discussed further below; (3) securing the Mutual's interest in the debt owed by recording a lien against the delinquent owner's Manor and thereafter foreclosing on the Manor; (3) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure; (3) legal actions, discussed further below,; and/or (4) other means permitted by law. **THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.**

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~~The Mutual may, after following appropriate procedures prescribed by law and the Mutual's Governing Documents, suspend a delinquent Member's right to vote on matters as to which the Member would otherwise be entitled to vote (based on applicable law and/or the Mutual's governing documents), or to use facilities or receive services provided by the Mutual, or both, until the delinquency is paid in full, including interest, late charges, and/or the Administrative Collection Fee, as may have been imposed or incurred in a particular instance. Failure to pay the assessments, interest, late charges, and/or the Administrative Collection Fee may also result in suspension of certain Membership rights and the ability to use the facilities or services provided by the Golden Rain Foundation of Laguna Woods or by this Mutual.~~

~~The Mutual may also take various legal actions to enforce the collection of delinquencies. The Demand Letter/Pre-Lien Notice is presumed to have been received in the regular course of mail within five (5) days of mailing if the mailing address is within the state of California, within ten (10) days if the mailing address is within the United States but outside of the state of California and within twenty (20) days if the mailing address is outside of the United States to avoid further collection action.~~

~~**THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.**~~

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7. Small Claims Court

A civil action in small claims court may be filed, with a management company representative or bookkeeper appearing and participating on behalf of the Mutual.

PLEASE NOTE THAT A SMALL CLAIMS COURT ACTION MAY BE PURSUED BASED ON A BOARD RESOLUTION EITHER BEFORE OR AFTER RECORDING A NOTICE OF DELINQUENT ASSESSMENT, AND/OR AFTER A WRITE-OFF.

The amount that may be recovered in small claims court may not exceed the jurisdictional limits of the small claims court, and shall be the sum of the following: (a) the amount owed as of the date of filing of the complaint in the small claims court proceeding; and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments, fines, fees, or chargeable services, and any reasonable late charges, fees and Costs of Collection (which costs shall, as stated above, include, without limitation, the Administrative Collection Fee), attorney's fees and interest, all up to the jurisdictional limits of the small claims court.

Successive small claims court actions may be pursued, consistently with applicable laws, until the entire amount of the delinquency is recovered.

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8. Validation of Debts

Pursuant to the Federal Fair Debt Collection Practices Act, if an owner notifies a debt collector in writing, within thirty days (30) after receipt of a notice of debt (as described in United States Code Section 1692g), that the debt, or any portion thereof, is disputed, or that the owner requests the name and address of the Mutual, which is the original creditor, the debt collector shall cease collection of the debt, or any disputed portion thereof, until the debt collector obtains verification of the debt or a copy of a judgment, or the name and address of the Mutual, which is the original creditor, and a copy of such verification or judgment, or name and address of the Mutual, which is the original creditor, is mailed to the owner by the debt collector.

9. Lien

The Mutual may secure the delinquency by recording a lien on the owner's Manor with the ~~county recorder of the county in which the Manor is located.~~ Orange County Recorder's office. The debt shall be a lien on the owner's Manor from and after the time the Mutual records a ~~notice~~ Notice of ~~delinquent assessment.~~ Delinquent Assessment (Lien), which shall state: the amount of the ~~assessment~~ delinquent assessments, and other sums imposed in accordance with subdivision (b) of Section 5650 of the California Civil Code; a legal description of the owner's Manor against which the ~~assessment~~ assessments, and other sums are levied; and the name of the record owner of the Manor against which the lien is ~~imposed~~ recorded. The lien shall also include an itemized statement of the amounts owed by the owner as described in subdivision (b) of Section 5660 of the California Civil Code.

~~The itemized statement of the charges owed by the owner described in subdivision (b) of Section 5660 of the California Civil Code shall be recorded together with the notice of delinquent assessment.~~ In order for the lien to be enforced by nonjudicial foreclosure as provided in Sections 5700 to 5710 of the California Civil Code, inclusive, the

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~~notice~~Notice of ~~delinquent assessment~~Delinquent Assessment (Lien) shall state the name and address of the trustee authorized by the ~~association~~Mutual to enforce the lien by sale of the owner's Manor against which the lien is recorded. The ~~notice of delinquent assessment~~Notice of Delinquent Assessment (Lien) shall be signed by the person designated in the ~~declaration~~CC&Rs or by the ~~association~~Mutual for that purpose, or if no one is designated, by the president of the ~~association~~Mutual. A copy of the recorded ~~notice of delinquent assessment~~Notice of Delinquent Assessment (Lien) shall be mailed by certified mail to every person whose name is shown as an owner of the Manor in the ~~association's~~Mutual's records, and the notice shall be mailed no later than ten (10) calendar days after recordation.

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10. Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member

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Before a Notice of Delinquent Assessment (Lien) can be recorded in the chain of title to the Manor of a delinquent Member, the Mutual must offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter 10) or ADR as set forth in Article 3 (commencing with Section 5925 of Chapter 10), both in the California Civil Code.

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Any choice by a Member to pursue any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue ADR, whether it is before a lien can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for which the Davis-Stirling Common Interest Development Act or the

Mutual's Governing Documents authorize or allow a Member to choose ADR. A Member's right to pursue ADR may be triggered, by among other things, a decision by the Board and/or Executive Hearing Committee, as applicable following any right to appeal pursuant to the Mutual's Appeal Policy.

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THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE OWNER. However, binding arbitration is not available if the Mutual intends to initiate a judicial foreclosure.

The Mutual is prohibited from recording a lien or initiating a foreclosure action without participating in dispute resolution or ADR procedures if so requested by the Member. If it is determined that the Mutual has recorded a lien for a delinquent assessment in error, the Mutual shall promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice prescribed in Section 5660 of the California Civil Code, and costs of recordation that were imposed or incurred in error and release of the lien authorized under subdivision (b) of Section 5720, and pay all costs related to any related dispute resolution or alternative dispute resolution.

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11. Member's Right to Request a Meeting with the Board, or Dispute Resolution or ADR.

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Upon receipt of the certified Pre-Lien Notice, described above, the noticed Member has several possible courses of action that can be taken at this point in the collection process, such as:

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- (a) The Member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Mutual pursuant to the Mutual's "meet and confer"

program, which is required by Civil Code sections 5900-5920:

- (b) The Member may exercise his/her/their/its right to participate in alternative dispute resolution with a neutral third party under Civil Code sections 5925-5965 before the Mutual may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;
- (c) The Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan, as referenced below, for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the Member's request.

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12. Payment Plan Requests

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Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Pre-Lien Notice. The Mutual's Board will consider payment plan requests on a case-by-case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans do not impede the Mutual's ability to record a lien on the Member's Manor to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed. The Mutual may, in its discretion, enter into an agreement with an owner providing for payments to be applied in a different order and/or manner than required by Civil Code Section 5655, such agreement shall be controlling.

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13. Foreclosure/ADR

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After the expiration of thirty (30) days following the recording of a lien created pursuant to California Civil Code Section 5675, the lien may be enforced in any manner permitted by law. Once the amount of delinquent assessments (not including any accelerated assessments, late charges, fees, attorney's fees, interest, or Costs of

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Collection), exceeds One Thousand Eight Hundred Dollars (\$1,800), or any unpaid assessments are more than twelve (12) months delinquent, then, subject to specified conditions, the Mutual may initiate foreclosure proceedings to collect the amounts owed.

These conditions include that, prior to initiating a foreclosure, the Mutual shall offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program, or alternative dispute resolution ("ADR"). THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE MEMBER, EXCEPT THAT BINDING ARBITRATION SHALL NOT BE AVAILABLE IF THE MUTUAL INTENDS TO INITIATE A JUDICIAL FORECLOSURE.

Civil Code section 5965 requires~~the~~ the following statement to be included in this Policy Statement:

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"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

If any "meet and confer" session or ADR is engaged in by and between the Member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the statutory minimum as to the delinquent amount or duration of the delinquency has been met, a proceeding may be commenced to foreclose the lien against the Member's Manor and

sell the Manor at a private sale or by a judicial sale. If this occurs, the Member may lose his-~~or~~-her/their/its Manor.

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14. Board Decision to Initiate Foreclosure

The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded shall be made only by the Board and may not be delegated to an agent of the Mutual. The Board shall approve the decision by a majority vote of the Board in an executive session. The vote must be recorded in the minutes of the next meeting of the Board open to all Members; however, the confidentiality of the delinquent Member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the delinquent Member or Members. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale or judicial foreclosure.

~~The Board~~ For a Manor occupied by an owner, if the Board votes to foreclose, the Board must provide notice by personal service to ~~an~~ the owner ~~of a Manor~~ or their legal representative, ~~if the Board votes to foreclose~~. For a non-occupying owner, the Board must provide written notice by first-class mail, postage prepaid, at the most current mailing address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual of that owner's mailing address, the address of the owner's Manor may be treated as the owner's mailing address.

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In the event of a non-judicial foreclosure, personal service on the owner(s) of the Manor of the Notice of Default must be effected.

15. Non-Judicial Foreclosure/Right of Redemption

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A non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption.

The redemption period within which the Manor may be redeemed from a foreclosure sale ends ninety (90) days after the sale, per California Civil Code section 5715.

If a foreclosure action is prosecuted to judgment and the judgment is in favor of the Mutual, assets of the Member may be seized or a lien may be placed on such assets to satisfy the judgment. Pursuant to the provisions of the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (CC&Rs), the delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual and/or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the Member's Manor.

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Moreover, pursuant to the Davis-Stirling Common Interest Development Act, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a Member or a Member's guests or tenants were responsible may also be enforced as a lien against the Member's Manor.

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~~12. Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre Lien Notice to the Delinquent Member~~

~~Before a lien can be recorded in the chain of title to the Manor of a delinquent Member, the Mutual must offer the Member, and if so~~

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~~requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter 10) or ADR as set forth in Article 3 (commencing with Section 5925 of Chapter 10), both in the California Civil Code.~~

~~Any choice by a Member to pursue any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue ADR, whether it is before a lien can be recorded (i.e., upon receipt of the certified Pre Lien Notice), or prior to initiating a foreclosure action, or in any other situation for which the Davis-Stirling Common Interest Development Act or the Mutual's Governing Documents authorize or allow a Member to choose ADR. A Member's right to pursue ADR may be triggered, by among other things, a decision by the Board and/or Executive Hearing Committee, as applicable following any right to appeal pursuant to the Mutual's Appeal Policy.~~

~~THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE OWNER. However, binding arbitration is not available if the Mutual intends to initiate a judicial foreclosure.~~

13. Pre Lien Notice

~~Prior to recording a lien against a Member's Manor, the Mutual must send the Member a certified notice providing information regarding the sums claimed as being delinquent ("Pre Lien Notice"). No lien can be recorded until thirty (30) days after this Pre Lien Notice has been given.~~

~~The Pre Lien Notice must include the following information (per California Civil Code Section 5660):~~

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~~(a) A general description of the collection and lien enforcement procedures of the Mutual and the method of calculation of the amount, a statement that the owner of the Manor has the right to inspect the association records pursuant to Section 5205, and the following statement in 14 point boldface type, if printed, or in capital letters, if typed;~~

~~“IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION”~~

~~(a) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney’s fees, any late charges, and interest, if any;~~

~~(a) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association;~~

~~(a) The right to request a meeting with the board as provided in Section 5665;~~

~~(a) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association’s “meet and confer” program required in Article 2 (commencing with Section 5900) of Chapter 10;~~

~~(a) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with~~

~~Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the association intends to initiate a judicial foreclosure;~~

~~**14. Member's Right to Request a Meeting with the Board, or
Dispute Resolution or ADR.**~~

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~~**16.** Upon receipt of the certified Pre Lien Notice described above, the noticed Member has several possible courses of action that can be taken at this point in the collection process, such as:~~

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~~(a) The Member has the right to dispute the assessment debt by submitting a written request for dispute resolution to the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code sections 5900-5920;~~

~~(b) The Member may exercise his or her right to participate in alternative dispute resolution with a neutral third party under Civil Code sections 5925-5965 before the Mutual may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;~~

~~(c)(a) The Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board~~

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~~to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the Member's request.~~

~~15. Payment Plan Requests~~

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~~Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Pre-Lien Notice. The Mutual's Board will consider payment plan requests on a case by case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan period. ~~Payment plans may~~ not impede the Mutual's ability to record a lien on the Member's Manor to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed.~~

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Member's Right to Certain Mutual Records.

Upon an owner's written demand, the Mutual shall make specified Mutual records available for inspection and copying pursuant to Civil Code Sections 5200-5240.

17. ~~16.~~ Application of Payments

~~Additionally, in~~ In accordance with state law, unless otherwise waived in writing by the Member, payments received on delinquent assessments shall be applied to the Member's account in the following order of priority: first, to the ~~principal~~ assessments owed; then to accrued interest ~~and, late charges; then to,~~ attorney's fees; ~~then to title company and foreclosure service company charges and,~~ and/or other Costs of Collection. Payments ~~on account of principal~~ the assessments shall be applied ~~in reverse order~~ so that the oldest arrearages ~~delinquent assessments~~ are retired paid first. Interest shall continue to accrue on unpaid balances of ~~principal~~ assessments, and other costs and charges imposed in accordance with Civil Code section 5655.

~~17~~18. Secondary Address

Members have a right and obligation to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to the Mutual's Policy Statement, and upon receipt of a proper written request from a Member identifying a secondary address that complies with Civil Code section 4041 and the Governing Documents, the Mutual must send additional notices to this secondary address. Pursuant to section 4041, Members must keep the Mutual updated with respect to any mailing or secondary address to which notices from the Mutual are to be delivered. If Members fail to provide such information to the Mutual, the onsite

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~~manor~~ **Manor** shall be deemed to be the address to which notices are to be delivered.

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1819. No Right of Offset

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There is no right of offset. This means that a Member may not withhold assessments owed to the Mutual on the alleged grounds that the Member would be entitled to recover money or damages from the Mutual based on some other obligation or some claim of another obligation from the Mutual to the Member.

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1920. Returned Checks

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The Mutual may charge the Member a twenty-five dollar (\$25.00) fee for the first check tendered to the Mutual that is returned unpaid by the Member's bank, and thereafter, the Mutual may charge a thirty-five dollar (\$35.00) fee for any subsequent check that is returned based on insufficient funds. If a Member's check cannot be negotiated for any reason, then the Mutual may also seek to recover damages of the greater of (a) one hundred dollars (\$100.00); or (b) three (3) times the amount of the check up to fifteen hundred dollars (\$1,500.00) in accordance with California Civil Code section 1719.

2021. Charges and Fees Subject to Change

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All charges and fees set forth in this Policy Statement are subject to change upon thirty (30) days prior written notice.

2122. Overnight Payments

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The mailing address for overnight payment of assessments is:

Third Laguna Hills Mutual
Attn: Assessment Payments

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24351 El Toro Road
Laguna Woods, CA 92637

23. Rights Reserved by Mutual

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Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent assessments, the Mutual reserves the right to employ other or additional policies and practices as may be necessary or appropriate when the uniqueness of the circumstances or habitualness of the delinquency so requires.

24. Attachments

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A. Notice of Assessments and Foreclosure (pursuant to Civil Code Section 5730): Attachment "A".

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B. State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act disclosures: Attachment "B".

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BOARD OF DIRECTORS

THIRD LAGUNA HILLS MUTUAL

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ATTACHMENT "A"

NOTICE OF ASSESSMENTS AND FORECLOSURE

The following notice is provided pursuant to California Civil Code Section 5730

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

ATTACHMENT "B"

The following Disclosure is made pursuant to California Civil Code Sections 1812.700-1812.703

“The State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act require that, except under unusual circumstances, collectors may not contact you before 8 a.m. or after 9 p.m. They may not harass you by using threats of violence or arrest or by using obscene language. Collectors may not use false or misleading statements or call you at work if they know or have reason to know that you may not receive personal calls at work. For the most part, collectors may not tell another person, other than your attorney or spouse, about your debt. Collectors may contact another person to confirm your location or enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission at 1-877-FTC-HELP or www.ftc.gov.”



**YEAR 2021 COLLECTION AND LIEN ENFORCEMENT
POLICY AND
PROCEDURES FOR ASSESSMENT DELINQUENCIES
ANNUAL POLICY STATEMENT**

The following is a statement of the specific procedures, policies and practices (“Policy Statement”) employed by Third Laguna Hills Mutual, a California nonprofit mutual benefit corporation (the “Mutual”) in enforcing lien rights or other legal remedies for default in payment of its assessments against its owners (“Members”). This Policy Statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7).

The collection of delinquent assessments is of vital concern to all Members of the Mutual. Such efforts ensure that all Members pay their fair share of the costs of services and facilities provided and maintained by the Mutual. Members’ failure to pay assessments when due creates a cash-flow problem for the Mutual and causes those Members who make timely payment of their assessments to bear a disproportionate share of the community’s financial obligations. Payment of special assessments must be received in a timely fashion in order to finance the needs for which said special assessments are levied.

Accordingly, in order to reduce the amount and duration of delinquencies and to encourage the prompt and full payment of all assessments, the Mutual has been vested with certain enforcement rights and remedies which are in addition to those which exist

generally for creditors. These rights and remedies are described in this Policy Statement.

WE SINCERELY TRUST THAT ALL MEMBERS, IN THE SPIRIT OF COOPERATION AND RECOGNIZING THEIR LEGAL OBLIGATIONS, WILL MAKE TIMELY PAYMENTS AND AVOID THE IMPOSITION OF LATE CHARGES, INTEREST, COLLECTION COSTS, AND POSSIBLE LEGAL ACTION INCLUDING THE LEGAL OBLIGATION TO REIMBURSE THE MUTUAL FOR THE COSTS OF SUCH LEGAL ACTION. IT IS IN THE BEST INTEREST OF YOU AND EVERY OTHER MEMBER OF THE MUTUAL FOR EACH OF YOU TO MAKE YOUR PAYMENTS ON TIME.

REGARDLESS OF WHETHER THE MUTUAL RECORDS A LIEN ON YOUR PROPERTY DURING THE COLLECTION OF PAST-DUE ASSESSMENTS, ALL MEMBERS HAVE A PERSONAL AND ONGOING OBLIGATION TO PAY ASSESSMENTS AND CHARGES.

BASIC POLICIES AND PROCEDURES

The policies and practices outlined in this Policy Statement shall remain in effect until such time as any of them may be changed, modified, or amended by a duly adopted resolution of the Mutual's Board of Directors ("Board"), or until the applicable statutory scheme changes, in which event, the policies and practices in this Policy Statement shall be construed so as to be consistent with any newly adopted statutes or court decisions.

Delinquency reports are prepared monthly by the Mutual's managing agent to the Mutual's Board, identifying the delinquent

Member, and the amount and length of time the assessments have been in arrears.

In accordance with the Mutual's governing documents (including, without limitation, the Articles of Incorporation, the Bylaws, the recorded CC&Rs, rules and regulations, and written policies) (collectively, the "Governing Documents")) and the California Civil Code, to ensure the prompt payment of monthly regular assessments and special assessments, the Mutual employs the following collection and lien enforcement policies and procedures, including for the collection of said assessments, as well as late charges, interest, legal fees and other costs of collection, fines, fees, and chargeable services charged against Members pursuant to the Governing Documents and current law:

1. Assessment Due Date

Regular assessments ("Carrying Charges" as defined in Article 1, Section 8 of the CC&Rs or as otherwise defined) are due and payable to the Mutual, in advance, in equal monthly installments, on the first (1st) day of each month. It is each Member's responsibility to pay assessments in full each month regardless of whether a billing statement is received.

Special assessments shall be due and payable on the due date specified by the Board in the notice of the levy of the special assessment or in the ballot presenting the special assessment to the Members for approval. In no event shall a special assessment be due and payable earlier than thirty (30) days after the special assessment is duly levied. If a special assessment is payable in installments and an installment payment for that special assessment is delinquent for more than fifteen (15) days, all installments will be accelerated, and the entire unpaid balance of the special assessment

shall become immediately due and payable. The remaining balance shall be subject to late fees and interest as provided herein.

2. Reminder Notice

If the current monthly regular assessment is not received by the Mutual on or before the close of business on the sixteenth (16th) day of the month (or if a special assessment is not received by the Mutual on or before the close of business on the fifteenth (15th) day after it is due), a Reminder Notice may, but is not required to, be sent to the Member. It is each Member's responsibility to pay assessments in full each month regardless of whether a reminder notice is sent or received.

PLEASE NOTE THAT TO BE CONSIDERED TIMELY, THE PAYMENT MUST BE RECEIVED BY THE MUTUAL WITHIN THIS FIFTEEN (15) DAY GRACE PERIOD. SIMPLY PLACING THE PAYMENT IN THE MAIL BEFORE THE GRACE PERIOD EXPIRES IS NOT SUFFICIENT.

3. Administrative Collection Fee

Any duly imposed late charges, interest, or incurred "Costs of Collection" shall not be routinely waived. "Costs of Collection" as used in this Policy Statement include, without limitation, an administrative collection fee, currently in the amount of Five Hundred Dollars (\$500) (the "Administrative Collection Fee"), which is charged by the Mutual's managing agent to cover staff's costs to prepare the files for delivery to the Mutual's legal counsel or collection agent in order to carry out legal and/or collection actions authorized hereunder, as well as costs incurred in handling the collection by the Mutual's legal counsel and/or collection agent,

and costs incurred for recording, posting, publishing, serving, and/or mailing documents attendant to the legal and/or collection process.

The Administrative Collection Fee may be increased by majority vote of the Mutual's Board and may be collected by the Mutual's legal counsel and/or collection agent on the Mutual's behalf, and remitted to the Mutual's managing agent, or may be directly collected by the Mutual's managing agent.

4. Late Charge and Interest

IT IS THE MEMBER'S RESPONSIBILITY TO ALLOW AMPLE TIME TO DROP OFF OR MAIL ALL PAYMENTS SO THAT THEY ARE RECEIVED BEFORE THE DELINQUENCY DATE. Any notices or invoices for assessments will be sent to Members by first-class mail addressed to the Member at his/her/their/its address as shown on the books and records of the Mutual. However, it is the Member's responsibility to be aware of the assessment payment due dates and to advise the Mutual of any changes in the Member's mailing address, pursuant to Civil Code section 4041.

Both state law and the Mutual's Governing Documents allow the imposition of late charges and interest on delinquent assessments. Such late charges and interest may be imposed and collected regardless of whether the Member's delinquent account is referred to the Mutual's legal counsel and/or collection agent for further handling.

A late charge for a delinquent assessment may be imposed in the amount of Sixty Dollars (\$60.00) on any assessment payment that is more than fifteen (15) days in arrears. The amount of the late charge may increase from time to time but shall in no event exceed ten percent (10%) of the delinquent assessment.

Interest may be imposed thirty (30) days after the assessment is due, at an annual percentage rate of twelve percent (12%) as allowed by Civil Code section 5650, pursuant to Board Resolution.

Non-assessment fines, fees, and chargeable services are also subject to late fees and interest, in an amount determined by Board resolution.

5. Demand Letter (aka Pre-Lien Notice)

If full payment of the delinquent amount is not received by the close of business on the day which is fifteen (15) days after the date the Assessment is due, unless a Reminder Notice states otherwise, a Demand Letter (also known as a Pre-Lien Notice pursuant to California Civil Code sections 5660) will be sent to the Member by Certified Mail. A Pre-Lien Notice is a pre-requisite prior to recording a lien against the property and provides information regarding the sums claimed as being delinquent. No lien can be recorded until thirty (30) days after this Pre-Lien Notice has been given.

The Mutual, through its managing agent, may also attempt to contact the Member by telephone to remind the Member of the delinquency and determine when payment will be made. However, no assurances are given that the Mutual will contact the Member by telephone, and the Member is responsible to pay the delinquent amount whether or not a telephone reminder is actually made to, or received by ,the Member.

The Pre-Lien Notice shall include the following information (per California Civil Code Section 5660):

- (a) A general description of the collection and lien enforcement procedures of the Mutual and the method of

calculation of the amount, a statement that the owner of the Manor has the right to inspect the association records pursuant to Section 5205, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed;

“IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION”

- (b) An itemized statement of the charges owed by the owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorney’s fees, any late charges, and interest, if any;
- (c) A statement that the owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the association;
- (d) The right to request a meeting with the board as provided in Section 5665;
- (e) The right to dispute the assessment debt by submitting a written request for dispute resolution to the association pursuant to the association’s “meet and confer” program required in Article 2 (commencing with Section 5900) of Chapter 10;
- (f) The right to request alternative dispute resolution with a neutral third party pursuant to Article 3 (commencing with Section 5925) of Chapter 10 before the association may initiate foreclosure against the owner’s Manor, except that

binding arbitration shall not be available if the association intends to initiate a judicial foreclosure;

6. Alternate Means to Collect Delinquent Sums

If full payment of the delinquent amount (including any outstanding assessment, fine, fee, Costs of Collection or chargeable service including associated late charges and interest) is not received by the close of business on the thirtieth (30th) day after receipt of the Demand Letter/Pre-Lien Notice), unless the debt is disputed as detailed further below, the Mutual may thereafter, at its option, in accordance with the requirements and conditions herein and applicable law, and based on the circumstances of the delinquency, including but not limited to, the total delinquent amount owing and the Member's payment history, undertake to collect the delinquency by any and all means authorized by law and the Mutual's Governing Documents including, without limitation, by: (1) suspending a Member's right (and that of the Resident or Tenant of that Member's Manor) to use Mutual and/or Golden Rain Foundation of Laguna Woods services and/or facilities, after providing the owner with notice of a duly noticed hearing before the Board (no suspension imposed shall prevent the delinquent owner from the use, benefit and pleasure of the owner's Manor); (2) legal action(s), discussed further below; (3) securing the Mutual's interest in the debt owed by recording a lien against the delinquent owner's Manor and thereafter foreclosing on the Manor; (3) termination of the delinquent Member's Membership in the Mutual as a result of any foreclosure; and/or (4) other means permitted by law. **THESE ACTIONS MAY BE TAKEN SEPARATELY OR CONCURRENTLY.**

The Demand Letter/Pre-Lien Notice is presumed to have been received in the regular course of mail within five (5) days of mailing

if the mailing address is within the state of California, within ten (10) days if the mailing address is within the United States but outside of the state of California and within twenty (20) days if the mailing address is outside of the United States to avoid further collection action.

7. Small Claims Court

A civil action in small claims court may be filed, with a management company representative or bookkeeper appearing and participating on behalf of the Mutual.

PLEASE NOTE THAT A SMALL CLAIMS COURT ACTION MAY BE PURSUED BASED ON A BOARD RESOLUTION EITHER BEFORE OR AFTER RECORDING A NOTICE OF DELINQUENT ASSESSMENT, AND/OR AFTER A WRITE-OFF.

The amount that may be recovered in small claims court may not exceed the jurisdictional limits of the small claims court, and shall be the sum of the following: (a) the amount owed as of the date of filing of the complaint in the small claims court proceeding; and (b) in the discretion of the court, an additional amount equal to the amount owed for the period from the date the complaint is filed until satisfaction of the judgment, which total amount may include accruing unpaid assessments, fines, fees, or chargeable services, and any reasonable late charges, fees and Costs of Collection (which costs shall, as stated above, include, without limitation, the Administrative Collection Fee), attorney's fees and interest, all up to the jurisdictional limits of the small claims court.

Successive small claims court actions may be pursued, consistently with applicable laws, until the entire amount of the delinquency is recovered.

8. Validation of Debts

Pursuant to the Federal Fair Debt Collection Practices Act, if an owner notifies a debt collector in writing, within thirty days (30) after receipt of a notice of debt (as described in United States Code Section 1692g), that the debt, or any portion thereof, is disputed, or that the owner requests the name and address of the Mutual, which is the original creditor, the debt collector shall cease collection of the debt, or any disputed portion thereof, until the debt collector obtains verification of the debt or a copy of a judgment, or the name and address of the Mutual, which is the original creditor, and a copy of such verification or judgment, or name and address of the Mutual, which is the original creditor, is mailed to the owner by the debt collector.

9. Lien

The Mutual may secure the delinquency by recording a lien on the owner's Manor with the Orange County Recorder's office. The debt shall be a lien on the owner's Manor from and after the time the Mutual records a Notice of Delinquent Assessment (Lien), which shall state: the amount of the delinquent assessments and other sums imposed in accordance with subdivision (b) of Section 5650 of the California Civil Code; a legal description of the owner's Manor against which the assessments and other sums are levied; and the name of the record owner of the Manor against which the lien is recorded. The lien shall also include an itemized statement of the amounts owed by the owner as described in subdivision (b) of Section 5660 of the California Civil Code.

In order for the lien to be enforced by nonjudicial foreclosure as provided in Sections 5700 to 5710 of the California Civil Code, inclusive, the Notice of Delinquent Assessment (Lien) shall state the name and address of the trustee authorized by the Mutual to enforce the lien by sale of the owner's Manor against which the lien is recorded. The Notice of Delinquent Assessment (Lien) shall be signed by the person designated in the CC&Rs or by the Mutual for that purpose, or if no one is designated, by the president of the Mutual. A copy of the recorded Notice of Delinquent Assessment (Lien) shall be mailed by certified mail to every person whose name is shown as an owner of the Manor in the Mutual's records, and the notice shall be mailed no later than ten (10) calendar days after recordation.

10. Prerequisites to Recording a Lien: Offer of ADR and Thirty (30) Day Pre-Lien Notice to the Delinquent Member

Before a Notice of Delinquent Assessment (Lien) can be recorded in the chain of title to the Manor of a delinquent Member, the Mutual must offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program (per the requirements set forth in Article 2 commencing with section 5900 of Chapter 10) or ADR as set forth in Article 3 (commencing with Section 5925 of Chapter 10), both in the California Civil Code.

Any choice by a Member to pursue any kind of ADR must be made by the Member's delivery of written notice of such choice to the Mutual's managing agent within thirty (30) days of any event which triggers a Member's right to pursue ADR, whether it is before a lien can be recorded (i.e., upon receipt of the certified Pre-Lien Notice), or prior to initiating a foreclosure action, or in any other situation for

which the Davis-Stirling Common Interest Development Act or the Mutual's Governing Documents authorize or allow a Member to choose ADR. A Member's right to pursue ADR may be triggered, by among other things, a decision by the Board and/or Executive Hearing Committee, as applicable following any right to appeal pursuant to the Mutual's Appeal Policy.

THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE OWNER. However, binding arbitration is not available if the Mutual intends to initiate a judicial foreclosure.

The Mutual is prohibited from recording a lien or initiating a foreclosure action without participating in dispute resolution or ADR procedures if so requested by the Member. If it is determined that the Mutual has recorded a lien for a delinquent assessment in error, the Mutual shall promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the notice prescribed in Section 5660 of the California Civil Code, and costs of recordation that were imposed or incurred in error and release of the lien authorized under subdivision (b) of Section 5720, and pay all costs related to any related dispute resolution or alternative dispute resolution.

11. Member's Right to Request a Meeting with the Board, or Dispute Resolution or ADR.

Upon receipt of the certified Pre-Lien Notice, described above, the noticed Member has several possible courses of action that can be taken at this point in the collection process, such as:

- (a) The Member has the right to dispute the assessment debt by submitting a written request for dispute resolution to

the Mutual pursuant to the Mutual's "meet and confer" program, which is required by Civil Code sections 5900-5920;

- (b) The Member may exercise his/her/their/its right to participate in alternative dispute resolution with a neutral third party under Civil Code sections 5925-5965 before the Mutual may initiate foreclosure against the owner's Manor, except that binding arbitration shall not be available if the Mutual intends to initiate a judicial foreclosure;
- (c) The Member has a right to submit a written request to meet with the Board of Directors to discuss a payment plan, as referenced below, for the delinquent assessment, as long as the request for a meeting is made within fifteen (15) days following the postmark on the Mutual's Pre-Lien Notice to the Member. That meeting must take place within forty-five (45) days (calculated from the postmark on the Member's request) and must be conducted in executive session. When a Member has made a timely request for a meeting to discuss a payment plan, the Mutual must provide the requesting Member with the Mutual's standards for payment plans, if any standards have been adopted. There is no statutory authorization for the Board to delegate this meeting obligation to a property manager, but the Board may designate a committee of one or more directors to meet with the Member if there is no regularly scheduled Board meeting that will occur within forty-five (45) days of the Member's request.

12. Payment Plan Requests

Any Member who is unable to timely pay regular or special assessments is entitled to make a written request for a payment plan to the Mutual's Board. A Member may also request to meet with the Board in executive session to discuss a payment plan if the payment plan request is mailed within fifteen (15) days of the postmark date of the Pre-Lien Notice. The Mutual's Board will consider payment plan requests on a case-by-case basis, and is under no obligation to grant payment plan requests. Payment plans may incorporate any assessments that accrue during the payment plan period. Payment plans do not impede the Mutual's ability to record a lien on the Member's Manor to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Member is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Mutual may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan. The Mutual reserves the right to impose reasonable conditions on any approvals for a payment plan and request that the delinquent Member provide disclosure of certain identifying information and other assets that may be used as additional security for the debt owed. The Mutual may, in its discretion, enter into an agreement with an owner providing for payments to be applied in a different order and/or manner than required by Civil Code Section 5655, such agreement shall be controlling.

13. Foreclosure/ADR

After the expiration of thirty (30) days following the recording of a lien created pursuant to California Civil Code Section 5675, the lien may be enforced in any manner permitted by law. Once the amount of delinquent assessments (not including any accelerated assessments, late charges, fees, attorney's fees, interest, or Costs of

Collection), exceeds One Thousand Eight Hundred Dollars (\$1,800), or any unpaid assessments are more than twelve (12) months delinquent, then, subject to specified conditions, the Mutual may initiate foreclosure proceedings to collect the amounts owed.

These conditions include that, prior to initiating a foreclosure, the Mutual shall offer the Member, and if so requested by the Member, the Mutual must participate in dispute resolution pursuant to the Mutual's "meet and confer" program, or alternative dispute resolution ("ADR"). THE DECISION TO PURSUE DISPUTE RESOLUTION OR A PARTICULAR TYPE OF ADR SHALL BE THE CHOICE OF THE MEMBER, EXCEPT THAT BINDING ARBITRATION SHALL NOT BE AVAILABLE IF THE MUTUAL INTENDS TO INITIATE A JUDICIAL FORECLOSURE.

Civil Code section 5965 requires the following statement to be included in this Policy Statement:

"Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

If any "meet and confer" session or ADR is engaged in by and between the Member and the Mutual (or any neutral third parties, as the case may be), and these efforts do not result in a payment plan, then, assuming the statutory minimum as to the delinquent amount or duration of the delinquency has been met, a proceeding may be commenced to foreclose the lien against the Member's Manor and

sell the Manor at a private sale or by a judicial sale. If this occurs, the Member may lose his/her/their/its Manor.

14. Board Decision to Initiate Foreclosure

The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded shall be made only by the Board and may not be delegated to an agent of the Mutual. The Board shall approve the decision by a majority vote of the Board in an executive session. The vote must be recorded in the minutes of the next meeting of the Board open to all Members; however, the confidentiality of the delinquent Member shall be maintained by identifying the matter in the minutes only by the Parcel Number, and not by the name of the delinquent Member or Members. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale or judicial foreclosure.

For a Manor occupied by an owner, if the Board votes to foreclose, the Board must provide notice by personal service to the owner or their legal representative. For a non-occupying owner, the Board must provide written notice by first-class mail, postage prepaid, at the most current mailing address shown on the books of the Mutual. In the absence of written notification by a non-occupying owner to the Mutual of that owner's mailing address, the address of the owner's Manor may be treated as the owner's mailing address.

In the event of a non-judicial foreclosure, personal service on the owner(s) of the Manor of the Notice of Default must be effected.

15. Non-Judicial Foreclosure/Right of Redemption

A non-judicial foreclosure by the Mutual to collect upon a debt for delinquent assessments is subject to a statutory right of redemption. The redemption period within which the Manor may be redeemed

from a foreclosure sale ends ninety (90) days after the sale, per California Civil Code section 5715.

If a foreclosure action is prosecuted to judgment and the judgment is in favor of the Mutual, assets of the Member may be seized or a lien may be placed on such assets to satisfy the judgment. Pursuant to the provisions of the Davis-Stirling Common Interest Development Act, applicable regulations, and the Covenants, Conditions and Restrictions (CC&Rs), the delinquent amount, as well as late payment penalties for the delinquent assessments and/or interest charges and/or charges for Costs of Collection that are incurred by the Mutual and/or its managing agent acting on behalf of the Mutual in its efforts to collect delinquent assessments (including, but not limited to, attorney's fees, title company and foreclosure service company charges, charges imposed to defray the cost of preparing and mailing demand letters (such as the Administrative Collection Fee), recording costs and costs associated with small claims court actions) may be enforced as a lien against the Member's Manor.

Moreover, pursuant to the Davis-Stirling Common Interest Development Act, monetary penalties that have been imposed by the Mutual as a means of reimbursing the Mutual for costs incurred by the Mutual in the repair of damage to common areas and/or community facilities for which a Member or a Member's guests or tenants were responsible may also be enforced as a lien against the Member's Manor.

16. Member's Right to Certain Mutual Records.

Upon an owner's written demand, the Mutual shall make specified Mutual records available for inspection and copying pursuant to Civil Code Sections 5200-5240.

17. Application of Payments

In accordance with state law, unless otherwise waived in writing by the Member, payments received on delinquent assessments shall be applied to the Member's account in the following order of priority: first, to the assessments owed; then to accrued interest, late charges, attorney's fees, and/or other Costs of Collection. Payments of the assessments shall be applied so that the oldest delinquent assessments are paid first. Interest shall continue to accrue on unpaid balances of assessments, and other costs and charges imposed in accordance with Civil Code section 5655.

18. Secondary Address

Members have a right and obligation to identify in writing to the Mutual a secondary address for purposes of collection notices delivered pursuant to the Mutual's Policy Statement, and upon receipt of a proper written request from a Member identifying a secondary address that complies with Civil Code section 4041 and the Governing Documents, the Mutual must send additional notices to this secondary address. Pursuant to section 4041, Members must keep the Mutual updated with respect to any mailing or secondary address to which notices from the Mutual are to be delivered. If Members fail to provide such information to the Mutual, the onsite Manor shall be deemed to be the address to which notices are to be delivered.

19. No Right of Offset

There is no right of offset. This means that a Member may not withhold assessments owed to the Mutual on the alleged grounds that the Member would be entitled to recover money or damages

from the Mutual based on some other obligation or some claim of another obligation from the Mutual to the Member.

20. Returned Checks

The Mutual may charge the Member a twenty-five dollar (\$25.00) fee for the first check tendered to the Mutual that is returned unpaid by the Member's bank, and thereafter, the Mutual may charge a thirty-five dollar (\$35.00) fee for any subsequent check that is returned based on insufficient funds. If a Member's check cannot be negotiated for any reason, then the Mutual may also seek to recover damages of the greater of (a) one hundred dollars (\$100.00); or (b) three (3) times the amount of the check up to fifteen hundred dollars (\$1,500.00) in accordance with California Civil Code section 1719.

21. Charges and Fees Subject to Change

All charges and fees set forth in this Policy Statement are subject to change upon thirty (30) days prior written notice.

22. Overnight Payments

The mailing address for overnight payment of assessments is:

Third Laguna Hills Mutual
Attn: Assessment Payments
24351 El Toro Road
Laguna Woods, CA 92637

23. Rights Reserved by Mutual

Although the matters set forth above summarize the policies and practices ordinarily employed to collect delinquent assessments, the Mutual reserves the right to employ other or additional policies and

practices as may be necessary or appropriate when the uniqueness of the circumstances or habitualness of the delinquency so requires.

24. Attachments

A. Notice of Assessments and Foreclosure (pursuant to Civil Code Section 5730): Attachment "A".

B. State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act disclosures: Attachment "B".

BOARD OF DIRECTORS

THIRD LAGUNA HILLS MUTUAL

ATTACHMENT "A"

NOTICE OF ASSESSMENTS AND FORECLOSURE

The following notice is provided pursuant to California Civil Code Section 5730

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

ATTACHMENT "B"

The following Disclosure is made pursuant to California Civil Code Sections 1812.700-1812.703

“The State Rosenthal Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act require that, except under unusual circumstances, collectors may not contact you before 8 a.m. or after 9 p.m. They may not harass you by using threats of violence or arrest or by using obscene language. Collectors may not use false or misleading statements or call you at work if they know or have reason to know that you may not receive personal calls at work. For the most part, collectors may not tell another person, other than your attorney or spouse, about your debt. Collectors may contact another person to confirm your location or enforce a judgment. For more information about debt collection activities, you may contact the Federal Trade Commission at 1-877-FTC-HELP or www.ftc.gov.”



RESOLUTION 03-20-XX

2021 Collection & Lien Enforcement Policy

WHEREAS, in accordance with California Civil Code, Third Laguna Hills Mutual maintains a collection and lien enforcement policy that outlines the procedures, policies and practices employed by the Mutual in enforcing lien rights or other legal remedies for default in payment of assessments; and

WHEREAS, legal counsel has reviewed the existing Collection and Lien Enforcement Policy and determined that the updated policy complies with Civil Code requirements and reflects current practices for collection of Mutual delinquencies.

NOW THEREFORE BE IT RESOLVED, September 15, 2020, that the Board of Directors hereby adopts the 2021 Third Laguna Hills Mutual Collection and Lien Enforcement Policy as attached to the official minutes of this meeting; and

RESOLVED FURTHER, the policy statement is provided pursuant to the requirements of California Civil Code section 5310(a)(7) and will be distributed to members in November 2020 as part of the Annual Policy Statement.

RESOLVED FURTHER, that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out this resolution.

September Initial Notification

Should the Board endorse the proposed revisions, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 28-days from the postponement to comply with Civil Code §4360.

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STAFF REPORT

DATE: September 9, 2020
FOR: Maintenance and Construction Committee
SUBJECT: Amend the Resolution to Extend the Exterior Paint & Prior to Paint Program Cycles to 15 years

RECOMMENDATION

Rescind resolution 03-12-97 and adopt proposed Resolution 03-20-XX (Attachment 1) to amend the current exterior Prior-to-Paint and Paint programs from a 10-year cycle to a 15-year cycle, and extend the mid-cycle balcony and breezeway resurfacing (top coat) program from a 5-year cycle to a 7.5-year cycle.

BACKGROUND

United and Third Mutual expressed a desire to consider the possible extension of the current 10-year paint and prior to paint cycles to a 15-year cycle, in order to maximize the potential of the high quality products being applied, as well as the upgraded surface preparation methodology implemented by VMS staff three years ago. The potential to capitalize on the latest products and practices is relevant if the quality and condition of the building envelop, and its structural components are not negatively impacted by increasing the cycle application. Staff has investigated the possible change and provides their findings and recommendations herein. Deck topcoat applications, Reflective address number sign replacements, and lead testing and RRP (Renovation, Repair and Painting) activities are also performed in conjunction with the Exterior Paint Program.

DISCUSSION

The revision from a 10-year to a 15-year paint and prior to paint program cycle and the change to a 7.5 year cycle for the Balcony and Breezeway Resurfacing (Top Coat) program will extend the length of time to complete a full paint cycle, as it reduces the amount of building structures planned per year. However, the extended cycle will still ensure that the Mutual fulfills its fiduciary responsibility to maintain both the structural integrity and the aesthetic appeal of its buildings, carports and laundry rooms.

When properly designed, built, and maintained, wood structures can last for hundreds of years. However, because of the organic nature of wood it is susceptible to various forms of decay when not protected from the elements. When fungus-favorable conditions are created by substandard design, and/or inadequate construction, and/or poor maintenance, wood structures may sustain deterioration that may be progressive, irreversible, and non-repairable. The primary focus of the prior to paint program is the elimination of dry rot which is a concern throughout Laguna Woods Village. It is essentially wood decay caused by certain species of

fungi that digest parts of the wood which give the wood strength and stiffness. The previous Managing Agent allowed the practice of patching dry rot instead of replacement. This allowed the wood rot to spread farther along the wooden components. With oversight of this program through VMS, staff put in place corrective measures to get the wood rot under control. The prior to paint crew ensures that dry rot is removed from walls, beams, breezeways, ramps, trim, fascia, etc. The process of completely removing rotted wood from the structure will extend the life of the building as well as the paint applied to it. Staff is confident that extending the prior to paint cycle will have minimal effect on community's efforts to reduce dry rot on Mutual buildings.

When dry rot is discovered between the 15-year program cycles, whether it be from an exterior building penetration, architectural features exposed to the elements or the deterioration of the moisture barrier behind the stucco, the Mutual has an annually funded General Maintenance Exterior Carpentry Division to address needed repairs. If a resident, staff member or contractor notices potential dry rot they will contact Resident Services who then creates a dry rot inspection ticket for our General Maintenance crew. Simple dry rot repairs will be taken care of immediately, regardless of the building's order in the prior to paint cycle. If the repairs are extensive, the Projects Division will take over so the General Maintenance crew can focus their priorities on service orders and other inspections.

Staff has contacted nearby communities to discuss their paint programs and found that most of the communities do not have a formal paint policy, and their program, if any, was subject to their available reserve funds while being routinely delayed. While we were unable to find empirical data closely matching the unique Southern California climate of warm, dry summers and mild, wet winters, we did contact the experts from both Mutual's paint suppliers, Life Paint & PPG Paints. After several discussions with their team they felt confident that their paint products and the application method we have in place would not result in any premature paint failures during the 15-year cycle. Both paint manufacturers, with a combined industry experience of 192 years have agreed to extend the warranty on their current exterior paint products to 15 years. The written confirmation for the paint and resurfacing top coat products from both Mutual's paint suppliers, Life Paint and PPG Paints, are included as Attachments 2 & 3. This is an excellent time to revise the program to a 15-year cycle with very little risk.

The Third Mutual paint and prior to paint programs consist of 16,495,970 square feet of building surfaces. Using a 15-year cycle we can theorize that approximately 1/15th of the Mutual will be completed each year, which is a reduction of 549,865 square feet per year from the previous 10-year program. Our expectations are that costs will moderately fluctuate from year to year based on a buildings square footage, but overall there will be significant savings to the Mutual.

These program policy revisions will not affect the current level of exterior maintenance services for dry rot repairs, deck repairs, and exterior painting for the remainder of 2020. Due to the furlough of the paint crew and the halt of all non-essential services, the majority of buildings on the 2020 schedule will not be completed this year. If the Board approves the program cycle changes, staff suggests that they take effect at the beginning of the 2021 fiscal year. This will allow staff to reorganize the program schedules to include buildings not completed in 2020.

FINANCIAL ANALYSIS

Based on the 2019 expenditures and productivity of the Exterior Paint and Prior to Paint programs, our estimation is that modifying the paint and prior to paint programs to a 15-year cycle with a 7.5 year Top Coat cycle will save the mutual \$713,130 on average per year, or approximately \$10.7 million over the next 15-years (Attachment 4: Cost Savings Analysis).

Prepared By: Christopher Naylor, Senior Management Analyst

Reviewed By: Ernesto Munoz, P.E., Maintenance and Construction Director

ATTACHMENT(S)

Attachment 1: Proposed Resolution 03-20-XX

Attachment 2: Life Paint Warranty Letter – Top Coat (July 6, 2020)

Attachment 3: PPG Paints Warranty Letter – Exterior Paint Product (July 22, 2020)

Attachment 4: Cost Savings Analysis

ENDORSEMENT (to Board)

1. Amend the Resolution to Extend the Exterior Paint Program Cycle to 15 years

Staff Officer Ernesto Munoz summarized the report and answered questions from the Committee.

United and Third Mutual expressed a desire to consider the possible extension of the current 10-year paint and prior to paint cycles to a 15-year cycle, in order to maximize the potential of the high quality products being applied, as well as the upgraded surface preparation methodology implemented by VMS staff three years ago. The potential to capitalize on the latest products and practices is relevant if the quality and condition of the building envelop, and its structural components are not negatively impacted by increasing the cycle application. Staff has investigated the possible change and provides their findings and recommendations herein. Deck topcoat applications, Reflective address number sign replacements, and lead testing and RRP (Renovation, Repair and Painting) activities are also performed in conjunction with the Exterior Paint Program.

The Third Mutual paint and prior to paint programs consist of 16,495,970 square feet of building surfaces. Using a 15-year cycle, approximately 1/15th of the Mutual will be completed each year, which is a reduction of 549,865 square feet per year from the previous 10-year program. Our expectations are that costs will moderately fluctuate from year to year based on a buildings square footage, but overall there will be significant savings to the Mutual.

Based on the 2019 expenditures and productivity of the Exterior Paint and Prior to Paint programs, our estimation is that modifying the paint and prior to paint programs to a 15-year cycle with a 7.5 year Top Coat cycle will save the mutual \$713,130 on average per year, or approximately \$10.7 million over the next 15-years

If the Board approves the program cycle changes, staff suggests that they take effect at the beginning of the 2021 fiscal year. This will allow staff to reorganize the program schedules to include buildings not completed in 2020.

Discussion ensued regarding the change to the resurfacing (top coat) program; the purpose of the resurfacing program and the skid-tex top coat added to the Life Deck Color Seal product used on balconies and breezeways.

A motion was made and unanimously approved to recommend that the Board rescind resolution 03-12-97 and adopt proposed Resolution 03-20-XX, to amend the current exterior Prior-to-Paint and Paint programs from a 10-year cycle to a 15-year cycle, and extend the mid-cycle balcony and breezeway resurfacing (top coat) program from a 5-year cycle to a 7.5-year cycle.

Attachment 1: Proposed Resolution 03-20-XX

RESOLUTION 03-20-XX

Cycle Change for Exterior Paint, PTP & Resurfacing Programs

WHEREAS, the Board expressed a desire to extend the current Prior-to-Paint and Exterior Paint programs from a 10-year cycle to a 15-year cycle, for the dry rot preparation and painting of all buildings, carports, and laundry structures; and

WHEREAS, the balcony and breezeway resurfacing (top coat) mid-cycle program will also be extended from a 5-year program to a 7.5-year program cycle to coincide with buildings on the 15-year exterior paint program; and

WHEREAS, this program change will allow the Mutual to realize an annual savings for programs that have a broader life cycle; and to maximize the potential of the high quality products being applied, as well as the upgraded surface preparation methodology implemented by VMS; and

WHEREAS, the product warranties for the exterior paint and resurfacing sealant, as well as the recommended application practices, will increase the long-term condition of the building envelope, and its structural components, without being negatively impacted by the extended cycles; and

NOW THEREFORE BE IT RESOLVED, on October 20, 2020, the Board of Directors of this Corporation hereby adopts a 15-year cycle change for the prior to paint and exterior paint programs, and a 7.5-year cycle change for the resurfacing program; and

RESOLVED FURTHER, that the program cycle change will take effect with the 2021 fiscal year; and

RESOLVED FURTHER; that Resolution 03-12-97 adopted July 17, 2012 is hereby superseded and cancelled; and

RESOLVED FURTHER; that the officers and agents of this Corporation are hereby authorized on behalf of the Corporation to carry out the purpose of this resolution.

September Initial Notification

Should the Board endorse the proposed resolution, Staff recommends that a motion be made and seconded to accept the resolution and allow discussion to ensure that the resolution reads to the satisfaction of the Board. Staff then recommends that a Board Member postpones the resolution to the next available Board Meeting no less than 28-days from the postponement to comply with Civil Code §4360.

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Attachment 2: Life Paint Warranty Letter – Top Coat



LIFE PAINT CORP.

12927 Sunshine Avenue
P.O. Box 2488
Santa Fe Springs, CA 90670-0488
(XXX) XXX-XXXX
Fax (XXX) XXX-XXXX
www.lifepaint.com

July 6, 2020

Ernesto A. Munoz, P.E.
Maintenance & Construction Director
VMS Inc.

Dear Ernesto:

Thank you for reaching out to us regarding the warranty for our Life Deck Acrylic Color Seal #10-774-WS-2G Beige with Skid-Tex Top Coat. I understand that you would like us to increase our warranty covering this product from 5 years to 7.5 years. Because our 10 Series Color Seal is manufactured using the most durable formulation and is applied by your experienced applicators we will be able to extend our warranty to 7.5 years for the normal application to balconies, decks and walkways.

As a matter of fact, we will offer this extended warranty to all Mutuals; United Laguna Woods, Third Laguna Hills and The Towers Mutual 50 since it is used by each.

Please be aware that the 10 Series coating is not a waterproofer on its own. It is however an integral part of some of our Life Deck waterproofing systems.

We are looking forward to the resumption of your painting program and are ready to assist. Feel free to contact Maury Jessner or me for any future needs.

Yours truly,
Michael S. de la Vega
Life Paint
VP Operations

Attachment 3: PPG Paints Warranty Letter – Exterior Paint Product



Gustavo De Los Santos
So. California Sales Manager
PPG Paints
8604 Miramar Rd Suite C.
San Diego California 92126

7/22/2020

Ernesto A. Munoz P.E.
Maintenance & Construction Director
VMS Inc.

Dear Ernesto:

On behalf of PPG Paints I would like to thank you for the continued opportunity to service Third Laguna Hills Mutual coatings needs.

PPG is confident the current specification of products and application method we currently have in place meet your need to extend your current warranty to a 15 year warranty. PPG would agree to extend your warranty to 15 years, starting with the 2020 paint program. Should you choose to approve a 15 year warranty, we would have a revised 15 year warranty for you to review. Thank you again for your continued partnership.

Please feel free to contact me with any questions or comments.

Sincerely,
Gustavo De Los Santos
PPG Paints
Southern California Sales Manager.

Attachment 4 – Cost Savings Analysis

	<i>Programs</i>	
	<i>Exterior Paint</i>	<i>Prior to Paint</i>
<i>Savings in Wages</i>	\$356,386	\$268,826
<i>Savings in Material</i>	\$48,364	\$39,554
<i>Sub Total Savings Per Program</i>	<i>\$404,750</i>	<i>\$308,380</i>
<i>Total Savings per Year</i>	<i>\$713,130</i>	

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Financial Report

Preliminary as of July 31, 2020



INCOME STATEMENT (in Thousands)	ACTUAL
Assessment Revenue	\$19,345
Non-assessment Revenue	\$1,655
Total Revenue	\$21,000
Total Expense	\$17,473
Net Revenue/(Expense)	\$3,527

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Financial Report

Preliminary as of July 31, 2020



OPERATING ONLY INCOME STATEMENT (in Thousands)	ACTUAL
Assessment Revenue	\$11,800
Non-assessment Revenue	\$633
Total Revenue	\$12,433
Total Expense ¹	\$11,849
Operating Surplus	\$584

1) excludes depreciation

2

Financial Report

Preliminary as of July 31, 2020

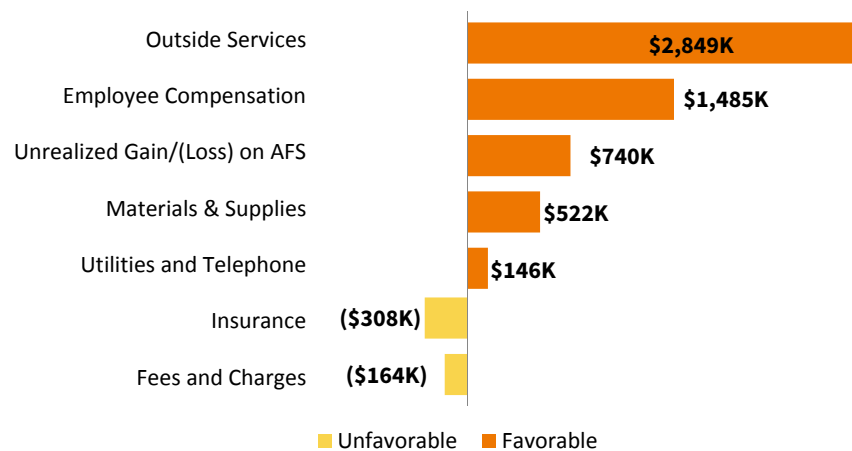


INCOME STATEMENT (in Thousands)	ACTUAL	BUDGET	VARIANCE B/(W)
Assessment Revenue	\$19,345	\$19,345	\$0
Non-assessment Revenue	\$1,655	\$1,159	\$496
Total Revenue	\$21,000	\$20,504	\$496
Total Expense	\$17,473	\$22,292	\$4,819
Net Revenue/(Expense)	\$3,527	(\$1,788)	\$5,315

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Financial Report

Preliminary as of July 31, 2020



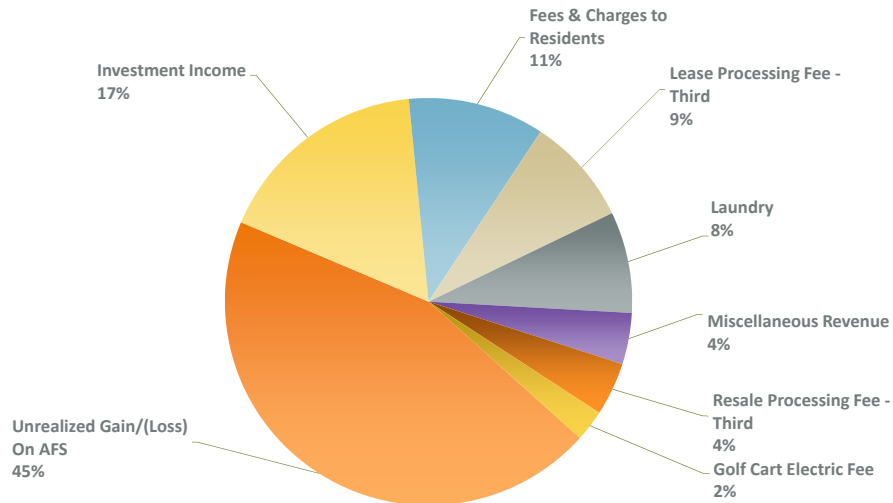
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Financial Report

Preliminary as of July 31, 2020



Total Non Assessment Revenues \$1,655,370



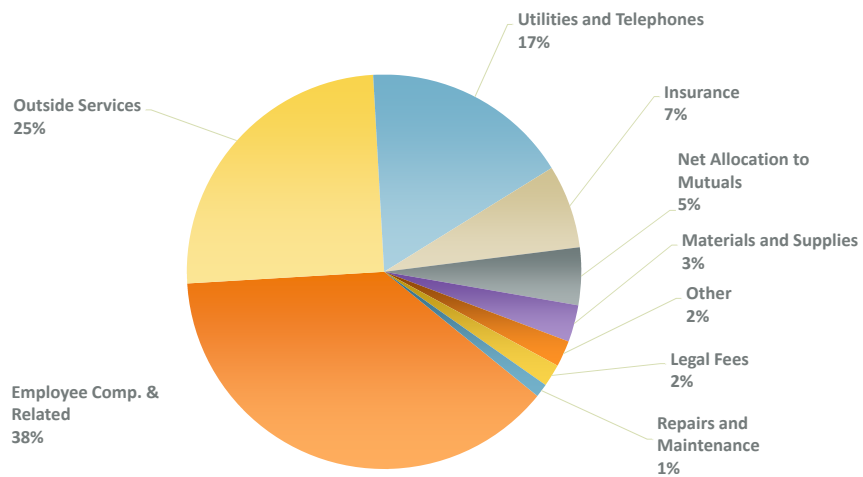
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Financial Report

Preliminary as of July 31, 2020



Total Expenses \$17,473,487



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Financial Report

Preliminary as of July 31, 2020



NON OPERATING FUND BALANCES (in Thousands)	Replacement Funds*	Disaster Fund	Unappropriated Expenditures Fund	Garden Villa Fund	TOTAL
Beginning Balances: 1/1/20	\$16,033	\$9,065	\$3,626	\$73	\$28,797
Contributions & Interest	7,063	983	470	52	8,568
Expenditures	4,527	970	14	34	5,545
Current Balances: 7/31/20	\$18,569	\$9,078	\$4,082	\$91	\$31,820

* Includes Elevator and Laundry Funds

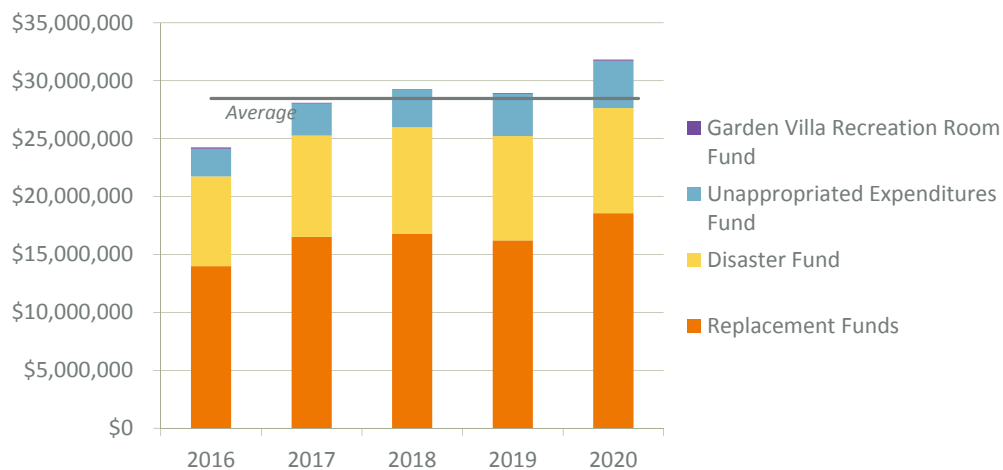
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Financial Report

Preliminary as of July 31, 2020



FUND BALANCES – Third Mutual



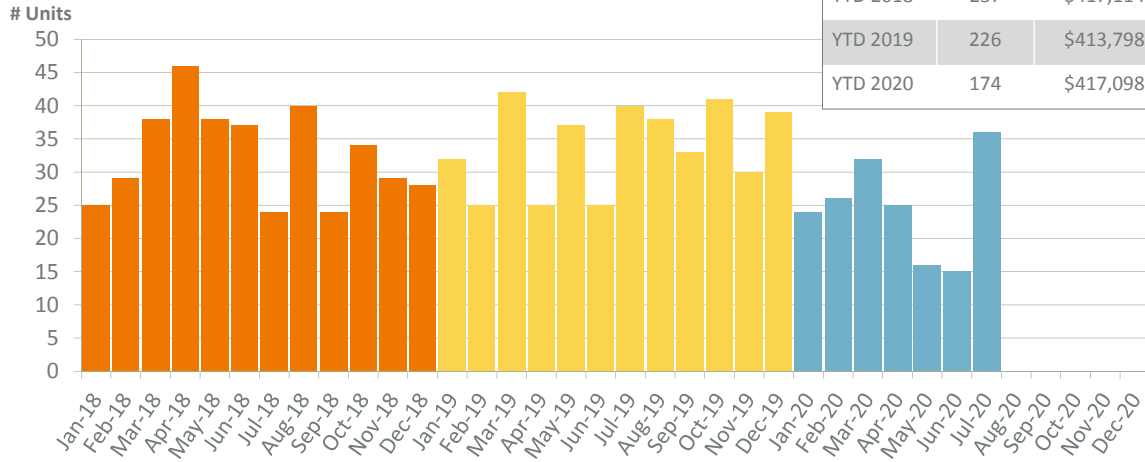
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Financial Report

Preliminary as of July 31, 2020



RESALE HISTORY – Third Mutual



	NO. OF RESALES	AVG. RESALE PRICE
YTD 2018	237	\$417,114
YTD 2019	226	\$413,798
YTD 2020	174	\$417,098

Third Laguna Hills Mutual
Statement of Revenues & Expenses - Preliminary
7/31/2020
(\$ IN THOUSANDS)

		CURRENT MONTH			YEAR TO DATE			PRIOR YEAR	TOTAL
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET
Revenues:									
Assessments:									
1	Operating	\$1,686	\$1,686		\$11,800	\$11,799	\$1	\$10,947	\$20,228
2	Additions to restricted funds	1,078	1,078		7,545	7,545		7,852	12,935
3	Total assessments	<u>2,764</u>	<u>2,764</u>		<u>19,345</u>	<u>19,345</u>	<u>1</u>	<u>18,799</u>	<u>33,163</u>
Non-assessment revenues:									
4	Fees and charges for services to residents	45	49	(4)	179	343	(164)	466	588
5	Laundry	20	18	2	133	128	5	119	220
6	Investment income	32	45	(12)	283	313	(30)	375	536
7	Unrealized gain/(loss) on AFS investments	88		88	740		740	299	
8	Miscellaneous	48	54	(5)	320	375	(55)	361	643
9	Total non-assessment revenue	<u>234</u>	<u>166</u>	<u>68</u>	<u>1,655</u>	<u>1,159</u>	<u>496</u>	<u>1,620</u>	<u>1,988</u>
10	Total revenue	<u>2,998</u>	<u>2,929</u>	<u>68</u>	<u>21,001</u>	<u>20,504</u>	<u>496</u>	<u>20,419</u>	<u>35,150</u>
Expenses:									
11	Employee compensation and related	901	1,169	268	6,678	8,163	1,485	7,434	13,940
12	Materials and supplies	70	147	76	530	1,052	522	795	1,787
13	Utilities and telephone	507	538	31	2,981	3,127	146	2,810	5,542
14	Legal fees	53	42	(11)	322	292	(30)	228	500
15	Professional fees	15	13	(2)	73	99	26	112	145
16	Equipment rental	2	2	(1)	12	12	(1)	17	20
17	Outside services	1,315	1,033	(283)	4,379	7,228	2,849	4,489	11,661
18	Repairs and maintenance	28	32	4	192	222	30	192	380
19	Other Operating Expense	10	16	6	64	116	52	85	199
20	Income taxes				20		(20)		
21	Insurance	170	126	(44)	1,193	885	(308)	763	1,517
22	Investment expense		4	4	6	27	21	23	47
23	Uncollectible Accounts	(6)	10	16	10	70	60	94	120
24	(Gain)/loss on sale or trade				108		(108)	3	
25	Depreciation and amortization	11	11		79	79		83	136
26	Net allocation to mutuals	121	135	14	825	920	96	708	1,577
27	Total expenses	<u>3,198</u>	<u>3,276</u>	<u>78</u>	<u>17,473</u>	<u>22,292</u>	<u>4,819</u>	<u>17,837</u>	<u>37,572</u>
28	Excess of revenues over expenses	<u>(\$201)</u>	<u>(\$347)</u>	<u>\$146</u>	<u>\$3,527</u>	<u>(\$1,788)</u>	<u>\$5,315</u>	<u>\$2,582</u>	<u>(\$2,421)</u>



Statement of Revenues & Expenses - Preliminary
Variance Explanations as of July 31, 2020

SUMMARY

Third financial results were better than budget by \$5,315K as of July 31, 2020, primarily due to timing of programs and program adjustments related to the COVID-19 pandemic. Explanations for categories with significant variances are found below.

REVENUE

Fees and Charges for Services to Residents – (\$164K) [Line 4](#)

Unfavorable variance resulted from revenue not yet recorded from prior year moisture intrusion events, pending determination hearings which were postponed due to COVID-19. Variance was partially offset by more plumbing chargeable service. Water heater replacement is an expanded service that has generated more revenue than anticipated at the time of budget preparation.

Unrealized gain/(loss) on AFS Investments – \$740K [Line 7](#)

Favorable variance due to reporting of Unrealized Gain on Available for Sale Investments. A monthly entry is made to reflect investment market conditions, which fluctuate. The variance was partially offset by realized losses.

EXPENSES

Employee Compensation and Related – \$1,485K [Line 11](#)

Certain programs were placed on hold beginning mid-March to comply with State and County health orders due to ongoing COVID-19 pandemic, resulting in staff furloughs throughout the organization. Variance is expected to decrease as furloughed employees returned to work in August. Additional savings occurred in Landscape Services: tree maintenance and slope maintenance were outsourced creating a savings in labor hours and mulch distribution will be primarily performed in the fall.

Materials and Supplies – \$522K [Line 12](#)

Favorable variance due to timing and programs put on hold since mid-March due to the COVID-19 pandemic. Fewer materials used in programs such as building structures (carpentry), dry rot repairs and exterior paint program. Some purchases were delayed until facilities and services reopen.

Outside Services – \$2,849K [Line 17](#)

Favorable variance is due to:

- **Building Structures – \$704K**

Favorable variance resulted from work being postponed due to COVID-19. Dry rot and parapet wall removal were restarted in May.



Statement of Revenues & Expenses - Preliminary
Variance Explanations as of July 31, 2020

- **Paving – \$449K**

Although budget is spread evenly throughout the year, paving programs such as asphalt overlay and seal coat are scheduled from August through October. Parkway concrete replacement began in July. This program will have a favorable variance until program is completed.

- **Roof Replacements – \$407K**

Favorable variance is due to work being put on hold related to the COVID-19 pandemic. Roof replacement is budgeted evenly throughout the year and work was scheduled to begin in late March but due to the pandemic, the roofing program began on June 8. Of the 20 scheduled buildings, 3 were completed through July.

- **Waste Line Remediation – \$387K**

Favorable variance is due to work being put on hold related to the COVID-19 pandemic. While the primary focus is on three-story buildings this year, other buildings with a high risk for stoppages will also be evaluated for epoxy lining. The three-story buildings take an average of 6-weeks to complete. On May 19th, the Board approved a spending limit of \$750,000 to the 2020 program.

- **Landscape Modification – \$247K**

Favorable variance resulted from budget spread. Budget assumed slope maintenance programs work would be completed June and July; however, work is still in progress. This program will have a favorable variance until program completion.

- **Pest Control – \$193K**

On July 21, 2020, the Third Mutual Board approved to defer fumigation program to 2021 due to the pandemic. There were 44 remaining buildings and 1 laundry room that will be rescheduled to fumigate in 2021.

Offset:

- **Tree Maintenance – (\$210K)**

Although annual tree trimming is budgeted to be performed by in-house staff, work is being done by outside vendors.

Insurance – (\$308K) [Line 21](#)

Unfavorable variance due to higher premiums at the 10/1/19 renewal for property and casualty insurance. Insurance premium increases were implemented after 2020 budget was finalized. Significant changes in market conditions, catastrophic losses including wildfires in California, and a non-renewal situation required a new layered program structure to achieve the existing limits in a tight market.

Monthly Resale Report

PREPARED BY

Community Services Department

MUTUAL

All Mutuals

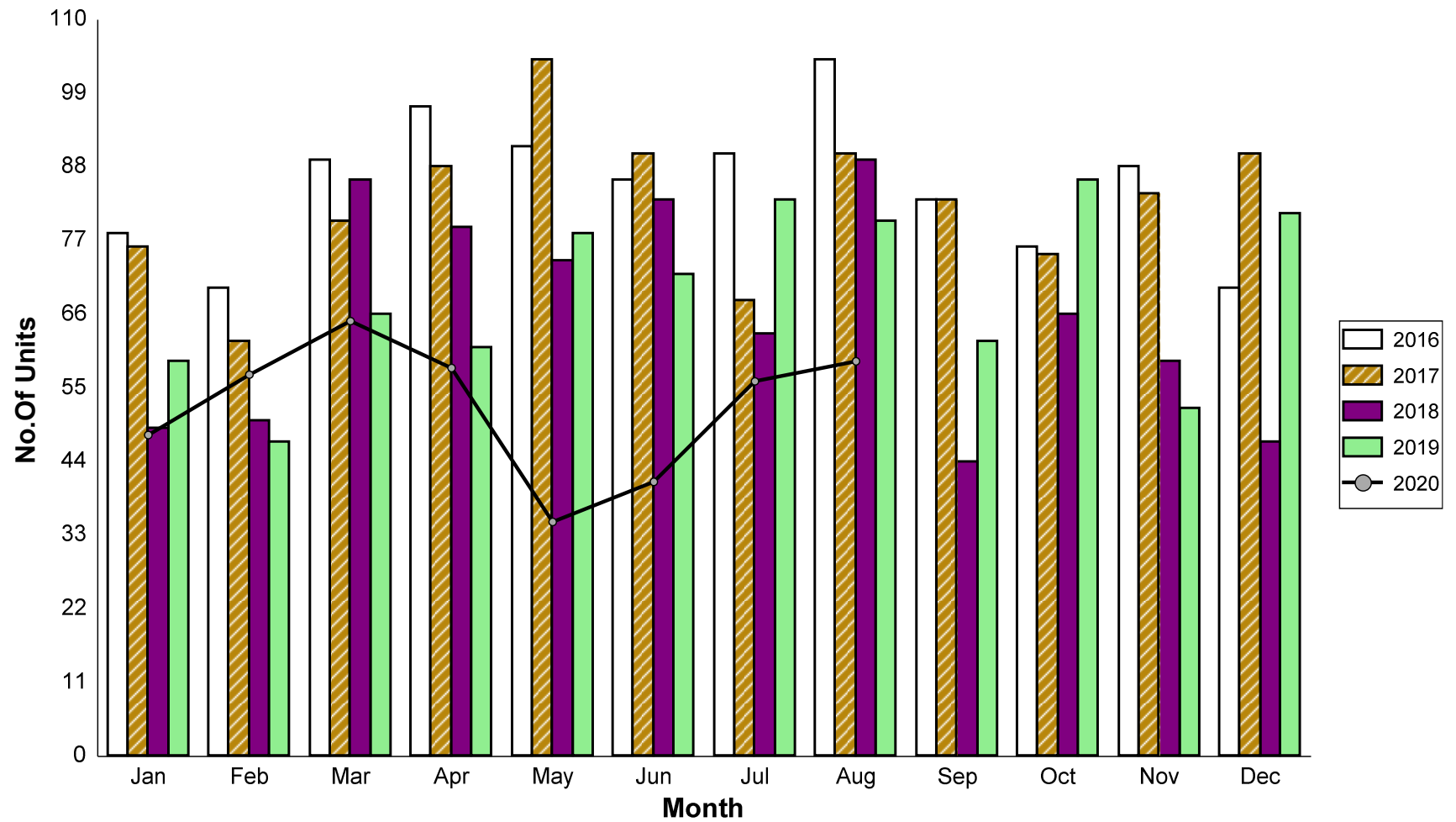
REPORT PERIOD

August, 2020

MONTH	NO. OF REALES		TOTAL SALES VOLUME IN \$\$		AVG RESALE PRICE	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
January	48	59	\$16,125,300	\$18,540,250	\$335,944	\$314,242
February	57	47	\$18,886,210	\$14,770,050	\$331,337	\$314,256
March	65	66	\$21,969,916	\$23,445,712	\$337,999	\$355,238
April	58	61	\$18,200,321	\$20,041,551	\$313,799	\$328,550
May	35	78	\$10,277,500	\$23,975,536	\$293,643	\$307,379
June	41	72	\$12,315,399	\$21,298,290	\$300,376	\$295,810
July	56	83	\$20,514,748	\$27,170,573	\$366,335	\$327,356
August	59	80	\$21,522,228	\$26,206,000	\$364,784	\$327,575
September		* 62		* \$20,171,980		* \$325,355
October		* 86		* \$26,648,300		* \$309,864
November		* 52		* \$18,653,350		* \$358,718
December		* 81		* \$27,517,600		* \$339,723
TOTAL	419.00	546.00	\$139,811,622	\$175,447,962		
MON AVG	52.00	68.00	\$17,476,453	\$21,930,995	\$330,527	\$321,301

* Amount is excluded from percent calculation

Resales - 5 Year Comparison



Monthly Resale Report

PREPARED BY

MUTUAL

REPORT PERIOD

Community Services Department

Third

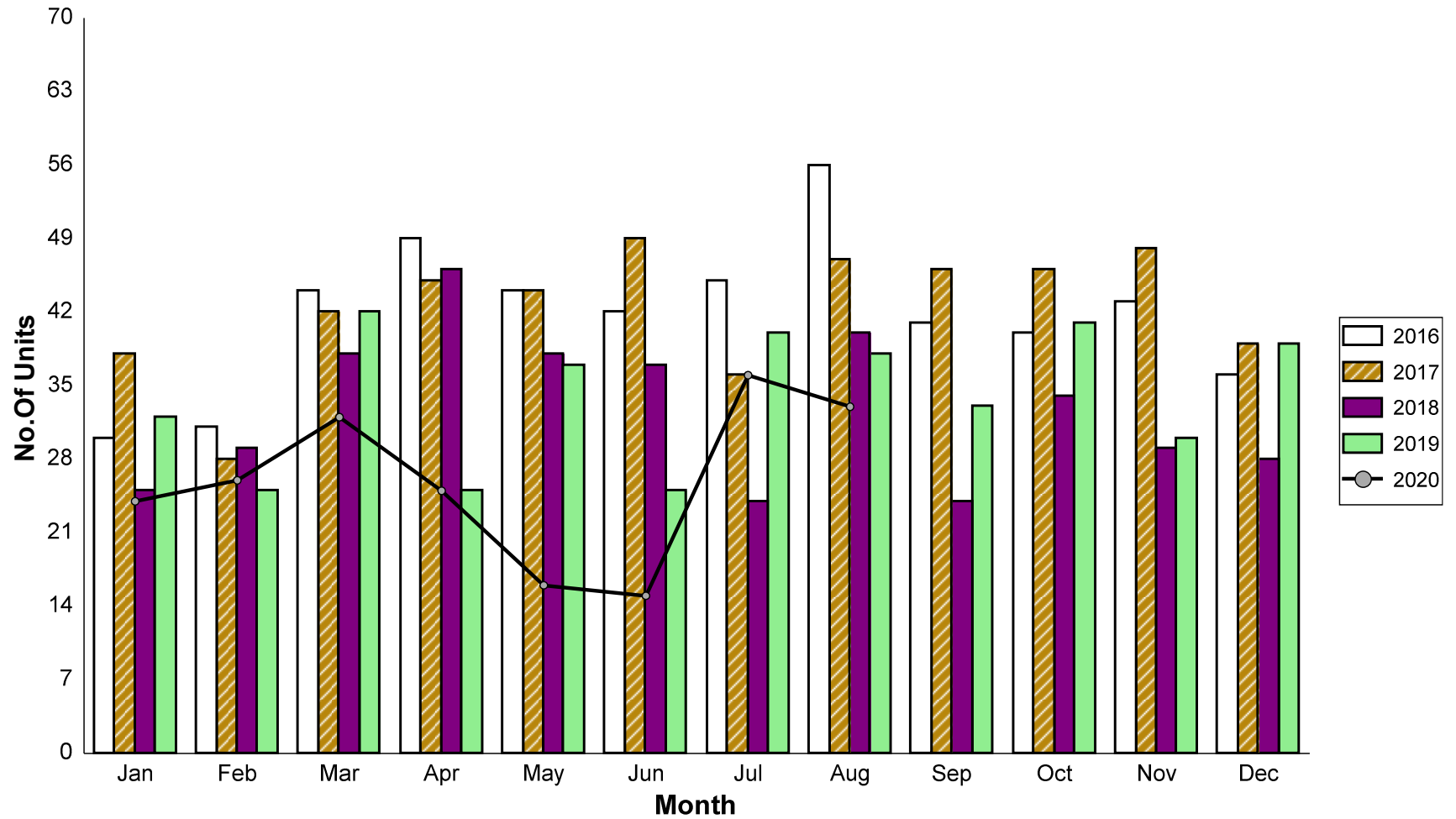
August, 2020

MONTH	NO. OF REALES		TOTAL SALES VOLUME IN \$\$		AVG RESALE PRICE	
	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR	THIS YEAR	LAST YEAR
January	24	32	\$10,015,000	\$12,482,100	\$417,292	\$390,066
February	26	25	\$12,158,700	\$10,208,000	\$467,642	\$408,320
March	32	42	\$13,946,416	\$16,639,712	\$435,826	\$396,184
April	25	25	\$10,830,833	\$10,435,500	\$433,233	\$417,420
May	16	37	\$5,604,000	\$16,273,033	\$350,250	\$439,812
June	15	25	\$5,881,500	\$10,290,000	\$392,100	\$411,600
July	36	40	\$15,240,248	\$17,327,373	\$423,340	\$433,184
August	33	38	\$14,612,928	\$15,994,900	\$442,816	\$420,918
September		*		\$12,643,180		* \$383,127
October		*		\$16,142,900		* \$393,729
November		*		\$13,520,950		* \$450,698
December		*		\$18,319,800		* \$469,738
TOTAL	207.00	264.00	\$88,289,625	\$109,650,618		
MON AVG	25.00	33.00	\$11,036,203	\$13,706,327	\$420,312	\$414,688
% CHANGE - YTD	-21.6%		-19.5%		1.4%	

% Change calculated (ThisYear - LastYear)/LastYear

* Amount is excluded from percent calculation

Resales - 5 Year Comparison



Resales Report Third Laguna Hills Mutual August, 2020

Close	Manor	Mutual	Price	Model/Style	Listing Realtor	Buyer Realtor	Escrow
08/18/2020	2110-N	3	\$228,000	Casa Linda	Laguna Premier Realty, Inc	Laguna Premier Realty, Inc	Blue Pacific Escrow
08/28/2020	2113-O	3	\$335,000	Casa Linda	Re/Max Select One	Harcourts Prime Properties	Blue Pacific Escrow
08/27/2020	2126-B	3	\$138,000	Coronado	Laguna Premier Realty, Inc	Laguna Premier Realty, Inc	Blue Pacific Escrow
08/26/2020	2208-O	3	\$232,000	Casa Contenta	Century 21 Rainbow	HomeSmart Evergreen	Granite Escrow
08/19/2020	2240-B	3	\$265,000	Castilla	Prea Realty	HomeSmart Evergreen	Blue Pacific Escrow
08/04/2020	2276-P	3	\$190,000	Coronado	Laguna Premier Realty, Inc	Compass	Blue Pacific Escrow
08/12/2020	2297-D	3	\$510,000	La Jolla	HomeSmart Evergreen	Laguna Premier Realty, Inc	Granite Escrow
08/07/2020	2304-C	3	\$330,000	Seville	EGA Homes	Presidential Real Estate	Orchard Hill Escrow
08/18/2020	2386-2D	3	\$290,000	Garden Villa	Village Real Estate	Realty Benefit	Granite Escrow
08/31/2020	2387-2A	3	\$265,000	Garden Villa	Keller Williams Real Estate	Berkshire Hathaway	Corner Escrow Inc.
08/05/2020	2392-1H	3	\$377,000	Garden Villa	Re/Max Tiffany Real Estate	Pacific Platinum Properties	Integra Escrow
08/04/2020	3037-C	3	\$225,000	Villa Nova	Prominent	Prominent	Prominent Escrow Services
08/07/2020	3057-C	3	\$177,000	La Casita	Incline Realty	Residential Agent Inc.	Lawyers Title
08/24/2020	3070-A	3	\$539,528	Villa Nova	Century 21 Rainbow	Laguna Premier Realty, Inc	Corner Escrow Inc.
08/20/2020	3171-C	3	\$453,500	El Doble	Laguna Premier Realty, Inc	Laguna Premier Realty, Inc	Granite Escrow
08/21/2020	3211-C	3	\$642,500	La Reina	Robert Ganem, Broker	New Star Realty & Investment	Mariners Escrow
08/19/2020	3232-A	3	\$670,000	El Doble	Laguna Premier Realty, Inc	Presidential Real Estate	Granite Escrow
08/27/2020	3241-1G	3	\$231,000	Villa Puerta	Harcourts Prime Properties	Coldwell Banker	Corner Escrow Inc.
08/04/2020	3333-C	3	\$699,000	Andaluz	Berkshire Hathaway	ReMax First Class	Granite Escrow
08/03/2020	3354-C	3	\$379,900	Catalina	Century 21 Rainbow	Berkshire Hathaway	Corner Escrow Inc.
08/14/2020	3362-A	3	\$385,000	Catalina	Compass	Karbury's Inc	Blue Pacific Escrow
08/03/2020	3500-1B	3	\$302,500	Villa Nueva	FSBO	Realty Benefit	Granite Escrow
08/26/2020	3503-B	3	\$885,000	Cabrillo	First Team Real Estate	Century 21 Astro	Central Escrow
08/07/2020	4009-3A	3	\$420,000	El Mirador	Coldwell Banker	Realty One Group West	Corner Escrow Inc.

Resales Report Third Laguna Hills Mutual August, 2020

Close	Manor	Mutual	Price	Model/Style	Listing Realtor	Buyer Realtor	Escrow
08/28/2020	4011-2F	3	\$445,000	El Mirador	FSBO	FSBO	Blue Pacific Escrow Corp.
08/28/2020	4015-2B	3	\$405,000	Villa Nueva	Laguna Premier Realty, Inc	Marlene Thompson, Broker	Blue Pacific Escrow
08/03/2020	4026-2D	3	\$370,000	Villa Nueva	Pacific Sotheby's International	Pacific Sotheby's International	Corner Escrow Inc.
08/06/2020	4026-2G	3	\$428,000	Villa Nueva	Keller Williams Real Estate	Century 21 Award	Granite Escrow
08/31/2020	5105	3	\$710,000	Villa Reposa	Coldwell Banker	Marshall Yagan Broker	Granite Escrow
08/20/2020	5132	3	\$765,000	Villa Reposa	Century 21 Masters	Century 21 Rainbow	Blue Pacific Escrow
08/26/2020	5369-3B	3	\$325,000	Sierra	FSBO	No Broker	Granite Escrow
08/03/2020	5407	3	\$895,000	Casa Grande	Laguna Premier Realty, Inc	Berkshire Hathaway	Blue Pacific Escrow
08/28/2020	5564-A	3	\$1,100,000	Casa Palma	HomeSmart Evergreen	HomeSmart Evergreen	Escrow Options Group

Number of Resales: 33

Total Resale Price: \$14,612,928

Average Resale Price: \$442,816

Median Resale Price: \$379,900

Monthly Resale Report Third Mutual

PREPARED BY
Community Services Department

Aug-20

Period	Month	NUMBER OF RESALES				TOTAL SALES VOLUME IN \$\$				AVG RESALE PRICE			
		2020	2019	2018	2017	2020	2019	2018	2017	2020	2019	2018	2017
1	January	24	32	25	38	\$10,015,000	\$12,482,100	\$8,807,150	\$14,513,062	\$417,292	\$390,066	\$352,286	\$381,923
2	February	26	25	29	28	\$12,158,700	\$10,208,000	\$12,600,892	\$9,887,500	\$467,642	\$408,320	\$434,514	\$353,125
3	March	32	42	38	42	\$13,946,416	\$16,639,712	\$16,909,199	\$15,185,800	\$435,826	\$396,184	\$444,979	\$361,567
4	April	25	25	46	45	\$10,830,833	\$10,435,500	\$18,869,626	\$18,847,150	\$433,233	\$417,420	\$410,209	\$418,826
5	May	16	37	38	44	\$5,604,000	\$16,273,033	\$15,452,990	\$18,157,951	\$350,250	\$439,812	\$406,658	\$412,681
6	June	15	25	37	49	\$5,881,500	\$10,290,000	\$16,981,138	\$21,011,450	\$392,100	\$411,600	\$458,950	\$428,805
7	July	36	40	24	36	\$15,240,248	\$17,327,373	\$9,892,800	\$13,526,020	\$423,340	\$433,184	\$412,200	\$375,723
8	August	33	38	40	47	\$14,612,928	\$15,994,900	\$17,327,000	\$17,967,189	\$442,816	\$420,918	\$433,175	\$382,281
9	September	0	33	24	46	\$0	\$12,643,180	\$12,552,692	\$16,020,038	\$0	\$383,127	\$523,029	\$356,001
10	October	0	41	34	46	\$0	\$16,142,900	\$14,146,300	\$18,804,700	\$0	\$393,729	\$416,068	\$408,798
11	November	0	30	28	49	\$0	\$13,520,950	\$10,675,000	\$19,847,200	\$0	\$450,698	\$381,250	\$405,045
12	December	0	39	28	38	\$0	\$18,319,800	\$13,693,599	\$18,509,275	\$0	\$469,738	\$489,057	\$487,086
TOTAL		207	264	277	329	\$88,289,625	\$109,650,618	\$116,840,795	\$129,096,122				
MON AVG		25.9	33.0	34.6	41.1	\$11,036,203	\$13,706,327	\$14,605,099	\$16,137,015	\$420,312	\$414,688	\$419,121	\$389,366
% CHANGE-YTD		-21.6%	-4.7%	-15.8%	-3.8%	-19.5%	-6.2%	-9.5%	9.1%	1.4%	-1.1%	7.6%	12.7%

% Change calculated (This Year - Last Year)/Last Year
Percent calculation only includes YTD figures in black.



MONTHLY LEASING REPORT

Report Period:
August-2020

MONTH	LEASES IN EFFECT				Total this year	Total last year	Total Expirations	New Monthly Transactions		
	3 Months	6 Months	12 Months	12+Months				Leases	Renewals	Extensions
January	21	21	392	1289	1723	1688	31	35	123	3
February	20	21	402	1285	1728	1699	54	34	83	1
March	19	25	393	1288	1725	1708	73	37	93	7
April	10	22	388	1281	1701	1691	79	32	107	3
May	8	15	391	1232	1646	1682	104	31	151	4
June	14	15	373	1299	1701	1692	69	44	117	5
July	13	11	364	1316	1704	1708	67	47	136	6
August	12	9	362	1278	1661	1706	97	49	128	1
September										
October										
November										
December										
Monthly Average	14.6	17.4	383.1	1283.5	1698.6	1696.8	71.8	38.6	117.3	3.8
Percentage Leased	1661 / 6102 = 27.2%									



OPEN MEETING

**REGULAR MEETING OF THE THIRD LAGUNA HILLS MUTUAL
LANDSCAPE COMMITTEE**

Thursday, September 3, 2020 – 9:30 a.m.

VIRTUAL MEETING

**Laguna Woods Village Community Center Board Room
24351 El Toro Road**

REPORT

COMMITTEE MEMBERS PRESENT: Chair - Lynn Jarrett, Annie McCary, Reza Karimi, Doug Gibson, Ralph Engdahl, John Frankel

COMMITTEE MEMBERS ABSENT: Cush Bhada

OTHERS PRESENT:

ADVISORS PRESENT: Cindy Baker

STAFF PRESENT: Kurt Wiemann, Eve Morton, Maribel Flores

1. Call to Order

Chair Jarrett called the meeting to order at 9:30 a.m.

2. Acknowledgement of Media

No media was present.

3. Approval of the Agenda

Director McCary made a motion to approve the agenda. The motion passed with a unanimous vote.

4. Approval of the August 6, 2020 Report

Advisor Baker moved to approve the Report. The motion passed with a unanimous vote.

5. Committee Chair Remarks

None.

6. Department Head Update

Mr. Wiemann discussed the edging methodology which has caused some uproar lately. He discussed pre-emergent and growth regulators. He showed photos of the spraying around the meter boxes and that he continues to inform staff that they are not to spray too wide around those boxes.

Consent Calendar:

None.

Reports:

7. Project Log

Mr. Wiemann reviewed the Project Log with the committee. He also showed photos of a landscape modernization project at Cul de sac 343.

8. Tree Work Status Report

Mr. Wiemann reviewed this report with the committee. Chair Jarrett asked Members to refer to the Landscape Manual which is available on the Village website. She said valuable information is there and also the Landscape crews' schedules are there.

Unfinished Business

None.

Items for Discussion and Consideration:

9. Tree Removal Request: 5292 Avenida Del Sol (Kahn) – One Indian Laurel Fig tree

Director McCary made a motion to accept staff's recommendation and approve removal of this tree. Director Frankel seconded. The committee was in unanimous support.

10. Discuss ideas to encourage Members in the Gate 8, 10,11 to replace the turf with drought tolerant plants.

Mr. Wiemann stated that Gates 11 and 14 are the only areas still eligible for water rebates when drought tolerant plants are put in the place of turf.

Chair Jarrett stated that it is important to get the word out to Members that they have an option to replace turf with drought tolerant plants.

Mr. Wiemann reported that a Landscape Request Form would begin the process. A landscape architect would need to plan the area and then those plans and the request would need to get approval from the Landscape committee. The work and the plants would be at the Member's expense. It is about \$3 per square foot to

remove the turf. The rebate from El Toro Water District would be given to the resident.

Items for Future Agendas:

None.

Concluding Business

11. Member Comments (Items Not on the Agenda)

The Community Center is closed and this will be a virtual meeting which Members may view on the Village website under Residents>Governance>Board Meeting Videos. Member comments will be read during the meeting and the committee will respond. Members may request to speak 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 meeting in the subject line of the email or you may call 949-268-2020 beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and unit number.

Eileen Lazar (5220) Ms. Lazar stated that her neighborhood has many weeds in the flower beds and also many weeds in the planting beds next to the sidewalks.

Bob Hatch (5064) "I'm concerned about the standard of landscape throughout the Village. Landscape is important to all residents in terms of lifestyle, value of manors, and attracting new residents. We have many housing types within the Village all with distinctive needs in terms of appearance and maintenance. But my attention is focused on the needs of Gate 11 and other portions of our Mutual that are single-level and free standing. I can't speak for all of neighbors, but here is what I believe are the most common concerns:

- 1- lawn appearance
- 2- dirt borders around all utility boxes and poles.
- 3- method of trimming borders, chemical vs mechanical trimming tools
- 4- weeds
- 5- trimming
- 6- old, outdated and poor appearing plants and shrubs. We are a 50 year old community and landscape is "out of date"

I have the biggest regard for Kurt and his crew. They have been responsive to individual requests as never before, but I think that causes an excessive burden on his crew. Would it be more efficient to increase the level of service for all residents and reduce special requests?

Increased level of service may come at a cost. And I and many of our neighbors would accept a higher cost.. But few of us understand what specific service and frequency we presently are paying for. Could the service levels be prioritized so that are most important concerns are provided at our present cost? And if I and other individuals owners choose to pay all additional service, what are we allowed to do? "

Steve Stanfill (3425-C) "On August 6, 2020, I brought a concern to the committee's attention regarding three large trees directly behind my building that had not been trimmed in over five years. On behalf of myself & my neighbors - Marjorie, Adele, Lilly, Bill & Midge, Dave & Mary, WE want to Thank Kurt Wiemann for addressing this issue.

This same day Leo Lopez, from the Landscape Department, arrived to evaluate our concern. The following week members from Mr. Lopez's team arrived & trimmed the trees. Daylight has been restored to our manors & the potential for falling branches greatly reduced.

So, we give a BIG Shout Out to Mr. Lopez & his team for a job well done. And Many Thanks from ALL of us at 3425 Bahia Blanca West."

Linda Ryder (5048) "Does Landscape have any idea what landscape activities might have led to the incredible mouse infestation in Gate 11? One neighbor has killed an average of 100 mice per month. His count is almost 300 mice so far."

12. Response to Member Comments

Eileen Lazar (5220)

Mr. Wiemann stated that there is currently enough staff to visit each area four times a year so that will mean that there will be weeds that come up in between those visits.

Bob Hatch (5064) Mr. Wiemann stated that current staffing does not allow for additional landscaping to what is currently being done. The Boards would have to agree to additional funding for more staff to increase service levels.

Linda Ryder (5048) Mr. Wiemann stated that he does not know the reason for the mouse infestation. Director Karimi stated that when garter snakes are removed per Members' request, then those snakes are no longer eating the mice which may account for the increase in the mice.

13. Committee Member Comments

Director Gibson stated things are going in the right direction.

Advisor Baker stated that she appreciates Mr. Wiemann's comments about the service levels.

Director Karimi asked about the high cost of recycled water and it has been looked into. Mr. Wiemann reported that only one water meter showed higher water use due to a broken main. GRF invested one million dollars to update the Village irrigation system over five years. More flow meters and sensors will be installed which can detach when water is leaking. He asked that Members please call Security when they see any leaking water.

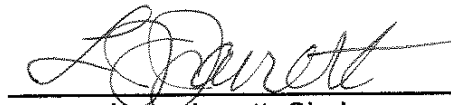
Director McCary stated it was a great meeting and she thanked Director Karimi for the possible reason for the mouse problem.

Chair Jarrett stated that Mr. Wiemann is doing a wonderful job and he is appreciated.

Mr. Wiemann stated that the Landscape Department reorganization is working well and that two new Managers are enthusiastic and full of ideas. Also, manure will now be taken from the Equestrian Center to use for Landscape which will save approximately \$70K due to not having to purchase it any longer.

14. Date of Next Meeting – October 1, 2020

15. Adjournment at 10:25 a.m.

A handwritten signature in cursive script, appearing to read "L. Jarrett", is written over a horizontal line.

Lynn Jarrett, Chair

Kurt Wiemann, Staff Officer

Eve Morton, Landscape Operations Coordinator – 268-2565

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