



REGULAR MEETING OF THE FINANCE COMMITTEE

**Tuesday, November 5, 2019 – 1:30 p.m.
Laguna Woods Village Community Center Board Room
24351 El Toro Road**

AGENDA

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for October 1, 2019
5. Chair Remarks
6. Member Comments (Items Not on the Agenda)
7. Department Head Update

Reports

8. Preliminary Financial Statements dated September 30, 2019
 - a. Q3 – Projections
9. Updates
 - a. Tax Impact of Net Operating Losses
 - b. Golf Cart Decal Enforcement
 - c. Solar Systems
 - d. Overtime and Temp Help

Items for Discussion and Consideration

10. Investment Policy Revisions
11. 2020 Finance Committee Meeting Dates
12. Finance Committee Charter
13. Other Endorsements from Standing Committees
 - a. Alternation Fees Analysis

Future Agenda Items

Solar System Update – Q4 (February, 2020)

Concluding Business:

14. Committee Member Comments
15. Date of Next Meeting – Tuesday, November 5, 2019 at 1:30 p.m.
16. Recess to Closed Session

Jon Pearlstone, Chair
Betty Parker, Staff Officer
Telephone: 949-597-4201



FINANCE COMMITTEE MEETING REPORT OF THE REGULAR OPEN SESSION

Tuesday, October 1, 2019, 2019 – 1:30 p.m.
Laguna Woods Village Community Center Board Room, 24351 El Toro Road

MEMBERS PRESENT: Jon Pearlstone – Chair, Steve Parsons, Rosemarie diLorenzo, Bunny Carpenter, Reza Karimi, Lynn Jarrett, John Frankel, Annie McCary, Cush Bhada, Advisors: Wei-Ming Tao, John Hess

MEMBERS ABSENT: None

STAFF PRESENT: Betty Parker, Steve Hormuth, Christopher Swanson

Call to Order

Director Jon Pearlstone, Treasurer, chaired the meeting and called it to order at 1:32 p.m.

Approval of Meeting Agenda

A motion was made and carried unanimously to approve the agenda as presented.

Approval of Meeting Report for September 3, 2019

A motion was made and carried unanimously to approve the committee report as presented.

Chair Remarks

Director Pearlstone commented on the resignation of Advisor Cunningham and thanked him for his contributions to the community. Furthermore, he requested the committee pay close attention to upcoming matters that will likely have significant financial impact including the annual insurance renewal.

Member Comments (Items not on the Agenda)

Joan Coles (3147-C) commented on low attendance at Third Mutual meetings.

Doug Gibson (5289) commented on communication with Gate 11 residents.

Department Head Update

Betty Parker, Chief Financial Officer, reviewed key issues from the Department Head Update report included in the agenda, highlighting key financial performance data and information requests. Special updates were provided for the recent budget adoption, 10/1 insurance renewals, and investment account transfer to SageView/Fidelity.

Preliminary Financial Statements dated August 31, 2019

The committee reviewed financials and questions were addressed. The committee requested additional information on the following items:

- Location of insurance reimbursements to the Disaster Fund
- Provision for Doubtful Accounts: Identify total amount of chargeable service work that was performed vs. the total amount of chargeable service work anticipated to be uncollectible.

Golf Cart Decal Enforcement

The committee requested that a meeting be scheduled with all associated departments to communicate the need for effective enforcement and timely payment of annual fees.

Future Agenda Items

Tax Impact of NOLs
Alteration Fee Analysis
Solar System Update – Q3
Golf Cart Decal Solutions

Date of Next Meeting

Tuesday, November 6, 2019 at 1:30 p.m. in the Board Room.

Recess to Closed Session

The meeting recessed at 3:00 p.m.



Jon Pearlstone, Chair

Third Laguna Hills Mutual
Statement of Revenues & Expenses - Preliminary
9/30/2019
(\$ IN THOUSANDS)

		CURRENT MONTH			YEAR TO DATE			PRIOR YEAR	ANNUAL
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET
Revenues:									
Assessments:									
1	Operating	\$1,564	\$1,564		\$14,075	\$14,075		\$14,159	\$18,767
2	Additions to restricted funds	1,122	1,122		10,095	10,095		9,866	13,460
3	Total assessments	<u>2,686</u>	<u>2,686</u>		<u>24,170</u>	<u>24,170</u>		<u>24,025</u>	<u>32,227</u>
Non-assessment revenues:									
4	Fees and charges for services to residents	86	40	46	628	359	269	432	478
5	Laundry	18	18	(1)	155	165	(10)	100	220
6	Interest income	62	31	31	495	277	218	354	369
7	Unrealized gain/(loss) on AFS investments	34		34	333		333		
8	Miscellaneous	48	50	(2)	453	451	3	475	601
9	Total non-assessment revenue	<u>248</u>	<u>139</u>	<u>109</u>	<u>2,064</u>	<u>1,251</u>	<u>813</u>	<u>1,362</u>	<u>1,668</u>
10	Total revenue	<u>2,933</u>	<u>2,824</u>	<u>109</u>	<u>26,234</u>	<u>25,421</u>	<u>813</u>	<u>25,387</u>	<u>33,895</u>
Expenses:									
11	Employee compensation and related	1,052	1,074	23	9,575	9,808	233	9,893	13,088
12	Materials and supplies	134	129	(5)	1,035	1,165	130	1,007	1,554
13	Utilities and telephone	530	521	(9)	3,993	3,988	(5)	4,272	5,299
14	Legal fees	47	18	(29)	350	165	(185)	162	220
15	Professional fees	25	11	(15)	137	152	15	71	185
16	Equipment rental	1	3	2	19	30	11	14	40
17	Outside services	1,299	914	(385)	5,984	8,229	2,245	5,031	10,972
18	Repairs and maintenance	42	32	(10)	264	257	(7)	246	345
19	Other Operating Expense	6	15	9	106	137	31	108	181
20	Insurance	111	109	(2)	985	985		945	1,313
21	Investment expense		4	4	23	34	12	31	46
22	Uncollectible Accounts	3	12	8	114	104	(10)	16	138
23	(Gain)/loss on sale or trade				3		(3)	1	
24	Depreciation and amortization	12	12		107	107		109	143
25	Net allocation to mutuals	105	103	(2)	921	901	(21)	921	1,205
26	Total expenses	<u>3,367</u>	<u>2,958</u>	<u>(409)</u>	<u>23,616</u>	<u>26,060</u>	<u>2,445</u>	<u>22,827</u>	<u>34,730</u>
27	Excess of revenues over expenses	<u>(\$434)</u>	<u>(\$133)</u>	<u>(\$301)</u>	<u>\$2,619</u>	<u>(\$639)</u>	<u>\$3,258</u>	<u>\$2,559</u>	<u>(\$835)</u>

**Third Laguna Hills Mutual
Operating Statement
9/30/2019
THIRD LAGUNA HILLS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	ANNUAL BUDGET
Revenues:					
Assessments:					
Operating					
41001000 - Monthly Assessments	\$14,075,177	\$14,074,973	\$203	0.00%	\$18,766,631
Total Operating	14,075,177	14,074,973	203	0.00%	18,766,631
Additions To Restricted Funds					
41002000 - Monthly Assessments - Disaster Fund	1,521,229	1,521,229	0	0.00%	2,028,305
41003000 - Monthly Assessments - Unappropriated Expenditures Fund	439,344	439,344	0	0.00%	585,792
41003500 - Monthly Assessments - Replacement Fund	7,688,520	7,688,520	0	0.00%	10,251,360
41004000 - Monthly Assessments - Elevator Replacement Fund	329,508	329,508	0	0.00%	439,344
41004500 - Monthly Assessments - Laundry Replacement Fund	54,918	54,918	0	0.00%	73,224
41006000 - Monthly Assessments - Garden Villa Recreation Room Fund	61,479	61,479	0	0.00%	81,972
Total Additions To Restricted Funds	10,094,998	10,094,998	0	0.00%	13,459,997
Total Assessments	24,170,174	24,169,971	203	0.00%	32,226,628
Non-Assessment Revenues:					
Fees and Charges for Services to Residents					
46501000 - Permit Fee	118,492	54,440	64,052	117.66%	72,592
46501500 - Inspection Fee	62,575	38,970	23,604	60.57%	51,965
46502000 - Resident Maintenance Fee	446,992	265,280	181,712	68.50%	353,883
Total Fees and Charges for Services to Residents	628,058	358,690	269,368	75.10%	478,440
Laundry					
46005000 - Coin Op Laundry Machine	154,550	164,997	(10,447)	(6.33%)	220,000
Total Laundry	154,550	164,997	(10,447)	(6.33%)	220,000
Interest Income					
49001000 - Interest Income - Treasury Notes	217,534	115,232	102,301	88.78%	153,643
49001500 - Interest Income - Treasury Notes - Discretionary	221,021	126,500	94,521	74.72%	168,667
49002000 - Interest Income - Money Market	3,929	1,520	2,408	158.41%	2,027
49002500 - Interest Income - Gnma Securities - Discretionary	52,421	33,362	19,058	57.12%	44,483
Total Interest Income	494,904	276,615	218,289	78.91%	368,820
Unrealized Gain/(Loss) On AFS Investments					
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	333,327	0	333,327	0.00%	0
Total Unrealized Gain/(Loss) On AFS Investments	333,327	0	333,327	0.00%	0
Miscellaneous					
46002000 - Traffic Violation	(25)	0	(25)	0.00%	0
46004500 - Resident Violations	14,118	7,497	6,621	88.31%	10,000
44501510 - Lease Processing Fee - Third	196,420	168,750	27,670	16.40%	225,000
44502000 - Variance Processing Fee	(150)	0	(150)	0.00%	0
44502500 - Non-Sale Transfer Fee - Third	1,000	2,250	(1,250)	(55.56%)	3,000
44503520 - Resale Processing Fee - Third	120,848	149,994	(29,146)	(19.43%)	200,000
44505500 - Hoa Certification Fee	4,640	6,750	(2,110)	(31.26%)	9,000
44507000 - Golf Cart Electric Fee	53,591	51,003	2,588	5.07%	68,000
44507200 - Electric Vehicle Plug-In Fee	8,566	4,500	4,066	90.36%	6,000
44507500 - Cartport/Carport Space Rental Fee	2,926	2,250	676	30.03%	3,000
47001000 - Cash Discounts - Accounts Payable	701	0	701	0.00%	0
47001500 - Late Fee Revenue	37,501	45,000	(7,499)	(16.66%)	60,000
47002020 - Collection Administrative Fee - Third	600	0	600	0.00%	0
47002500 - Collection Interest Revenue	9,775	9,000	775	8.61%	12,000
47501000 - Recycling	4,070	3,753	317	8.43%	5,000
49009000 - Miscellaneous Revenue	(1,149)	0	(1,149)	0.00%	0
Total Miscellaneous	453,431	450,747	2,684	0.60%	601,000
Total Non-Assessment Revenue	2,064,270	1,251,049	813,221	65.00%	1,668,260
Total Revenue	26,234,444	25,421,020	813,424	3.20%	33,894,888

Expenses:

Employee Compensation

51011000 - Salaries & Wages - Regular	1,750,970	1,855,898	104,928	5.65%	2,484,383
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**Third Laguna Hills Mutual
Operating Statement
9/30/2019
THIRD LAGUNA HILLS MUTUAL**

	YEAR TO DATE				ANNUAL
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	BUDGET
51021000 - Union Wages - Regular	3,994,900	4,134,840	139,940	3.38%	5,528,264
51041000 - Wages - Overtime	30,237	18,815	(11,422)	(60.71%)	25,095
51051000 - Union Wages - Overtime	56,296	27,924	(28,373)	(101.61%)	37,244
51061000 - Holiday & Vacation	631,839	505,821	(126,018)	(24.91%)	676,533
51071000 - Sick	217,301	206,322	(10,980)	(5.32%)	275,954
51091000 - Missed Meal Penalty	1,690	635	(1,056)	(166.29%)	858
51101000 - Temporary Help	71,839	27,492	(44,347)	(161.31%)	36,664
51981000 - Compensation Accrual	(160,114)	4,365	164,478	3768.27%	5,826
Total Employee Compensation	6,594,960	6,782,110	187,151	2.76%	9,070,822
Compensation Related					
52411000 - F.I.C.A.	503,838	509,509	5,671	1.11%	677,880
52421000 - F.U.I.	7,665	11,925	4,260	35.72%	13,091
52431000 - S.U.I.	58,787	53,837	(4,950)	(9.19%)	56,129
52441000 - Union Medical	1,349,038	1,434,907	85,869	5.98%	1,913,209
52451000 - Workers' Compensation Insurance	579,773	499,531	(80,242)	(16.06%)	668,020
52461000 - Non Union Medical & Life Insurance	221,723	200,408	(21,315)	(10.64%)	267,211
52471000 - Union Retirement Plan	277,361	233,855	(43,507)	(18.60%)	312,663
52481000 - Non-Union Retirement Plan	39,768	81,006	41,238	50.91%	108,438
52981000 - Compensation Related Accrual	(58,268)	721	58,988	8186.66%	970
Total Compensation Related	2,979,686	3,025,698	46,012	1.52%	4,017,611
Materials and Supplies					
53001000 - Materials & Supplies	319,762	349,540	29,778	8.52%	466,289
53003000 - Materials Direct	713,800	815,751	101,951	12.50%	1,088,103
53004000 - Freight	1,386	0	(1,386)	0.00%	0
Total Materials and Supplies	1,034,949	1,165,291	130,342	11.19%	1,554,392
Utilities and Telephone					
53301000 - Electricity	272,871	246,731	(26,140)	(10.59%)	325,000
53301500 - Sewer	1,275,241	1,283,100	7,859	0.61%	1,716,600
53302000 - Water	2,038,907	2,047,850	8,943	0.44%	2,710,627
53302500 - Trash	406,128	410,004	3,876	0.95%	546,690
Total Utilities and Telephone	3,993,147	3,987,685	(5,462)	(0.14%)	5,298,917
Legal Fees					
53401500 - Legal Fees	349,902	164,997	(184,905)	(112.07%)	220,000
Total Legal Fees	349,902	164,997	(184,905)	(112.07%)	220,000
Professional Fees					
53402020 - Audit & Tax Preparation Fees - Third	43,377	56,600	13,223	23.36%	57,600
53403500 - Consulting Fees	1,029	4,536	3,506	77.30%	6,053
53403520 - Consulting Fees - Third	92,361	90,684	(1,677)	(1.85%)	120,936
Total Professional Fees	136,768	151,820	15,052	9.91%	184,589
Equipment Rental					
53501500 - Equipment Rental/Lease Fees	19,318	30,063	10,746	35.74%	40,090
Total Equipment Rental	19,318	30,063	10,746	35.74%	40,090
Outside Services					
53601000 - Bank Fees	0	2,946	2,946	100.00%	3,929
53601500 - Credit Card Transaction Fees	1,614	0	(1,614)	0.00%	0
53604500 - Marketing Expense	4,020	0	(4,020)	0.00%	0
54603500 - Outside Services Cost Collection	5,914,907	8,134,725	2,219,818	27.29%	10,846,711
53704000 - Outside Services	63,111	91,075	27,964	30.70%	121,480
Total Outside Services	5,983,652	8,228,745	2,245,094	27.28%	10,972,120
Repairs and Maintenance					
53701000 - Equipment Repair & Maint	6,461	12,148	5,687	46.81%	16,240
53703000 - Elevator /Lift Maintenance	257,532	244,390	(13,142)	(5.38%)	328,520
Total Repairs and Maintenance	263,994	256,538	(7,456)	(2.91%)	344,760
Other Operating Expense					
53801000 - Mileage & Meal Allowance	5,495	11,418	5,923	51.87%	15,252
53801500 - Travel & Lodging	1,002	722	(280)	(38.80%)	968
53802000 - Uniforms	53,226	62,866	9,640	15.33%	82,843
53802500 - Dues & Memberships	676	1,358	682	50.22%	1,992
53803000 - Subscriptions & Books	1,564	1,502	(61)	(4.09%)	2,004

**Third Laguna Hills Mutual
Operating Statement
9/30/2019
THIRD LAGUNA HILLS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	ANNUAL BUDGET
53803500 - Training & Education	5,519	11,159	5,641	50.55%	14,902
53901500 - Volunteer Support	0	881	881	100.00%	1,175
53903000 - Safety	0	137	137	100.00%	186
54001000 - Board Relations	4,075	2,748	(1,327)	(48.30%)	3,666
54001020 - Board Relations - Third	4,629	7,497	2,868	38.25%	10,000
54001500 - Public Relations	(1)	0	1	0.00%	0
54002000 - Postage	28,623	35,753	7,130	19.94%	47,672
54002500 - Filing Fees / Permits	774	590	(185)	(31.35%)	761
Total Other Operating Expense	105,583	136,631	31,048	22.72%	181,422
Insurance					
54401000 - Hazard & Liability Insurance	302,379	303,895	1,516	0.50%	405,194
54401500 - D&O Liability	34,976	35,862	886	2.47%	47,818
54402000 - Property Insurance	643,663	639,537	(4,126)	(0.65%)	852,719
54403000 - General Liability Insurance	4,059	5,304	1,245	23.48%	7,072
Total Insurance	985,077	984,598	(478)	(0.05%)	1,312,803
Investment Expense					
54201000 - Investment Expense	22,659	34,319	11,659	33.97%	45,978
Total Investment Expense	22,659	34,319	11,659	33.97%	45,978
Uncollectible Accounts					
54602000 - Bad Debt Expense	114,126	103,653	(10,473)	(10.10%)	138,200
Total Uncollectible Accounts	114,126	103,653	(10,473)	(10.10%)	138,200
(Gain)/Loss on Sale or Trade					
54101500 - (Gain)/Loss On Investments	3,171	0	(3,171)	0.00%	0
Total (Gain)/Loss on Sale or Trade	3,171	0	(3,171)	0.00%	0
Depreciation and Amortization					
55001000 - Depreciation And Amortization	107,289	107,289	0	0.00%	143,052
Total Depreciation and Amortization	107,289	107,289	0	0.00%	143,052
Net Allocation to Mutuals					
54602500 - Allocated Expenses	921,272	900,619	(20,653)	(2.29%)	1,204,782
Total Net Allocation to Mutuals	921,272	900,619	(20,653)	(2.29%)	1,204,782
Total Expenses	23,615,553	26,060,057	2,444,504	9.38%	34,729,537
Excess of Revenues Over Expenses	\$2,618,892	(\$639,037)	\$3,257,928	509.82%	(\$834,650)

**Third Laguna Hills Mutual
Balance Sheet - Preliminary
9/30/2019**

		<u>Current Month End</u>	<u>Prior Year December 31</u>
	Assets		
1	Cash and cash equivalents	\$1,537,442	\$3,321,543
2	Non-discretionary investments	15,825,188	11,831,351
3	Discretionary investments	17,174,848	16,831,676
4	Receivable/(Payable) from mutuals	492,723	1,605,868
5	Accounts receivable and interest receivable	(112,387)	(386,734)
6	Prepaid expenses and deposits	142,608	195,117
7	Property and equipment	141,239	141,239
8	Accumulated depreciation property and equipment	(141,239)	(141,239)
9	Beneficial interest in GRF of Laguna Hills Trust	5,353,453	5,460,742
10	Non-controlling interest in GRF	36,986,050	36,986,050
11	Total Assets	<u>\$77,399,925</u>	<u>\$75,845,613</u>
	Liabilities and Fund Balances		
	Liabilities:		
12	Accounts payable and accrued expenses	\$1,433,672	\$2,621,461
13	Accrued compensation and related costs	646,315	646,315
14	Deferred income	940,587	817,376
15	Total liabilities	<u>\$3,020,574</u>	<u>\$4,085,153</u>
	Fund balances:		
16	Fund balance prior years	71,760,460	70,676,034
17	Change in fund balance - current year	2,618,892	1,084,426
18	Total fund balances	<u>74,379,351</u>	<u>71,760,460</u>
19	Total Liabilities and Fund Balances	<u>\$77,399,925</u>	<u>\$75,845,613</u>

**Third Laguna Hills Mutual
Fund Balance Sheet - Preliminary
9/30/2019**

	<u>Operating Fund</u>	<u>Unappropriated Expenditures Fund</u>	<u>Disaster Fund</u>	<u>Replacement Fund</u>	<u>Elevator Replacement Fund</u>	<u>Laundry Replacement Fund</u>	<u>Garden Villa Rec Room Fund</u>	<u>Total</u>
Assets								
1 Cash and cash equivalents	\$1,537,442							\$1,537,442
2 Non-discretionary investments	15,825,188							15,825,188
3 Discretionary investments	17,174,848							17,174,848
4 Receivable/(Payable) from mutuals	492,723							492,723
5 Receivable/(Payable) from operating fund	(31,888,360)	3,506,072	9,853,338	16,141,854	1,930,405	399,613	57,079	(112,387)
6 Accounts receivable and interest receivable	(112,387)							142,608
7 Prepaid expenses and deposits	142,608							141,239
8 Property and equipment	141,239							(141,239)
9 Accumulated depreciation property and equipment	(141,239)							5,353,453
10 Beneficial interest in GRF of Laguna Hills Trust	5,353,453							36,986,050
11 Non-controlling interest in GRF	36,986,050							
12 Total Assets	<u>\$45,511,565</u>	<u>\$3,506,072</u>	<u>\$9,853,338</u>	<u>\$16,141,854</u>	<u>\$1,930,405</u>	<u>\$399,613</u>	<u>\$57,079</u>	<u>\$77,399,925</u>
Liabilities and Fund Balances								
Liabilities:								
13 Accounts payable and accrued expenses	\$1,017,630		\$188,263	\$227,618			\$162	\$1,433,673
14 Accrued compensation and related costs	646,315							646,315
15 Deferred income	940,587							940,587
16 Total liabilities	<u>\$2,604,532</u>		<u>\$188,263</u>	<u>\$227,618</u>			<u>\$162</u>	<u>\$3,020,574</u>
Fund balances:								
17 Fund balance prior years	42,499,880	3,212,981	9,216,805	14,347,032	1,708,610	713,855	61,299	71,760,460
18 Change in fund balance - current year	<u>407,154</u>	<u>293,092</u>	<u>448,270</u>	<u>1,567,204</u>	<u>221,795</u>	<u>(314,242)</u>	<u>(4,382)</u>	<u>2,618,892</u>
19 Total fund balances	42,907,033	3,506,072	9,665,075	15,914,236	1,930,405	399,613	56,917	74,379,351
20 Total Liabilities and Fund Balances	<u>\$45,511,565</u>	<u>\$3,506,072</u>	<u>\$9,853,338</u>	<u>\$16,141,854</u>	<u>\$1,930,405</u>	<u>\$399,613</u>	<u>\$57,079</u>	<u>\$77,399,925</u>

**Third Laguna Hills Mutual
Changes in Fund Balances - Preliminary
9/30/2019**

	Operating Fund	Unappropriated Expenditures Fund	Disaster Fund	Replacement Fund	Elevator Replacement Fund	Laundry Replacement Fund	Garden Villa Rec Room Fund	Total
Revenues:								
Assessments:								
1 Operating	\$14,075,177							\$14,075,177
2 Additions to restricted funds		439,344	1,521,229	7,688,520	329,508	54,918	61,479	10,094,998
3 Total assessments	<u>14,075,177</u>	<u>439,344</u>	<u>1,521,229</u>	<u>7,688,520</u>	<u>329,508</u>	<u>54,918</u>	<u>61,479</u>	<u>24,170,174</u>
Non-assessment revenues:								
4 Fees and charges for services to residents	628,058							628,058
5 Laundry	154,550							154,550
6 Interest income		53,859	153,761	248,107	29,540	8,597	1,039	494,904
7 Unrealized gain/(loss) on AFS investments	333,327							333,327
8 Miscellaneous	453,431							453,431
9 Total non-assessment revenue	<u>1,569,366</u>	<u>53,859</u>	<u>153,761</u>	<u>248,107</u>	<u>29,540</u>	<u>8,597</u>	<u>1,039</u>	<u>2,064,270</u>
10 Total revenue	<u>15,644,543</u>	<u>493,203</u>	<u>1,674,990</u>	<u>7,936,627</u>	<u>359,048</u>	<u>63,515</u>	<u>62,518</u>	<u>26,234,444</u>
Expenses:								
11 Employee compensation and related	7,148,779		4,038	2,364,280		24,869	32,681	9,574,646
12 Materials and supplies	568,118		239	423,895		34,817	7,879	1,034,949
13 Utilities and telephone	3,985,332		32	7,693			91	3,993,147
14 Legal fees	349,902							349,902
15 Professional fees	133,754			3,014				136,768
16 Equipment rental	3,480		27	15,632			179	19,318
17 Outside services	643,875	197,325	1,214,135	3,451,254	135,744	316,622	24,697	5,983,652
18 Repairs and maintenance	262,064		2	1,901			26	263,994
19 Other Operating Expense	89,579		22	15,608		144	231	105,583
20 Insurance	985,077							985,077
21 Investment expense		2,443	7,067	11,237	1,335	527	50	22,659
22 Uncollectible Accounts	114,126							114,126
23 (Gain)/loss on sale or trade		344	1,014	1,515	174	117	8	3,171
24 Depreciation and amortization	107,289							107,289
25 Net allocations to mutuals	846,015		144	73,393		661	1,059	921,272
26 Total expenses	<u>15,237,389</u>	<u>200,111</u>	<u>1,226,719</u>	<u>6,369,422</u>	<u>137,253</u>	<u>377,757</u>	<u>66,900</u>	<u>23,615,553</u>
27 Excess of revenues over expenses	<u>\$407,154</u>	<u>\$293,092</u>	<u>\$448,270</u>	<u>\$1,567,204</u>	<u>\$221,795</u>	<u>(\$314,242)</u>	<u>(\$4,382)</u>	<u>\$2,618,892</u>
28 Excluding unrealized gain/(loss) and depreciation	<u>\$181,116</u>	<u>\$293,092</u>	<u>\$448,270</u>	<u>\$1,567,204</u>	<u>\$221,795</u>	<u>(\$314,242)</u>	<u>(\$4,382)</u>	<u>\$2,392,854</u>

THIRD LAGUNA HILLS MUTUAL
Provision For Doubtful Accounts
As of September 30, 2019

Month	Delinquent Assessments ⁽¹⁾	Assessments Write-Offs ⁽²⁾	Bad Debt Small Claims ⁽³⁾	Delinquent Fines, Fees, and Chargeable Services ⁽⁴⁾	Chargeable Services Write-Offs ⁽⁵⁾	Change in Provision ⁽⁶⁾	Total Delinquent Units ⁽⁷⁾
December-18	258,868			84,233			19
January-19	227,406	26,803	(2,779)	81,244	2,087	(8,341)	18
February-19	192,432	6,457	-	213,926	-	104,165	22
March-19	189,332	17,315	-	260,308	16,818	77,416	21
April-19	175,467	26,428	-	250,844	211	3,309	24
May-19	138,644	(1,423)	-	277,710	-	(11,379)	11
June-19	144,982	28,298	-	232,927	-	(10,147)	10
July-19	142,544	-	(29,522)	203,831	-	(61,056)	9
August-19	147,481	-	-	215,586	-	16,692	10
September-19	149,033	(608)	-	218,109	-	3,468	10
October-19	-	-	-	-	-	-	
November-19	-	-	-	-	-	-	
December-19	-	-	-	-	-	-	
YTD TOTAL						114,126	

(1) Delinquent Assessments: Represents the balance from the monthly Delinquency Report presented in the Closed Session of the Finance Committee and accounted for as a specific allowance against Accounts Receivable balance.

(2) Assessments Write-Offs: Represents write-off activities approved by the Third Board.

(3) Bad Debt Small Claims: Represents the change in the Small Claims Receivable account balance.

(4) Delinquent Fines, Fees and Chargeable Services: Balances represents a combination of a general allowance percentage and a specific allowance amount recorded for the purpose of reducing the Account Receivable balance to the amount the company anticipates to be collectible.

(5) Chargeable Services Write-Offs: Represents Chargeable Service write-off activities approved by the Third Board.

(6) Change in Provision: Calculated as the difference between the current and prior month Delinquent Assessments and Delinquent Fine, Fees and Chargeable Services balances plus current month activities from Assessment Write-Offs, Bad Debt Small Claims, and Chargeable Services Write-Offs.

(7) Total Delinquent Units: Units reported on the monthly Delinquency Reports - Assessments

NON-DISCRETIONARY ACCOUNT HELD BY BANK OF AMERICA
SCHEDULE OF INVESTMENTS
9/30/19

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECTIVE YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *
912796RF8	U.S. TREASURY BILL	0.00%	03-11-19	10-10-19	2,000,000.00	2.39%	1,972,416.50	
912796SM2	U.S. TREASURY BILL	0.00%	05-01-19	04-23-20	4,000,000.00	2.39%	3,912,667.89	
912796TA7	U.S. TREASURY BILL	0.00%	09-03-19	01-09-20	5,000,000.00	1.80%	4,968,702.22	
912796TA7	U.S. TREASURY BILL	0.00%	09-13-19	01-09-20	5,000,000.00	1.78%	4,971,401.39	
TOTAL FOR NON-DISCRETIONARY INVESTMENTS					\$ 16,000,000.00		\$ 15,825,188.00	2.42%

*Yield is based on all investments held during the year

THIRD LAGUNA HILLS MUTUAL
DISCRETIONARY ACCOUNT - BLACKROCK/MERRILL LYNCH
SCHEDULE OF INVESTMENTS
9/30/19

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECTIVE YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *
	M.L. MONEY MARKET				\$ 730,670.98		\$ 730,670.98	
912828U32	U.S. TREASURY NOTE	1.00%	05-20-19	11-15-19	1,000,000.00	2.42%	993,126.68	
9128283N8	U.S. TREASURY NOTE	1.88%	01-02-18	12-31-19	400,000.00	1.90%	399,766.30	
05565QCX4	CorpBond-BP Capital Markets PLC Cor	2.32%	08-21-18	02-13-20	100,000.00	2.84%	99,239.00	
9128284C1	U.S. TREASURY NOTE	2.25%	04-20-18	03-31-20	250,000.00	2.43%	249,141.05	
912828K33	U.S. TIP NOTE	0.13%	03-08-17	04-15-20	300,000.00	0.12%	314,668.58	
912828ND8	U.S. TREASURY NOTE	3.50%	07-15-10	05-15-20	660,000.00	3.02%	686,557.33	
912828XE5	U.S. TREASURY NOTE	1.50%	06-08-15	05-31-20	350,000.00	1.73%	346,117.78	
437076BQ4	CorpBond-Home Depot Inc	1.80%	08-21-18	06-05-20	75,000.00	2.68%	73,851.00	
17275RAX0	CorpBond-Cisco System Inc	2.45%	08-21-17	06-15-20	150,000.00	1.73%	152,925.00	
912828XY1	U.S. TREASURY NOTE	2.50%	08-06-18	06-30-20	300,000.00	2.66%	299,109.88	
912828Y46	U.S. TREASURY NOTE	2.63%	07-17-19	07-31-20	200,000.00	1.99%	201,297.21	
912828NT3	U.S. TREASURY NOTE	2.63%	10-28-10	08-15-20	285,000.00	2.68%	283,542.74	
912828NT3	U.S. TREASURY NOTE	2.63%	11-29-11	08-15-20	100,000.00	1.75%	106,996.49	
06406HDD8	CorpBond-Bank of NY Mellon Corp	2.60%	12-08-15	08-17-20	200,000.00	2.39%	201,800.00	
857477AS2	CorpBond-State Street Corp	2.55%	12-31-15	08-18-20	150,000.00	2.26%	151,875.00	
06051GFT1	CorpBond-Bank of America Corp	2.63%	04-23-18	10-19-20	100,000.00	2.95%	99,216.00	
9128285G1	U.S. TREASURY NOTE	2.88%	11-02-18	10-31-20	250,000.00	2.87%	249,990.65	
912828M98	U.S. TREASURY NOTE	1.63%	12-15-15	11-30-20	250,000.00	1.69%	249,199.64	
912828M98	U.S. TREASURY NOTE	1.63%	12-24-15	11-30-20	300,000.00	1.72%	298,559.10	
931142EA7	CorpBond-Wal-Mart Stores Inc	1.90%	08-21-18	12-15-20	75,000.00	2.75%	73,575.75	
05531FAZ6	CorpBond-BB&T Corporation Ser Mtn	2.15%	08-21-18	02-01-21	150,000.00	3.10%	146,644.50	
9128283X6	U.S. TREASURY NOTE	2.25%	04-22-19	02-15-21	750,000.00	2.43%	747,540.32	
63946BAE0	CorpBond-BC Universal Media LLC	4.38%	12-08-15	04-01-21	100,000.00	2.50%	109,238.00	
89236TCZ6	CorpBond-Toyota Motor Credit Corp	1.90%	02-19-19	04-08-21	200,000.00	2.79%	196,306.00	
9128284G2	U.S. TREASURY NOTE	2.38%	04-20-18	04-15-21	250,000.00	2.57%	248,594.17	
0258M0EB1	CorpBond-American Express Credit	2.25%	04-23-18	05-05-21	150,000.00	2.25%	146,322.00	
037833AR1	CorpBond-Apple Inc	2.85%	10-23-17	05-06-21	75,000.00	2.06%	76,986.75	
369550BE7	CorpBond-General Dynamics Corp	3.00%	05-20-19	05-11-21	200,000.00	2.48%	201,972.00	
857477AV5	CorpBond-State Street Corp	1.95%	10-23-17	05-19-21	50,000.00	2.06%	49,801.00	
38141GGQ1	CorpBond-Goldman Sachs Group Inc	5.25%	12-27-18	07-27-21	300,000.00	3.80%	310,530.00	
594918BP8	CorpBond-Microsoft Corp	1.55%	11-01-16	08-08-21	100,000.00	1.79%	98,911.00	
912828RC6	U.S. TREASURY NOTE	2.13%	11-09-11	08-15-21	1,000,000.00	2.04%	1,007,269.63	
91324PBT8	CorpBond-Unitedhealth Group Inc	3.38%	01-05-16	11-15-21	150,000.00	2.64%	155,676.00	
375558AU7	CorpBond-Gilead Sciences Inc	4.40%	12-29-15	12-01-21	150,000.00	2.85%	162,072.00	
21685WDD6	CorpBond-Rabobank	3.88%	02-19-19	02-08-22	150,000.00	3.13%	153,139.50	
585055BR6	CorpBond-Medtronic Inc	3.15%	07-19-16	03-15-22	99,000.00	1.82%	106,077.51	
404280AN9	CorpBond-HSBC Holdings	4.00%	05-20-19	03-30-22	200,000.00	2.77%	206,678.00	
747525AE3	CorpBond-QualComm Inc	3.00%	08-21-18	05-20-22	150,000.00	3.38%	147,984.00	

**THIRD LAGUNA HILLS MUTUAL
DISCRETIONARY ACCOUNT - BLACKROCK/MERRILL LYNCH
SCHEDULE OF INVESTMENTS**

9/30/19

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECTIVE YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *
20030NBD2	CorpBond-Comcast Corp	3.13%	07-09-14	07-15-22	100,000.00	2.97%	101,063.00	
91159JAA4	CorpBond-US Bancorp	2.95%	12-08-15	07-15-22	200,000.00	1.82%	200,306.00	
91324PCN0	CorpBond-UnitedHealth Group	3.35%	12-04-17	07-15-22	150,000.00	1.82%	154,786.50	
912828L24	U.S. TREASURY NOTE	1.88%	11-06-15	08-31-22	300,000.00	2.08%	296,098.26	
375558BC6	CorpBond-Gilead Sciences Inc	3.25%	07-20-16	09-01-22	100,000.00	2.04%	106,727.00	
375558BC6	CorpBond-Gilead Sciences Inc	3.25%	10-23-17	09-01-22	50,000.00	2.38%	51,901.00	
912828M80	U.S. TREASURY NOTE	2.00%	12-08-15	11-30-22	500,000.00	1.99%	500,215.84	
912828M80	U.S. TREASURY NOTE	2.00%	12-15-15	11-30-22	200,000.00	2.05%	199,258.21	
48128BAB7	CorpBond-JP Morgan Chase & Co	2.97%	10-23-17	01-15-23	50,000.00	2.58%	50,769.00	
912828P38	U.S. TREASURY NOTE	1.75%	02-22-16	01-31-23	250,000.00	1.58%	252,637.22	
037833AK6	CorpBond-Apple Inc	2.40%	01-10-17	05-03-23	200,000.00	2.75%	195,862.00	
912828S35	U.S. TREASURY NOTE	1.38%	07-19-16	06-30-23	200,000.00	1.35%	200,328.53	
68389XBL8	CorpBond-Oracle Corp	2.40%	07-12-16	09-15-23	150,000.00	2.16%	152,296.50	
59156RBH0	CorpBond-Metlife Inc	3.60%	12-04-17	04-10-24	150,000.00	2.82%	156,720.00	
94974BGA2	CorpBond-Wells Fargo Company	3.30%	12-04-17	09-09-24	150,000.00	3.01%	152,575.50	
36290YBU1/P621151	GNMA SECURITIES	5.50%	05-29-07	05-15-22	28,299.55	5.50%	28,299.55	
36296DDR6/P687812	GNMA SECURITIES	5.50%	09-22-08	08-15-23	27,043.25	3.40%	43,700.74	
36202FD78/P004626	GNMA SECURITIES	4.50%	02-24-10	02-20-25	75,266.64	2.91%	116,469.77	
36202FD78/P004626	GNMA SECURITIES	4.50%	09-17-13	02-20-25	83,704.90	3.29%	114,363.91	
36202FJC1/P004759	GNMA SECURITIES	4.00%	02-16-12	08-20-25	69,142.18	2.28%	121,117.81	
36202FJC1/P004759	GNMA SECURITIES	4.00%	03-19-12	08-20-25	29,086.16	2.30%	50,635.13	
3620AS6G9/P738971X	GNMA SECURITIES	3.00%	04-29-15	11-15-26	120,622.01	2.57%	140,674.76	
36202F2H8/P005276M	GNMA SECURITIES	3.00%	11-12-14	01-20-27	62,400.52	2.57%	72,722.46	
36179MAG5/PMA0007M	GNMA SECURITIES	3.00%	08-20-12	04-20-27	132,044.94	2.28%	174,067.90	
36179MGN4/PMA0205M	GNMA SECURITIES	3.00%	07-31-12	07-20-27	142,724.61	2.30%	185,986.33	
36179MP53/PMA0444M	GNMA SECURITIES	3.00%	12-18-12	10-20-27	214,247.53	2.34%	275,180.31	
36179MSB7/PMA0514M	GNMA SECURITIES	3.00%	05-14-14	11-20-27	159,318.26	2.60%	183,732.65	
36179MU32/PMA0602M	GNMA SECURITIES	3.00%	01-17-13	12-20-27	335,281.89	2.39%	420,597.29	
36179MZW3/PMA0757M	GNMA SECURITIES	3.00%	04-16-13	02-20-28	148,904.88	2.40%	186,102.02	
36179NMP0/PMA1266M	GNMA SECURITIES	3.50%	10-21-13	09-20-28	79,807.04	2.85%	97,918.55	
36179TY90/PMA5236M	GNMA SECURITIES	3.50%	06-13-18	06-20-33	258,026.38	3.40%	265,778.33	
36202T7B6/P609390x	GNMA SECURITIES	5.50%	09-22-03	09-15-33	29,123.41	3.57%	44,874.26	
36213CZ52/P550764	GNMA SECURITIES	5.50%	09-19-07	09-15-35	31,180.30	6.98%	24,555.79	
36202EYL7/P004315	GNMA SECURITIES	5.50%	11-18-10	11-18-38	77,220.45	2.19%	193,762.31	
36297F6L1/P711075	GNMA SECURITIES	4.50%	09-21-10	09-15-40	145,105.78	3.31%	197,268.97	
36179QJT9/PMA2074M	GNMA SECURITIES	4.00%	11-13-17	07-20-44	123,583.52	3.68%	134,182.82	
36179QL74/PMA2150M	GNMA SECURITIES	4.50%	09-11-14	08-20-44	58,005.13	3.24%	80,594.49	
36179QT50/PMA2372M	GNMA SECURITIES	4.00%	12-22-14	11-20-44	118,519.33	3.11%	152,479.99	
36179RTA7/PMA3245m	GNMA SECURITIES	4.00%	12-17-15	11-20-45	147,002.19	3.41%	172,625.15	
36179SUV7/PMA4196m	GNMA SECURITIES	3.50%	02-28-17	01-20-47	172,050.10	3.29%	183,038.26	
36179UKY7/PMA5711M	GNMA SECURITIES	4.50%	07-16-19	01-20-49	200,105.36	4.30%	209,605.52	
TOTAL FOR DISCRETIONARY INVESTMENTS					16,267,487.29		17,174,848.17	2.00%
TOTAL INVESTMENTS					\$ 32,267,487.29		\$ 33,000,036.17	2.17%

*Yield is based on all investments held during the year

**Third Laguna Hills Mutual
Supplemental Appropriation Schedule
Period Ending: 9/30/2019**

ITEM	RESOLUTION #	BUDGET	EXPENDITURES		
		TOTAL Appropriations	I,T,D*	REMAINING Encumbrance	FINANCIAL STATUS

Replacement Fund

Ridge Route Perimeter Wall Improvements	03-18-84	\$330,000	253,937	\$76,063	In Progress
Cul-De-Sac Sign Replacement	03-19-73	\$23,000	0	\$23,000	Open
Totals		\$353,000	\$253,937	\$99,063	

Laundry Replacement Fund

Coin-Operated Dryers and Laundry Pedestals	03-18-171	\$377,000	402,108	(\$25,108)	Closed
Totals		\$377,000	\$402,108	(\$25,108)	

Unappropriated Expenditures Fund

3-Story Building Trash Chute Repairs	03-18-36	336,680	317,722	18,958	Completed
OCFA Fire Fuel Risk Reduction	03-18-96	200,000	205,630	-5,630	Completed
		\$536,680	\$523,352	\$13,328	

Disaster Fund

Slope Repairs Monte Hermosa	03-19-59	\$42,216	19,189	\$23,027	Open
Totals		\$42,216	\$19,189	\$23,027	

*Incurred To Date

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF SEPTEMBER 30, 2019**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
REPLACEMENT FUND								
ALARM SYSTEMS	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%
BUILDING NUMBERS	23,101	2,830	33,001	25,470	33,970	97%	(7,531)	(30%)
BUILDING STRUCTURES	307,036	227,306	1,497,094	2,049,449	2,732,992	55%	552,355	27%
ELECTRICAL SYSTEMS	16,800	4,883	42,000	43,947	58,610	72%	1,947	4%
ENERGY PROJECTS	820	4,166	11,269	37,494	50,000	23%	26,225	70%
EXTERIOR LIGHTING	0	66,666	35,773	599,994	800,000	4%	564,221	94%
FENCING	2,186	11,270	101,495	102,535	136,817	74%	1,041	1%
GARDEN VILLA LOBBY	3,821	9,963	111,162	89,667	119,560	93%	(21,495)	(24%)
GARDEN VILLA MAILROOM	10,673	5,787	69,582	52,590	70,173	99%	(16,991)	(32%)
GARDEN VILLA RECESSED AREA	4,044	20,870	4,044	187,830	250,440	2%	183,786	98%
GV REC ROOM WATER HEATER/HEAT PUMP	1,280	1,624	23,420	14,623	19,505	120%	(8,798)	(60%)
GUTTER REPLACEMENTS	0	3,083	29,750	27,747	37,000	80%	(2,003)	(7%)
LANDSCAPE MODIFICATION	0	76,571	36,280	689,834	919,890	4%	653,554	95%
MAILBOXES	0	3,025	25,283	27,338	36,483	69%	2,055	8%
PAINT PROGRAM - EXTERIOR	187,514	165,355	1,518,720	1,505,488	2,008,631	76%	(13,233)	(1%)
PRIOR TO PAINT	129,626	105,231	888,947	957,053	1,277,033	70%	68,106	7%
PAVING	56,855	70,271	74,084	633,226	844,499	9%	559,141	88%
ROOF REPLACEMENTS	176,503	109,326	973,493	983,934	1,311,937	74%	10,441	1%
SUPPLEMENTAL APPROPRIATIONS	0	0	169,537	169,537	169,537	100%	0	0%
TREE MAINTENANCE	455	17,542	79,142	160,154	213,630	37%	81,012	51%
WALL REPLACEMENTS	5,520	16,666	45,145	149,994	200,000	23%	104,849	70%
WASTE LINE REMEDIATION	131,687	62,500	386,633	562,500	750,000	52%	175,867	31%
WATER LINES - COPPER PIPE REMEDIATION	35,425	16,666	196,350	149,994	200,000	98%	(46,356)	(31%)
TOTAL REPLACEMENT FUND	\$1,093,345	\$1,001,601	\$6,352,203	\$9,220,397	\$12,240,708	52%	\$2,868,194	31%
ELEVATOR REPLACEMENT FUND								
ELEVATOR REPLACEMENT	\$0	\$28,891	\$135,744	\$260,019	\$346,698	39%	\$124,275	48%
TOTAL ELEVATOR REPLACEMENT FUND	\$0	\$28,891	\$135,744	\$260,019	\$346,698	39%	\$124,275	48%
LAUNDRY REPLACEMENT FUND								
LAUNDRY APPLIANCES	\$331	\$817	\$20,935	\$7,373	\$9,844	213%	(\$13,563)	(184%)
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	0	4,536	51,423	41,003	54,697	94%	(10,420)	(25%)
SUPPLEMENTAL APPROPRIATIONS	0	0	304,756	304,756	304,756	100%	0	0%
TOTAL LAUNDRY REPLACEMENT FUND	\$331	\$5,353	\$377,114	\$353,131	\$369,297	102%	(\$23,983)	(7%)
GARDEN VILLA RECREATION ROOM FUND								
GARDEN VILLA RECREATION ROOMS	\$4,716	\$8,094	\$66,843	\$73,120	\$97,580	69%	\$6,277	9%
TOTAL GARDEN VILLA REC ROOMS FUND	\$4,716	\$8,094	\$66,843	\$73,120	\$97,580	69%	\$6,277	9%

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF SEPTEMBER 30, 2019**

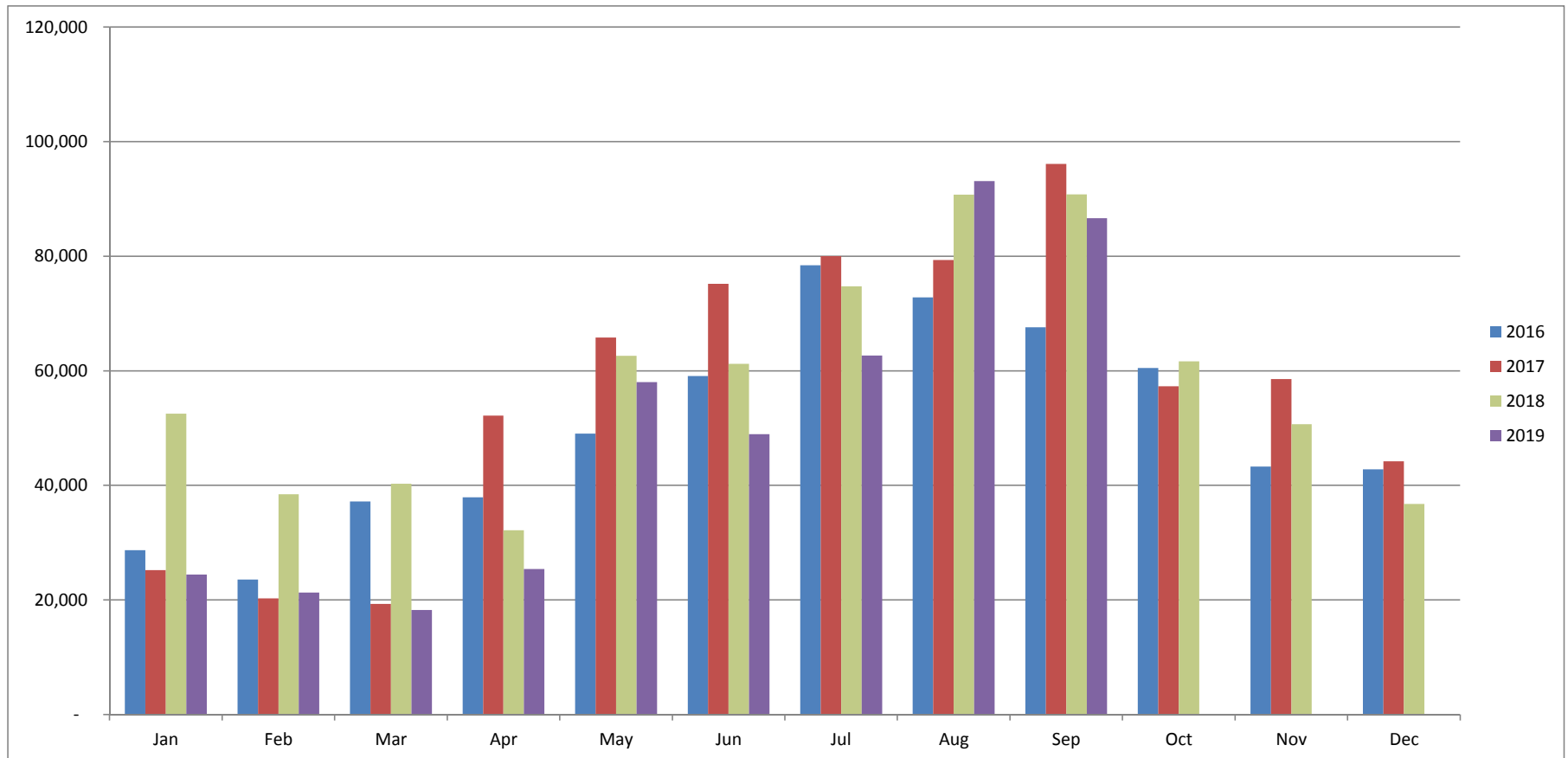
DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
OPERATING FUND								
APPLIANCE REPAIRS	\$7,663	\$7,026	\$95,207	\$63,980	\$85,379	112%	(\$31,227)	(49%)
CARPENTRY SERVICE	35,785	31,774	276,470	289,069	385,731	72%	12,599	4%
CONCRETE REPAIR/REPLACEMENT	28,360	35,053	291,394	317,560	423,853	69%	26,165	8%
CURB CUT/SIDEWALK RAMPS	0	833	0	7,500	10,000	0%	7,500	100%
ELECTRICAL SERVICE	7,303	10,000	70,296	91,128	121,615	58%	20,832	23%
FIRE PROTECTION	3,526	14,626	43,610	131,634	175,556	25%	88,024	67%
GUTTER CLEANING	15,366	12,619	44,703	113,648	151,554	29%	68,945	61%
JANITORIAL SERVICE	70,417	78,233	660,008	709,897	947,862	70%	49,888	7%
MISC REPAIRS BY OUTSIDE SERVICE	960	4,838	5,263	43,538	58,050	9%	38,274	88%
PEST CONTROL	5,613	21,699	86,426	195,291	260,405	33%	108,865	56%
PLUMBING SERVICE	65,507	55,587	655,322	505,484	674,483	97%	(149,838)	(30%)
SOLAR MAINTENANCE	1,752	2,083	15,272	18,747	25,000	61%	3,475	19%
TRAFFIC CONTROL	4,298	2,513	12,444	22,742	30,359	41%	10,298	45%
WELDING	16,977	7,042	78,726	63,893	85,307	92%	(14,832)	(23%)
CHARGEABLE SERVICES	137,108	28,183	551,689	254,715	814,835	68%	(296,974)	(117%)
TOTAL MAINTENANCE PROGRAMS	\$263,529	\$283,925	\$2,335,143	\$2,574,110	\$3,435,153	68%	\$238,968	9%
DISASTER FUND								
RISK FIRE MANAGEMENT	\$2,255	\$15,000	\$21,579	\$135,000	\$180,000	12%	\$113,422	84%
MOISTURE INTRUSION - RAIN LEAKS	\$99,072	\$39,585	\$521,016	\$356,265	\$475,025	110%	(\$164,751)	(46%)
MOISTURE INTRUSION - PLUMBING LEAKS	162,279	54,143	541,912	487,287	649,726	83%	(54,625)	(11%)
MOISTURE INTRUSION - PLUMBING STOPPAGES	39,791	10,512	144,855	94,608	126,155	115%	(50,247)	(53%)
MOISTURE INTRUSION - MISCELLANEOUS	13,571	7,757	24,465	69,813	93,095	26%	45,348	65%
DAMAGE RESTORATION SERVICES	19,364	30,805	96,421	277,787	370,445	26%	181,366	65%
SUPPLEMENTAL APPROPRIATIONS	\$19,189	\$19,189	\$19,189	\$19,189	\$19,189	100%	\$0	0%
TOTAL DISASTER FUND	\$355,521	\$176,990	\$1,369,437	\$1,439,949	\$1,913,635	72%	\$70,512	5%
UNAPPROPRIATED EXPENDITURES FUND								
SUPPLEMENTAL APPROPRIATIONS	\$55,770	\$55,770	\$197,325	\$197,325	\$197,325	100%	\$0	0%
TOTAL UNAPPROPRIATED EXPENDITURES FUND	\$55,770	\$55,770	\$197,325	\$197,325	\$197,325	100%	\$0	0%

**THIRD LAGUNA HILLS MUTUAL
MAINTENANCE PROGRAMS EXPENDITURES REPORT
AS OF SEPTEMBER 30, 2019**

YTD ACTUAL				
DESCRIPTION	TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES
R ALARM SYSTEM	\$0	\$0	\$0	\$0
R BUILDING NUMBERS	33,001	0	0	33,001
R BUILDING STRUCTURES	1,497,094	176,009	27,790	1,293,295
R ELECTRICAL SYSTEMS	42,000	0	0	42,000
R ENERGY PROJECTS	11,269	0	0	11,269
R EXTERIOR LIGHTING	35,773	0	0	35,773
R FENCING	101,495	84,970	16,525	0
R GARDEN VILLA LOBBY	111,162	0	0	111,162
R GARDEN VILLA MAILROOM	69,582	49,357	20,225	0
R GARDEN VILLA RECESSED AREA	4,044	0	0	4,044
R GV REC ROOM WATER HEATER/HEAT PUMP	23,420	4,360	3,293	15,767
R GUTTER REPLACEMENTS	29,750	27,175	2,575	0
R LANDSCAPE MODIFICATION	36,280	(0)	0	36,280
R MAILBOXES	25,283	5,134	20,149	0
R PAINT PROGRAM - EXTERIOR	1,518,720	1,355,041	160,154	3,526
R PRIOR TO PAINT	888,947	759,994	91,928	37,026
R PAVING	74,084	17,662	210	56,213
R ROOF REPLACEMENTS	973,493	0	0	973,493
R TREE MAINTENANCE	79,142	76,663	0	2,478
R WALL REPLACEMENTS	45,145	0	0	45,145
R WASTE LINE REMEDIATION	386,633	1,874	299	384,460
R WATER LINES - COPPER PIPE REMEDIATION	196,350	0	0	196,350
R SUPPL. APPROPRIATIONS	169,537	0	0	169,537
TOTAL RESERVE FUND	\$6,352,203	\$2,558,238	\$343,147	\$3,450,818
E ELEVATOR REPLACEMENT	\$135,744	\$0	\$0	\$135,744
TOTAL ELEVATOR FUND	\$135,744	\$0	\$0	\$135,744
L LAUNDRY APPLIANCES	\$20,935	\$4,434	\$16,501	\$0
L LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	51,423	\$22,373	\$7,449	\$21,600
L SUPPL. APPROPRIATIONS	304,756	0	9,736	295,020
TOTAL LAUNDRY FUND	\$377,114	\$26,808	\$33,686	\$316,620
G GARDEN VILLA RECREATION ROOMS	\$66,843	\$35,748	\$6,372	\$24,723
TOTAL GARDEN VILLA REC ROOMS FUND	\$66,843	\$35,748	\$6,372	\$24,723
O APPLIANCE REPAIRS	95,207	82,251	12,956	0
O CARPENTRY SERVICE	276,470	231,696	41,316	3,459
O CONCRETE REPAIR/REPLACEMENT	291,394	259,920	31,474	0
O CURB CUT/SIDEWALK RAMPS	0	0	0	0
O ELECTRICAL SERVICE	70,296	58,025	5,797	6,474
O FIRE PROTECTION	43,610	0	28	43,582
O GUTTER CLEANING	44,703	30,288	0	14,415
O JANITORIAL SERVICE	660,008	645,525	14,484	0
O MISC REPAIRS BY OUTSIDE SERVICE	5,263	0	0	5,263
O PEST CONTROL	86,426	0	0	86,426
O PLUMBING SERVICE	655,322	495,430	21,959	137,932
O SOLAR MAINTENANCE	15,272	0	0	15,272
O TRAFFIC CONTROL	12,444	12,444	0	0
O WELDING	78,726	77,261	1,033	433
TOTAL OPERATING FUND	\$2,335,143	\$1,892,840	\$129,047	\$313,256
D RISK FIRE MANAGEMENT	\$21,579	\$0	\$0	\$21,579
D MOISTURE INTRUSION - RAIN LEAKS	\$521,016	\$0	\$0	\$521,016
D MOISTURE INTRUSION - PLUMBING LEAKS	541,912	0	0	\$541,912
D MOISTURE INTRUSION - PLUMBING STOPPAGES	144,855	0	0	\$144,855
D MOISTURE INTRUSION - MISCELLANEOUS	24,465	0	0	\$24,465
D DAMAGE RESTORATION SERVICES	96,421	4,422	81	91,918
D SUPPL. APPROPRIATIONS	19,189	0	0	19,189
TOTAL DISASTER FUND	\$1,369,437	\$4,422	\$81	\$1,364,934
U SUPPL. APPROPRIATIONS	197,325	0	0	197,325
U OTHER - INVESTMENTS EXPENDITURES	2,052	0	0	2,052
TOTAL UNAPPROPRIATED EXPENDITURES FUND	\$197,325	\$0	\$0	\$197,325

Third Mutual Water Usage in 100 cubic feet units

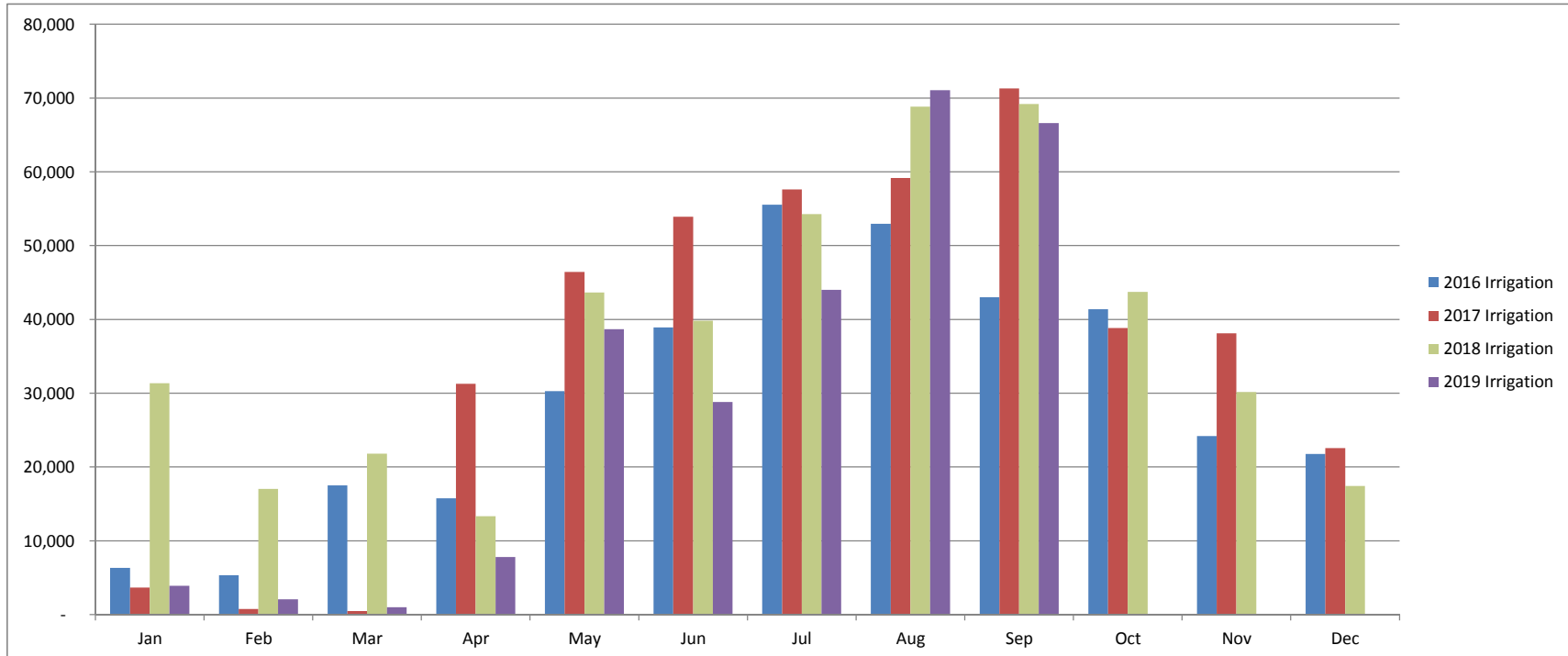
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2016	28,692	23,565	37,198	37,935	49,039	59,069	78,415	72,805	67,591	60,506	43,261	42,786	386,718	600,862
2017	25,226	20,286	19,299	52,174	65,796	75,181	79,992	79,315	96,121	57,296	58,557	44,191	417,269	673,434
2018	52,495	38,446	40,263	32,183	62,631	61,214	74,756	90,767	90,776	61,661	50,693	36,777	452,755	692,662
2019	24,432	21,298	18,269	25,378	58,015	48,914	62,672	93,135	86,655	-	-	-	352,113	438,768



Third Mutual

Irrigation Water Usage in 100 cubic feet units

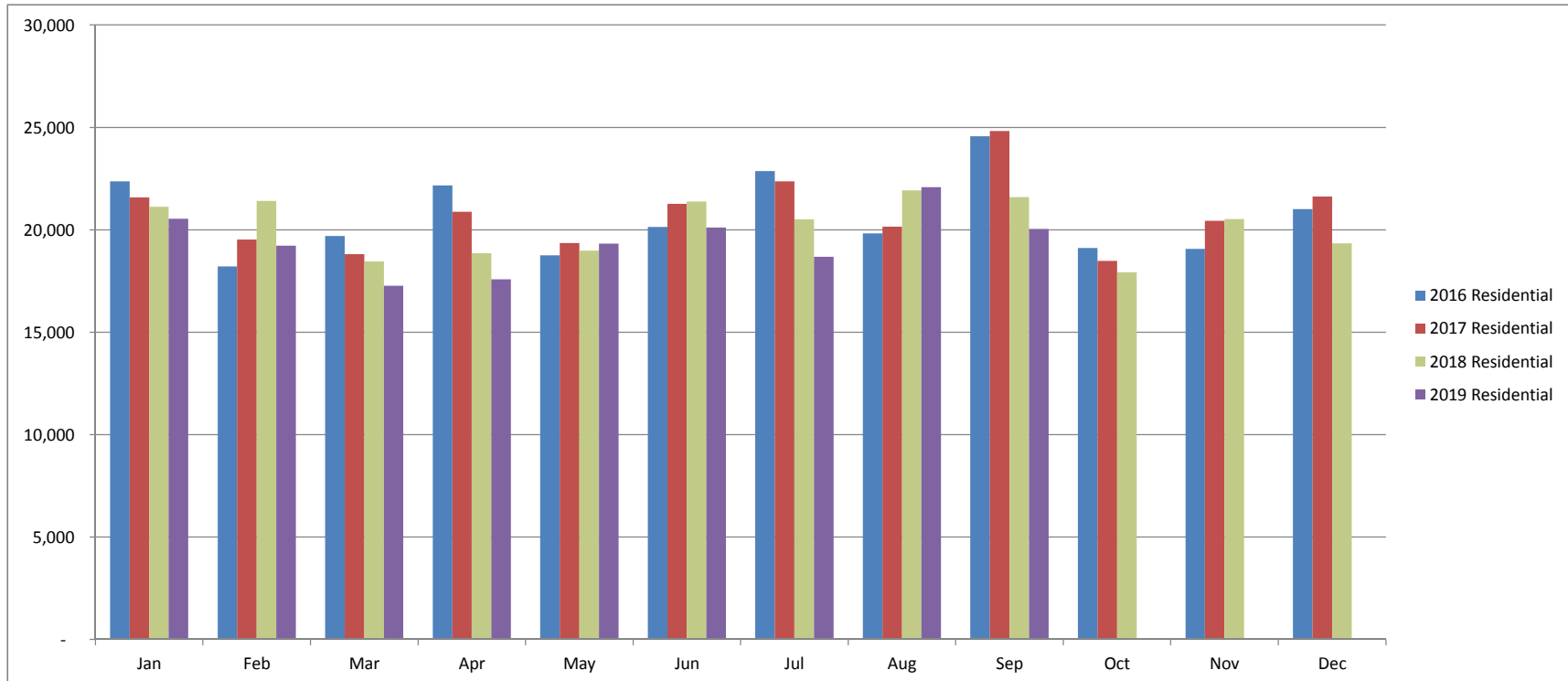
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2016 Irrigation	6,329	5,349	17,506	15,776	30,280	38,926	55,543	52,976	43,024	41,402	24,192	21,779	222,685	353,082
2017 Irrigation	3,646	766	494	31,291	46,437	53,911	57,625	59,166	71,293	38,819	38,114	22,567	253,336	424,129
2018 Irrigation	31,368	17,039	21,814	13,332	43,653	39,833	54,254	68,843	69,176	43,741	30,171	17,434	290,136	450,658
2019 Irrigation	3,892	2,081	1,000	7,803	38,696	28,811	43,994	71,051	66,612	-	-	-	197,328	263,940



Third Mutual

Residential Water Usage in 100 cubic feet units

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2016 Residential	22,363	18,216	19,692	22,159	18,759	20,143	22,872	19,829	24,567	19,104	19,069	21,007	164,033	247,780
2017 Residential	21,580	19,520	18,805	20,883	19,359	21,270	22,367	20,149	24,828	18,477	20,443	21,624	163,933	249,305
2018 Residential	21,127	21,407	18,449	18,851	18,978	21,381	20,502	21,924	21,600	17,920	20,522	19,343	162,619	242,004
2019 Residential	20,540	19,217	17,269	17,575	19,319	20,103	18,678	22,083	20,043	-	-	-	154,784	174,827



Third Laguna Hills Mutual
Statement of Revenues & Expenses - Preliminary
9/30/2019
(\$ IN THOUSANDS)

		CURRENT MONTH			YEAR TO DATE			PRIOR YEAR	ANNUAL	CURRENT	PROJECTION
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	PROJECTION	BASIS
Revenues:											
Assessments:											
1	Operating	\$1,564	\$1,564		\$14,075	\$14,075		\$14,159	\$18,767	\$18,767	
2	Additions to restricted funds	1,122	1,122		10,095	10,095		9,866	13,460	\$13,460	
3	Total assessments	2,686	2,686	0	24,170	24,170	0	24,025	32,227	32,227	
Non-assessment revenues:											
4	Fees and charges for services to resident:	86	40	46	628	359	269	432	478	837	Annualized actuals
5	Laundry	18	18	(1)	155	165	(10)	100	220	210	Assumed budget for rest of year
6	Interest income	62	31	31	495	277	218	354	369	660	Annualized actuals
7	Unrealized gain/(loss) on AFS investment:	34		34	333		333			333	Assume no further adjustment
8	Miscellaneous	48	50	(2)	453	451	3	475	601	601	Assume budget
9	Total non-assessment revenue	248	139	109	2,064	1,252	813	1,361	1,668	2,641	
10	Total revenue	2,934	2,825	109	26,234	25,422	813	25,386	33,895	34,868	
Expenses:											
11	Employee compensation and related	1,052	1,074	23	9,575	9,808	233	9,893	13,088	12,971	See Programs Report Projection
12	Materials and supplies	134	129	(5)	1,035	1,165	130	1,007	1,554	1,419	See Programs Report Projection
13	Utilities and telephone	530	521	(9)	3,993	3,988	(5)	4,272	5,299	5,299	Assume budget
14	Legal fees	47	18	(29)	350	165	(185)	162	220	467	Annualized actuals
15	Professional fees	25	11	(15)	137	152	15	71	185	185	Assume budget
16	Equipment rental	1	3	2	19	30	11	14	40	40	Assume budget
17	Outside services	1,299	914	(385)	5,984	8,229	2,245	5,031	10,972	8,733	See Programs Report Projection
18	Repairs and maintenance	42	32	(10)	264	257	(7)	246	345	345	Assume budget
19	Other Operating Expense	6	15	9	106	137	31	108	181	181	Assume budget
20	Insurance	111	109	(2)	985	985		945	1,313	1,479	Higher 10/19 Renewal
21	Investment expense		4	4	23	34	12	31	46	46	Assume budget
22	Uncollectible Accounts	3	12	8	114	104	(10)	16	138	138	Assume budget
23	(Gain)/loss on sale or trade				3		(3)	1		0	Assume budget
24	Depreciation and amortization	12	12		107	107		109	143	143	Assume budget
25	Net allocation to mutuals	105	103	(2)	921	901	(21)	921	1,205	1,205	Assume budget
26	Total expenses	3,367	2,957	(409)	23,616	26,062	2,445	22,827	34,729	32,651	
27	Excess of revenues over expenses	(\$433)	(\$132)	(\$301)	\$2,618	(\$640)	\$3,258	\$2,559	(\$834)	\$2,218	

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF SEPTEMBER 30, 2019**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET	%	VARIANCE		YEAR END PROJECTIONS
	ACTUAL	BUDGET	ACTUAL	BUDGET			EXPENDED	\$	
REPLACEMENT FUND									
ALARM SYSTEMS	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%	\$0
BUILDING NUMBERS	23,101	2,830	33,001	25,470	33,970	97%	(7,531)	(30%)	33,970
BUILDING STRUCTURES	307,036	227,306	1,497,094	2,049,449	2,732,992	55%	552,355	27%	2,697,992
ELECTRICAL SYSTEMS	16,800	4,883	42,000	43,947	58,610	72%	1,947	4%	58,610
ENERGY PROJECTS	820	4,166	11,269	37,494	50,000	23%	26,225	70%	33,328
EXTERIOR LIGHTING	0	66,666	35,773	599,994	800,000	4%	564,221	94%	800,000
FENCING	2,186	11,270	101,495	102,535	136,817	74%	1,041	1%	136,817
GARDEN VILLA LOBBY	3,821	9,963	111,162	89,667	119,560	93%	(21,495)	(24%)	119,560
GARDEN VILLA MAILROOM	10,673	5,787	69,582	52,590	70,173	99%	(16,991)	(32%)	70,173
GARDEN VILLA RECESSED AREA	4,044	20,870	4,044	187,830	250,440	2%	183,786	98%	40,440
GV REC ROOM WATER HEATER/HEAT PUMP	1,280	1,624	23,420	14,623	19,505	120%	(8,798)	(60%)	15,767
GUTTER REPLACEMENTS	0	3,083	29,750	27,747	37,000	80%	(2,003)	(7%)	37,000
LANDSCAPE MODIFICATION	0	76,571	36,280	689,834	919,890	4%	653,554	95%	944,769
MAILBOXES	0	3,025	25,283	27,338	36,483	69%	2,055	8%	36,484
PAINT PROGRAM - EXTERIOR	187,514	165,355	1,518,720	1,505,488	2,008,631	76%	(13,233)	(1%)	2,085,925
PRIOR TO PAINT	129,626	105,231	888,947	957,053	1,277,033	70%	68,106	7%	1,306,580
PAVING	56,855	70,271	74,084	633,226	844,499	9%	559,141	88%	732,000
ROOF REPLACEMENTS	176,503	109,326	973,493	983,934	1,311,937	74%	10,441	1%	1,363,635
SUPPLEMENTAL APPROPRIATIONS	0	0	169,537	169,537	169,537	100%	0	0%	268,600
TREE MAINTENANCE	455	17,542	79,142	160,154	213,630	37%	81,012	51%	140,795
WALL REPLACEMENTS	5,520	16,666	45,145	149,994	200,000	23%	104,849	70%	185,000
WASTE LINE REMEDIATION	131,687	62,500	386,633	562,500	750,000	52%	175,867	31%	753,550
WATER LINES - COPPER PIPE REMEDIATION	35,425	16,666	196,350	149,994	200,000	98%	(46,356)	(31%)	198,400
TOTAL REPLACEMENT FUND	\$1,093,345	\$1,001,601	\$6,352,203	\$9,220,397	\$12,240,708	52%	\$2,868,194	31%	\$12,059,395
ELEVATOR REPLACEMENT FUND									
ELEVATOR REPLACEMENT	\$0	\$28,891	\$135,744	\$260,019	\$346,698	39%	\$124,275	48%	\$346,698
TOTAL ELEVATOR REPLACEMENT FUND	\$0	\$28,891	\$135,744	\$260,019	\$346,698	39%	\$124,275	48%	\$346,698
LAUNDRY REPLACEMENT FUND									
LAUNDRY APPLIANCES	\$331	\$817	\$20,935	\$7,373	\$9,844	213%	(\$13,563)	(184%)	\$32,000
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	0	4,536	51,423	41,003	54,697	94%	(10,420)	(25%)	54,697
SUPPLEMENTAL APPROPRIATIONS	0	0	304,756	304,756	304,756	100%	0	0%	304,756
TOTAL LAUNDRY REPLACEMENT FUND	\$331	\$5,353	\$377,114	\$353,131	\$369,297	102%	(\$23,983)	(7%)	\$391,453
GARDEN VILLA RECREATION ROOM FUND									
GARDEN VILLA RECREATION ROOMS	\$4,716	\$8,094	\$66,843	\$73,120	\$97,580	69%	\$6,277	9%	\$97,143
TOTAL GARDEN VILLA REC ROOMS FUND	\$4,716	\$8,094	\$66,843	\$73,120	\$97,580	69%	\$6,277	9%	\$97,143

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF SEPTEMBER 30, 2019**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET	% EXPENDED	VARIANCE		YEAR END PROJECTIONS
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%	
OPERATING FUND									
APPLIANCE REPAIRS	\$7,663	\$7,026	\$95,207	\$63,980	\$85,379	112%	(\$31,227)	(49%)	\$163,466
CARPENTRY SERVICE	35,785	31,774	276,470	289,069	385,731	72%	12,599	4%	463,303
CONCRETE REPAIR/REPLACEMENT	28,360	35,053	291,394	317,560	423,853	69%	26,165	8%	410,170
CURB CUT/SIDEWALK RAMPS	0	833	0	7,500	10,000	0%	7,500	100%	10,000
ELECTRICAL SERVICE	7,303	10,000	70,296	91,128	121,615	58%	20,832	23%	127,709
FIRE PROTECTION	3,526	14,626	43,610	131,634	175,556	25%	88,024	67%	175,556
GUTTER CLEANING	15,366	12,619	44,703	113,648	151,554	29%	68,945	61%	172,000
JANITORIAL SERVICE	70,417	78,233	660,008	709,897	947,862	70%	49,888	7%	880,250
MISC REPAIRS BY OUTSIDE SERVICE	960	4,838	5,263	43,538	58,050	9%	38,274	88%	58,050
PEST CONTROL	5,613	21,699	86,426	195,291	260,405	33%	108,865	56%	198,776
PLUMBING SERVICE	65,507	55,587	655,322	505,484	674,483	97%	(149,838)	(30%)	877,000
SOLAR MAINTENANCE	1,752	2,083	15,272	18,747	25,000	61%	3,475	19%	25,000
TRAFFIC CONTROL	4,298	2,513	12,444	22,742	30,359	41%	10,298	45%	16,500
WELDING	16,977	7,042	78,726	63,893	85,307	92%	(14,832)	(23%)	102,500
CHARGEABLE SERVICES	137,108	28,183	551,689	254,715	814,835	68%	(296,974)	(117%)	0
TOTAL MAINTENANCE PROGRAMS	\$263,529	\$283,925	\$2,335,143	\$2,574,110	\$3,435,153	68%	\$238,968	9%	\$3,680,280
DISASTER FUND									
RISK FIRE MANAGEMENT	\$2,255	\$15,000	\$21,579	\$135,000	\$180,000	12%	\$113,422	84%	\$180,000
MOISTURE INTRUSION - RAIN LEAKS	\$99,072	\$39,585	\$521,016	\$356,265	\$475,025	110%	(\$164,751)	(46%)	575,000
MOISTURE INTRUSION - PLUMBING LEAKS	162,279	54,143	541,912	487,287	649,726	83%	(54,625)	(11%)	720,000
MOISTURE INTRUSION - PLUMBING STOPPAGES	39,791	10,512	144,855	94,608	126,155	115%	(50,247)	(53%)	193,000
MOISTURE INTRUSION - MISCELLANEOUS	13,571	7,757	24,465	69,813	93,095	26%	45,348	65%	93,095
DAMAGE RESTORATION SERVICES	19,364	30,805	96,421	277,787	370,445	26%	181,366	65%	370,445
SUPPLEMENTAL APPROPRIATIONS	\$19,189	\$19,189	\$19,189	\$19,189	\$19,189	100%	\$0	0%	42,216
TOTAL DISASTER FUND	\$355,521	\$176,990	\$1,369,437	\$1,439,949	\$1,913,635	72%	\$70,512	5%	\$2,173,756
UNAPPROPRIATED EXPENDITURES FUND									
SUPPLEMENTAL APPROPRIATIONS	\$55,770	\$55,770	\$197,325	\$197,325	\$197,325	100%	\$0	0%	\$197,325
TOTAL UNAPPROPRIATED EXPENDITURES FUND	\$55,770	\$55,770	\$197,325	\$197,325	\$197,325	100%	\$0	0%	\$197,325



STAFF REPORT

DATE: November 5, 2019
FOR: Finance Committee
SUBJECT: Golf Cart Decal Payment Enforcement

RECOMMENDATION

Receive and file.

BACKGROUND

Residents with a golf cart who wish to use common area charging facilities are required to register their golf cart with the Resident Services Division and pay an annual fee, \$155 in 2019. Residents are required to complete forms and pay the current year pro-rated annual fee. Upon completing the forms and paying the current year fee, staff will place the decal on the bumper of the resident's golf cart. Each year thereafter the resident is billed the current annual fee in January which is due and payable upon presentation.

In 2018, the revenue for Golf Cart Electric Fees was \$69,077 representing 358 annual decal renewals and 157 first year issuances. The year-end 2019 revenue is projected to be \$70,000 representing 374 annual decal renewals already billed in January and approximately 165 first year decal issuances.

By January 31, 2019, GRF received payment for Golf Cart Electric Fee from 55% of those billed. In February, reminder letters were mailed and late charges were applied resulting in payments from 89% of residents by March 31st and 96% by June 30th. As of the issuance of this report three residents have outstanding Golf Cart Electric Fee balances and are reported on the Chargeable Services Delinquency Report.

DISCUSSION

In February 2020, residents whom have not yet paid their 2020 annual Golf Cart Electric Fee renewal bill will receive a written notice informing them that failure to pay the fee may result in the removal of their decal. The written notice will be enclosed with the late fee letter issued during the third week of the month. The following month a listing of residents with delinquent golf cart decals will be automatically emailed to the Compliance and Security Departments for enforcement. The Security Department will dispatch a Community Service Officer to remove the decals. The Compliance Division will issue disciplinary letters to the affected residents and provide them the corrective actions they are required to take.

FINANCIAL ANALYSIS

The delinquent Golf Cart Electric Fee balances will be paid by residents in a more timely manner or decal privileges will be revoked.

Prepared By: Steve Hormuth, Controller
Reviewed By: Betty Parker, CFO

Agenda Item 9d – Solar System Update – Q3

Will be distributed at the Finance Committee meeting.



STAFF REPORT

DATE: November 5, 2019
FOR: Finance Committee
SUBJECT: Investment Policy Change Recommended by SageView

RECOMMENDATION

The Finance Committee recommends revising the Third Laguna Hills Mutual Investment Policy (Attachment 1) to allow bond holdings at investment grade ratings and directing SageView to proceed with conversion from individual holdings to an index fund portfolio.

BACKGROUND

On November 6, 2018 an Investment Task Force was formed and chartered to conduct an in-depth analysis of investments on behalf of the Golden Rain Foundation, United Laguna Woods Mutual, and Third Laguna Hills Mutual (Corporations) to ensure exceptional service from a professional investment manager, maximize yields within the Board-approved investment policies, and minimize fees. Based on recommendations from the task force, the board awarded a contract for investment management services to SageView Advisory Group which was executed on October 1, 2019.

On October 3, 2019, the task force held a special meeting with an invitation to all board members. SageView presented an overview of their firm, went over the transition timeline, and recommended investment policy modifications (Attachment 2). As of mid-October, 100% of the accounts for all Corporations successfully transferred over as in-kind investments from Merrill Lynch to Fidelity via the standard industry process known as ACATS (Automated Customer Account Transfer Service) and are ready for new investment directives.

DISCUSSION

The current investment policy allows up to 30% of the portfolio to be invested in corporate bonds rated A through AAA, specifically A3/A-/A- or better by Moody's/S&P/Fitch. SageView has put together a sample portfolio of index funds that include investment grade bonds, which would require a change in the investment policy language to allow ratings of BBB through AAA, specifically Baa3/BBB-/BBB- or better by Moody's/S&P/Fitch.

FINANCIAL ANALYSIS

Transitioning from an actively managed account to a portfolio of index funds will lower the investment management fees from 20 basis points to 7 basis points, a potential savings of approximately \$25,000 annually assuming an average of \$19M invested.

Prepared By: Betty Parker, CFO
Steve Hormuth, Controller

Attachments:

ATT1 – Investment Policy Resolution

ATT2 – SageView Presentation dated 10/3/2019



RESOLUTION 03-19-XX

THIRD LAGUNA HILLS MUTUAL INVESTMENT POLICY

RESOLVED, November 19, 2019 that the Managing Agent of this corporation, and an outside Investment Manager are hereby authorized to invest the funds of the corporation which, in the opinion of said managing agent are not required within a reasonable time to pay obligations of the corporation; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby authorizes the Managing Agent of this corporation, to retain an Investment Manager and to give that Manager discretion to transact purchases and sales of investments for Third Laguna Hills Mutual's account. Such discretion is subject to the underlying conditions as stated below. The Board will determine the amount to be managed in this discretionary account; and

RESOLVED FURTHER, that all investments on behalf of this corporation must be made with the underlying principles in the following order of priority: (1) safety, (2) liquidity, where applicable, and (3) yield, and are subject to the following conditions:

1. Notification of confirmation shall be given to the managing agent and treasurer of this corporation upon completion of each investment transaction;
2. For funds administered by the Managing Agent in a non-discretionary account, no investment may be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity without a demonstrated immediate need for the funds and the consent of any two of the following: the Treasurer, the President or the 1st or 2nd Vice President of this corporation. Furthermore, if there is a request that an investment be sold, withdrawn or otherwise converted to cash prior to maturity where there has been no demonstrated immediate need, approval must be received from the Board of Directors of this corporation;
3. Funds shall be invested only in authorized investments as provided herein. Authorized investments are limited to:
 - a. obligations of, or fully guaranteed as to principal by, the United States of America;
 - b. Up to 30% of the portfolio may be invested in Corporate Bonds rated ~~A~~ BBB through AAA; specifically ~~A3/A-/A-~~ Baa3/BBB-/BBB- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If a bond does not meet these minimum credit quality



criteria in at least one of the above-mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days. This removal criteria will not apply to bond mutual funds that have a stated objective of investing in investment grade rated bonds. Removal of downgraded bonds that fall below the investment grade rating will be determined by the fund manager.

- c. No more than 3% of portfolio is to be invested in any one corporate bond issuer; and
 - d. Up to 25% of the portfolio may be invested in Government Sponsored Federal Agencies, namely FNMA (Federal National Mortgage Association – Fannie Mae), FHLMC (Federal Home Loan Mortgage Corporation – Freddie Mac, and FHLB (Federal Home Loan Bank).
4. Investments on behalf of this corporation may be made concurrently with investments made on behalf of other corporations at Laguna Woods Village. However, separate investment receipts will be held in the name of this corporation. Any such investments may be held for the account of the corporation in book-entry form;
5. Any authorized investments, as defined in Item 3 above, previously made by said Managing Agent or Investment Manager, are hereby ratified; and

RESOLVED FURTHER, that Resolution 03-16-54 adopted on May 17, 2016, is hereby superseded and cancelled.



SageView Advisory Group Laguna Woods Village – Investment Task Force

October 3, 2019

DAN QUIRK, CFA, CFP
Senior Investment Advisor

MALLORY ARMIJO, CFA
Investment Analyst

SEE WHERE YOU'RE GOING

MEETING AGENDA

1

SageView Overview

2

Timeline

3

Investment Analytics Review

3

Investment Policy Statement Review

1

SAGEVIEW OVERVIEW

3



SageView's Milestones and Business Overview

\$100+ B

ASSETS UNDER
ADVISEMENT

24

OFFICE
LOCATIONS

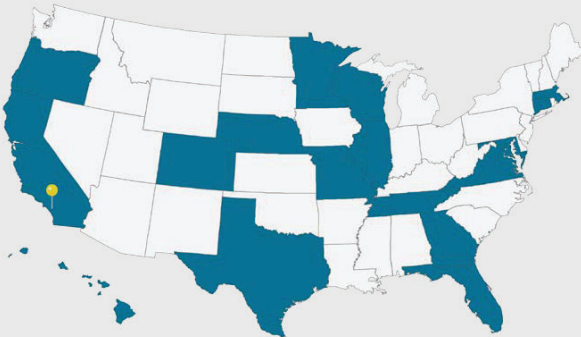
1,200+

Clients

130+

NUMBER OF
EMPLOYEES

OUR LOCATIONS



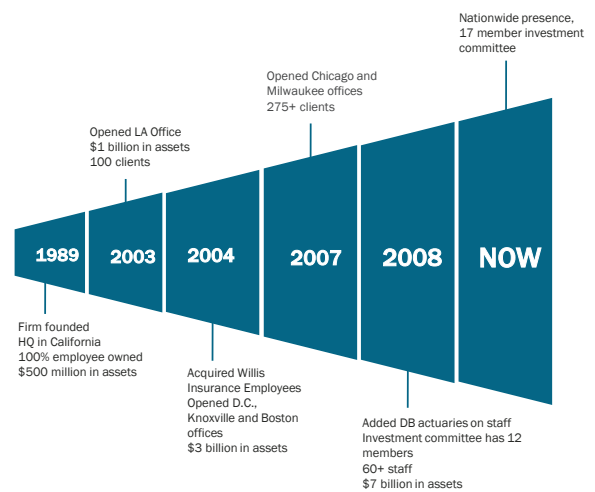
Atlanta, GA
Austin, TX
Boston, MA
Chicago, IL
Dallas, TX
Denver, CO

Honolulu, HI
Houston, TX
Irvine, CA
Kansas City, MO
Knoxville, TN
Los Angeles, CA

Milwaukee, WI
Minneapolis, MN
Nashville, TN
Omaha, NE
Orinda, CA
Pasadena, CA

Portland, OR
Richmond, VA
San Francisco, CA
Washington, DC
West Hartford, CT
West Palm Beach, FL

OUR MILESTONES



2

Timeline

5



Timeline

- September 17, 2019 – Accounts opened at Fidelity for Golden Rain Foundation of Laguna Woods, United Laguna Woods Mutual, and Third Laguna Hills Mutual
- October 1, 2019 – Paperwork submitted to Fidelity to initiate in-kind transfer for all three accounts from Merrill Lynch to Fidelity
- October 10, 2019 – Expected completion date of transfers to Fidelity
- October - November 2019 – Review and approval of modified Investment Policy Statements by the three respective boards
- 2019 - 2020 – Potential transition to mutual/index fund investment structure for all three portfolios. (SageView's recommendation)

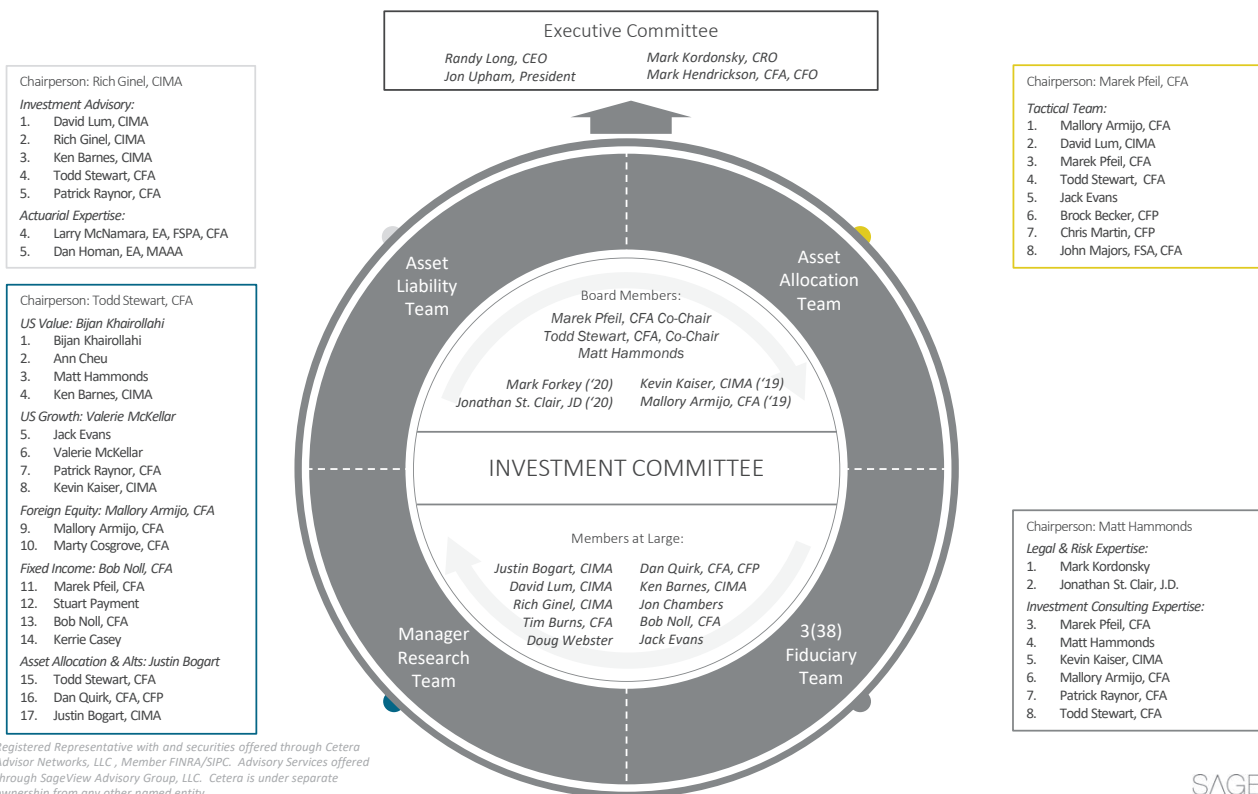
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INVESTMENT ANALYTICS

7



SageView Investment Team Structure



Registered Representative with and securities offered through Cetera Advisor Networks, LLC, Member FINRA/SIPC. Advisory Services offered through SageView Advisory Group, LLC. Cetera is under separate ownership from any other named entity.



Quantitative and Qualitative Assessment

SageView's quantitative due diligence process is disciplined, metrics-driven, performance-focused, and yet simple to follow and act upon. Informed by behavioral finance, it is uniquely client-focused.

We continually evaluate both our quantitative and qualitative process to ensure that both are dynamic and improving.

QUANTITATIVE MEASURES

Performance Ranking

- Trailing 1, 3, 5 and 10 year returns
- Rolling 12-month returns (10 years)
- Rolling 36-month returns (10 years)

Ratio statistics

- Alpha
- Sharpe Ratio (36 months)
- Up Capture Ratio
- Down Capture Ratio

Style consistency

Expense ratio

QUALITATIVE CRITERIA

- Firm structure/ownership
- Asset size and growth/negative cash flow
- Manager tenure
- Investment team structure
- Investment philosophy and strategy
- Portfolio construction
- Operations, compliance, trading strategies
- Risk controls



Sample Portfolio

Fund	Percentage	YTM	Duration	Expense Ratio
Vanguard Treasury Money Market (VUSXX)	5%	2.3%	0.1	0.09%
Fidelity Short-Term Treasury (FUMBX)	30%	2.5%	2.6	0.03%
Fidelity Intermediate-Term Treasury (FUAMX)	10%	2.6%	6.3	0.03%
Vanguard MBS Admiral (VMBSX)	25%	3.3%	4.4	0.07%
Vanguard Short-Term Corporate (VSCSX)	15%	3.3%	2.6	0.07%
Vanguard Intermediate Corporate (VICBX)	15%	3.9%	6.2	0.05%
Total Portfolio	100%	3.0%	3.8	0.05%

Key Attributes:

- Streamlined portfolio construction
- Highly diversified, with thousands of underlying issuers
- Attractive yield of just over 3.04%, 2.97% net of all fees
- Duration of 3.8 years, which can be easily adjusted
- Ultra low expense ratios
- Strong credit quality - 70% Treasury/Agency, 30% IG corporate
- Improved portfolio dynamics, that lowers interest rate risk
- Compares to current portfolios with yields near 2.6% before fees



Rigorous Fund Benchmarking

Fund Performance Summary As of 03/31/2019

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	SageView Ranking
Vanguard Treasury Money Market Investor	Money Market-Taxable	5.00%	0.58	0.58	2.04	1.12	0.69	0.36	0.09	Index
ICE BofAML US 3M Trsy Bill TR USD*			0.60	0.60	2.12	1.19	0.74	0.43		
Cat: Morningstar Money Market - Taxable			0.49	0.49	1.66	0.81	0.50	0.26	0.48	
Fidelity® Shrt-Term Trs Bd Index	Short Government	30.00%	1.26	1.26	3.17	0.90	1.18	1.37	0.03	Index
BBgBarc Treasury 1-5 Yr TR USD*			1.23	1.23	3.17	0.95	1.26	1.45		
Cat: Morningstar Short Government			1.04	1.04	2.43	0.77	0.87	1.20	0.71	
Vanguard Short-Term Corp Bd Idx Admiral	Short-Term Bond	15.00%	2.65	2.65	4.39	2.29	2.19	NA	0.07	Index
BBgBarc USD Corp Bd 1-5 Yr TR USD*			2.61	2.61	4.42	2.41	2.30	4.30		
Cat: Morningstar Short-Term Bond			1.71	1.71	2.97	1.87	1.45	2.77	0.73	
Fidelity® Interm Trs Bd Index	Intermediate Government	10.00%	2.40	2.40	5.30	0.89	2.59	3.01	0.03	Index
BarCap US Treasury 5-10 Yr TR USD*			2.44	2.44	5.28	0.98	2.68	3.10		
Cat: Morningstar Intermediate Government			2.05	2.05	3.77	0.98	1.86	2.53	0.80	
Vanguard Mortgage-Backed Secs Idx Adm	Intermediate Government	25.00%	2.09	2.09	4.22	1.66	2.47	NA	0.07	Index
BBgBarc US MBS Float Adjusted TR USD*			2.12	2.12	4.34	1.75	2.53			
Cat: Morningstar Intermediate Government			2.05	2.05	3.77	0.98	1.86	2.53	0.80	
Vanguard Interm-Term Corp Bd Idx Instl	Corporate Bond	15.00%	5.43	5.43	6.18	3.41	3.91	NA	0.05	Index
BBgBarc US Credit Corp 5-10 Yr TR USD*			5.41	5.41	6.11	3.55	3.98	7.31		
Cat: Morningstar Corporate Bond			5.02	5.02	4.61	3.71	3.58	6.33	0.70	

*Investment Policy Benchmark

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SAGE
VIEW

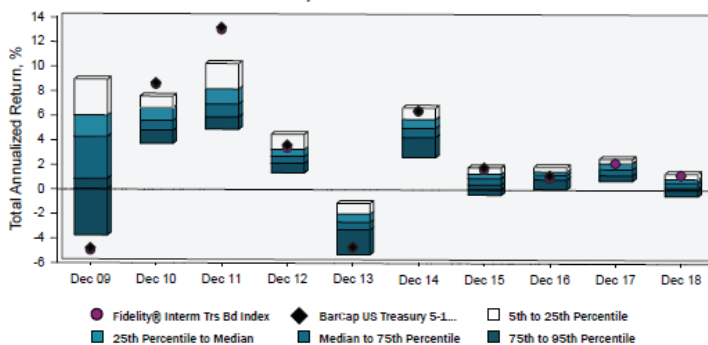


Detailed Fund Level Analytics

Fidelity® Interm Trs Bd Index As of 12/31/2018

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Alpha 3Yr	Beta 3Yr	Sharpe Ratio 3Yr	Standard Deviation 3Yr	Expense Ratio
Fidelity® Interm Trs Bd Index	3.49	1.23	1.23	1.46	2.48	2.65	-0.07	1.02	0.12	4.26	0.03
BarCap US Treasury 5-10 Yr TR USD	3.40	1.22	1.22	1.52	2.55	2.76	0.00	1.00	0.14	4.15	-
Morningstar Intermediate Government	1.95	0.51	0.51	1.05	1.76	2.46	-0.15	1.06	0.02	2.50	0.79

Performance To Date
January 2009 - December 2018



Portfolio Composition



cash (0.49%)
Domestic Stock (0.00%)
Foreign Stock (0.00%)
Domestic Bond (99.51%)
Foreign Bond (0.00%)
Preferred Bond (0.00%)
Convertible Bond (0.00%)
Other (0.00%)

Portfolio Statistics

Average Eff. Duration
Average Credit Quality

6.28
AAA

Portfolio Data

Ticker	FUAMX
Prospectus Objective	Government Bond - Treasury
Morningstar Category	Intermediate Government
Net Assets \$MM	\$1.976
Turnover Ratio	43%
Total Number of Holdings	55
Average Mkt Cap \$MM	-
Manager Name	Brandon Bettencourt
Manager Tenure (yrs.)	4.59
Mstar Rating	4

Bond Credit Analysis

Fund	Category
AAA	100.00
AA	0.00
A	0.00
BBB	0.00
BB	0.00
B	0.00
Below B	0.00
Not Rated	0.00

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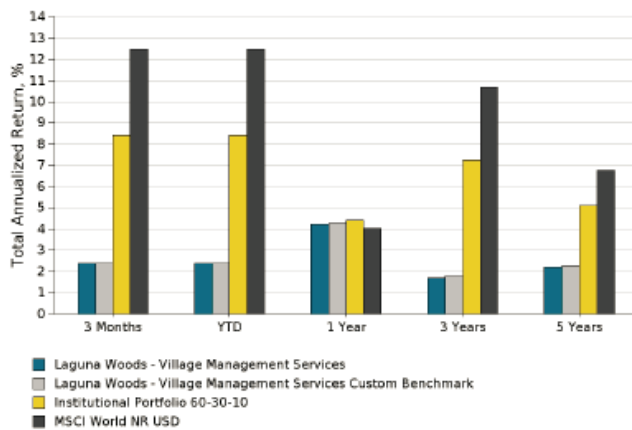


Rigorous Portfolio Benchmarking

Portfolio Return vs. Custom Benchmark

As of 03/31/2019

Performance As Of March 31, 2019	3 Month	YTD	1 Year	3 Year	5 Year	Std Dev 5 Yr	Prospectus Exp Ratio
Laguna Woods - Village Management Services	2.38	2.38	4.23	1.69	2.19	2.02	0.05
Laguna Woods - Village Management Services Custom Benchmark	2.37	2.37	4.26	1.78	2.26	1.97	NA
Laguna Woods - Village Management Services Custom Category Averages Benchmark	2.06	2.06	3.27	1.45	1.69	1.95	0.73
Institutional Portfolio 60-30-10	8.43	8.43	4.42	7.26	5.10	6.59	NA
MSCI World NR USD	12.48	12.48	4.01	10.68	6.78	10.98	NA



¹Industry Average Exp Ratio 1.04%. Based on plan assets \$10M - \$24.9M

Benchmark	Weight
BBGBarc Treasury 1-5 Yr TR USD	30.00%
BBGBarc US MBS Float Adjusted TR USD	25.00%
BBGBarc USD Corp Bd 1-5 Yr TR USD	15.00%
BBGBarc US Credit Corp 5-10 Yr TR USD	15.00%
BarCap US Treasury 5-10 Yr TR USD	10.00%
ICE BofAML US 3M Trsy Bill TR USD	5.00%

13

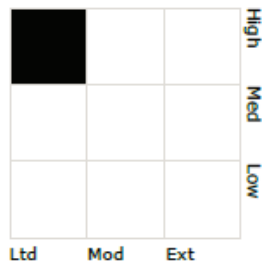
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VIEW



Detailed Portfolio Level Analytics

Fixed Income Style Box

Morningstar Fixed Income Style Box™



Fixed-Income Stats

Average Eff Duration	3.9
Average Eff Maturity	6.0
Average Coupon	3.0
Average Price	-

Fixed Income Sectors



Maturity Breakdown

1-3 Yr %	27.44
3-5 Yr %	19.47
5-7 Yr %	13.50
7-10 Yr %	13.50
10-15 Yr %	2.81
15-20 Yr %	1.30
20-30 Yr %	20.39
30+ Yr %	0.91

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Investment Policy Statement Review

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Investment Policy Statement – Golden Rain Foundation

GOLDEN RAIN FOUNDATION INVESTMENT POLICY

RESOLVED, June 7, 2016 that the Managing Agent of this corporation, and an outside Investment Manager are hereby authorized to invest the funds of the corporation which, in the opinion of said managing agent are not required within a reasonable time to pay obligations of the corporation; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby authorizes the Managing Agent of this corporation, to retain an Investment Manager and to give that Manager discretion to transact purchases and sales of investments for Golden Rain Foundation's account. Such discretion is subject to the underlying conditions as stated below. The Board will determine the amount to be managed in this discretionary account; and

RESOLVED FURTHER, that all investments on behalf of this corporation must be made with the underlying principles in the following order of priority: (1) safety, (2) liquidity, where applicable, and (3) yield, and are subject to the following conditions:

1. Notification of confirmation shall be given to the managing agent and treasurer of this corporation upon completion of each investment transaction;
2. For funds administered by the Managing Agent, no investment may be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity without a demonstrated immediate need for the funds and the consent of any two of the following: the Treasurer, the President or the 1st or 2nd Vice President of this corporation. Furthermore, if there is a request that an investment be sold, withdrawn or otherwise converted to cash prior to maturity where there has been no demonstrated immediate need, approval must be received from the Board of Directors of this corporation;
3. Funds shall be invested only in authorized investments as provided herein. Authorized investments are limited to:
 - a. obligations of, or fully guaranteed as to principal by, the United States of America;
 - b. Up to 30% of the portfolio may be invested in Corporate Bonds rated A through AAA; specifically A3/A-/A- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If a bond does not meet these minimum credit quality criteria in at least one of the above mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days.
 - c. No more than 3% of portfolio is to be invested in any one corporate bond issuer; and
 - d. Up to 25% of the portfolio may be invested in Government Sponsored Federal Agencies, namely FNMA (Federal National Mortgage Association – Fannie Mae), FHLMC (Federal Home Loan Mortgage Corporation – Freddie Mac, and FHLB (Federal Home Loan Bank).
4. Investments on behalf of this corporation may be made concurrently with investments made on behalf of other corporations at Laguna Woods Village. However, separate investment receipts will be held in the name of this corporation. Any such investments may be held for the account of the corporation in book-entry form;
5. Any authorized investments, as defined in Item 3 above, previously made by said Managing Agent or Investment Manager, are hereby ratified; and

RESOLVED FURTHER, that Resolution 90-13-23 adopted on March 5, 2013, is hereby superseded and cancelled.

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Investment Policy Statement Modification– Golden Rain Foundation

b. Up to 30% of the portfolio may be invested in investment grade Corporate Bonds rated BBB through AAA; specifically Baa3/BBB-/BBB- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If an individually held bond does not meet these minimum credit quality criteria in at least one of the above-mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days. This removal criteria will not apply to bond mutual funds that have a stated objective of investing in investment grade rated bonds. Removal of bonds downgraded below the investment grade rating will be determined by the fund manager.



Investment Policy Statement – Third Laguna Hills

THIRD LAGUNA HILLS MUTUAL INVESTMENT POLICY

RESOLVED, May 17, 2016, that the Managing Agent of this corporation, and an Investment Manager are hereby authorized to invest the funds of the Corporation which, in the opinion of said Managing Agent are not required within a reasonable time to pay obligations of the corporation; and

RESOLVED FURTHER, that the Board of Directors of this Corporation hereby authorizes the Managing Agent of this Corporation, to retain an Investment Manager and to give that Manager discretion to transact purchases and sales of investments for the Third Laguna Hills Mutual account. Such discretion is subject to the underlying conditions as stated below. The Board will determine the amount to be managed in this discretionary account; and

RESOLVED FURTHER, that all investments on behalf of this Corporation must be made with the underlying principles in the following order of priority: (1) safety, (2) liquidity, where applicable, and (3) yield, and are subject to the following conditions:

1. Notification of confirmation shall be given to the Managing Agent and Treasurer of this Corporation upon completion of each investment transaction;
2. For funds administered by the Managing Agent no investment may be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity without a demonstrated immediate need for the funds and the consent of any two of the Treasurer or the President or 1st Vice President of this Corporation. Furthermore, if a member of the Board of the Corporation desires an investment to be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity, approval must be received from the Board of Directors of this Corporation;
3. No funds shall be invested except in authorized investments as provided herein. Authorized investments limited to:
 - a. obligations of, or fully guaranteed as to principal, by the United States of America;
 - b. Up to 30% of the portfolio may be invested in Corporate Bonds rated A through AAA, specifically A3/A-/A- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If a bond does not meet this minimum credit quality criteria in at least one of the above mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days; and
 - c. No more than 3% of the portfolio is to be invested in any one corporate bond issuer; and
 - d. Up to 25% of the portfolio may be invested in Government Sponsored Federal Agencies, namely FNMA (Federal National Mortgage Association – Fannie Mae), FHLMC (Federal Home Loan Mortgage Corporation – Freddie Mac, and FHLB (Federal Home Loan Bank).
4. Investments on behalf of this Corporation may be made concurrently with investments made on behalf of other corporations at Laguna Woods Village, Laguna Woods, California. However, separate investment receipts will be held in the name of this Corporation. Any such investments may be held for the account of the Corporation in book-entry form;

RESOLVED FURTHER, that Resolution 03-14-52 adopted May 20, 2014 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 the resolution as written.



Investment Policy Statement Modification– Third Laguna Hills

b. Up to 30% of the portfolio may be invested in investment grade Corporate Bonds rated BBB through AAA; specifically Baa3/BBB-/BBB- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If an individually held bond does not meet these minimum credit quality criteria in at least one of the above-mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days. This removal criteria will not apply to bond mutual funds that have a stated objective of investing in investment grade rated bonds. Removal of bonds downgraded below the investment grade rating will be determined by the fund manager.



Investment Policy Statement – United Laguna Woods

RESOLUTION 01-17-38

UNITED LAGUNA WOODS MUTUAL INVESTMENT POLICY

WHEREAS, that Village Management Services Inc., managing agent of this corporation, and an external Investment Manager are hereby authorized to invest the funds of the corporation which, in the opinion of said managing agent are not required within a reasonable time to pay obligations of the corporation; and

NOW THEREFORE BE IT RESOLVED, March 14, 2017, that the Board of Directors of this Corporation hereby authorizes the Managing Agent to retain Merrill Lynch and its affiliate (BlackRock) as Investment Manager and gives that Investment Manager discretion to transact purchases and sales of investments for the United Laguna Woods Mutual account. Such discretion is subject to the underlying conditions as stated below. The Board will determine the amount to be managed in this discretionary account; and

RESOLVED FURTHER, that all investments on behalf of this corporation must be made with the underlying principles in the following order of priority: (1) safety, (2) liquidity, where applicable, and (3) yield, and are subject to the following conditions:

1. Notification of confirmation shall be given to the managing agent and treasurer of this corporation upon completion of each investment transaction;
2. For funds administered by Village Management Services, Inc., known as the "non-discretionary account" no investment may be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity without a demonstrated immediate need for the funds and the consent of the Treasurer and either the President or 1st Vice President of this corporation. Furthermore, if a member of the corporation desires an investment to be sold, withdrawn, redeemed or otherwise converted to cash prior to maturity, approval must be received from the Board of Directors of this corporation;
3. Managed funds, known as the "discretionary account", shall be invested only in authorized investments as provided herein;
 - a. obligations of, or fully guaranteed as to principal, by the United States of America; and
 - b. Up to 20% of the portfolio may be invested in Corporate Bonds rated A through AAA, specifically A3/A-/A- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If a bond does not meet this minimum credit quality criteria in at least one of the above mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days; and
 - c. No more than 3% of the portfolio is to be invested in any one corporate bond issuer;
4. Interim cash balances are to be held in money market funds that are invested in short-term U.S. Treasuries or direct obligations of the U.S. Government;
5. Investments on behalf of this corporation may be made concurrently with investments made on behalf of other corporations at Laguna Woods Village. However, separate investment receipts will be held in the name of this corporation.

Any such investments may be held for the account of the corporation in book-entry form; and

RESOLVED FURTHER, that Resolution 01-16-15, adopted on February 9, 2016 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.



b. Up to 30% of the portfolio may be invested in investment grade Corporate Bonds rated BBB through AAA; specifically Baa3/BBB-/BBB- or better by Moody's/S&P/Fitch. A bond is only required to meet the criteria of one rating service. If an individually held bond does not meet these minimum credit quality criteria in at least one of the above-mentioned rating services, the bond may not be purchased or if owned, must be removed from the portfolio within 30 days. This removal criteria will not apply to bond mutual funds that have a stated objective of investing in investment grade rated bonds. Removal of bonds downgraded below the investment grade rating will be determined by the fund manager.

Note: Recommendation also includes moving from a maximum corporate bond allocation of 20% to 30%, matching Golden Rain and Third Laguna.



THANK YOU



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TO: Third Mutual Board of Directors
FROM: Betty Parker, Chief Financial Officer
RE: 2020 Third Finance Committee Meeting Dates
DATE: November 5, 2019

Listed below are the proposed Third Finance Committee meeting dates, times, and location for the calendar year 2020. The meetings are scheduled monthly on the first Tuesday in the Board Room.

2019 THIRD FINANCE COMMITTEE MEETING DATES

Meeting Date	Start Time	Location
Tuesday, January 7	1:30 p.m.	Board
Tuesday, February 4	1:30 p.m.	Board
Tuesday, March 3	1:30 p.m.	Board
Tuesday, April 7	1:30 p.m.	Board
Tuesday, May 5	1:30 p.m.	Board
Tuesday, June 2	1:30 p.m.	Board
Tuesday, July 7	1:30 p.m.	Board
Tuesday, August 4	1:30 p.m.	Board
Tuesday, September 1	1:30 p.m.	Board
Tuesday, October 6	1:30 p.m.	Board
Tuesday, November 3	1:30 p.m.	Board
Tuesday, December 1	1:30 p.m.	Board



RESOLUTION 03-19-74

THIRD MUTUAL FINANCE COMMITTEE CHARTER

RESOLVED, that pursuant to Article VII, Section 1 of the Bylaws, the Finance Committee is hereby established as a standing committee of this Corporation; and

RESOLVED FURTHER, November 18, 2014, that the Board of Directors of this Corporation hereby assigns the duties and responsibilities of the Finance Committee of this Corporation as follows:

1. Annually review the proposed Third Laguna Hills Mutual Business Plan and recommend to the Board action regarding the same, including the amount of the assessment required to meet the following year's operating budget and reserve contributions.
2. Regularly review the financial statements and reports of Third Laguna Hills Mutual and review the performance of the managing agent related to the budget and operational efficiencies and make recommendations to the Board.
3. Review the investment of funds of Third Mutual to determine if they are in accordance with the investment policy. Review and recommend changes to the Board, as necessary, to the Mutual's investment policy.
4. Regularly review the status and sufficiency of the Mutual reserve accounts.
5. Review on a regular basis delinquent accounts for assessments, fines, fees, and chargeable services by directing staff and making recommendations to the Board for actions in accordance with the Third Mutual Collection and Lien Enforcement Policy. Review and recommend changes to the Board, as necessary, to the Mutual collection policies.
6. Review any unplanned expenditure proposed by the Board or other Committees to determine the impact on and adequacy of related reserves and recommend appropriate action to the Board.
6. Function as an advisory and liaison body to the managing agent in matters pertaining to financial performance measurements, membership,



leasing, and occupancy; and coordinate these matters with other standing committees having related concerns.

7. Perform such additional functions as may be assigned or referred to this committee by the President as well as those that are necessary and prudent to fulfill the Committee's duties and responsibilities.
8. Direct the preparation of a request for proposal for the annual financial audit of Third Laguna Hills Mutual. Review reports and recommendations from auditors and recommend to the Board any appropriate action.
9. Regularly review all insurance and risk management programs for Third Laguna Hills Mutual and recommend to the Board actions to be taken to maintain adequate protection and coverage.
10. In coordination with GRF and Corporate Members, examine the need for review of managing agent organizational entities. Review the implementation of consultant findings and make recommendations to the Board.
11. Receive update from members of the GRF Finance Committee, appointed from Third Mutual, and consider the latest developments and key financial data provided from GRF to create a more comprehensive understanding of community finances and allow for more informed decisions.

RESOLVED FURTHER, that Resolution 03-14-128, adopted November 18, 2014, is hereby superseded and cancelled.



STAFF REPORT

DATE: November 5, 2019
FOR: Finance Committee
SUBJECT: Alteration Fee Increase

RECOMMENDATION

Approve a revision to Resolution 03-17-120 (Attachment 1) and increase fees associated with manor alteration requests in order to partially offset the costs incurred for the services provided by the Manor Alterations Division.

BACKGROUND

In 2017, via Resolution 03-17-120; the Board increased the Mutual Consent and Variance processing fee schedule in an effort to reduce the expenses incurred by the Mutual.

On December 17, 2018, the Architectural Controls and Standards Committee reviewed a report to increase fees, and unanimously voted to recommend the Board approve the alteration fee increase.

On January 15, 2019, the Board removed this items from the agenda and requested that the recommended fee increase be first be reviewed by the Finance Committee.

On March 5, 2019, the Finance Committee reviewed the proposed increase to the alteration fees. This item was tabled for additional discussion.

DISCUSSION

Prior to the commencement of manor alterations, Mutual members or their authorized contractors are required to obtain a Mutual Consent (permit application) from the Permits & Inspections Office. A Permit Fee is charged to partially offset administrative costs associated with the processing and review of Mutual Consents. Depending on the type of alteration to be performed, the fees are calculated using either a flat fee or the value of the proposed alteration. The process starts as soon as the Mutual Consent is submitted to the Permits & Inspections Office. Staff reviews the application and ensures that the proposed alteration conforms to Mutual Standards.

Since alterations are optional, and chosen by the Member, it is reasonable that the cost for processing the applications and inspecting the work be borne by those electing to alter their manor. Over the past year, several new processes and services, along with improvements to customer service, have been implemented in the Manor Alterations Division. Contractor parking passes, demolition mutual consents, and conformance deposits have all brought significant improvements to the services offered and have increased safety within the Village.

With the implementation of the Conformance Deposit Program, administrative costs related to the processing of deposits and refunds of the monies held has increased administrative costs in the Division. Given the increased costs associated with improved processes and service levels, it is prudent for the Board to now consider updating the alteration fee schedule to reflect the increased administrative costs.

In February 2019, the United Board considered the costs to the Mutual associated with the consent process, and adopted fee increases to reduce the Mutual's subsidy, which directly affects assessment increases across the board. Staff request consideration be given to the same fee increases in Third Mutual to partially offset the cost of the manor alteration process within the Mutual. Having the same fee structure for both Mutual's will result in operational efficiencies and cost savings. The opposite is true if your limited staff resources in the Manor Alteration Division is required to administer two different fee structures, resulting in a reduce level of service for both Mutual's. Therefore staff highly recommends adopting the same manor alteration fee structure for both Mutual's.

As shown on Attachment 2, the proposed alteration fee schedule will increase each alteration fee to better offset the expenses of the Manor Alterations Division. The fee schedule will still consist of List 1, which identifies alterations that will be charged the flat rate fee of \$50, and List 2, which identifies alterations (Alteration Fees Based on Valuation) that require staff to review the proposed alteration more in depth and provide inspection services. The fee is calculated on a sliding scale based on the estimated value of the alteration. Higher valued alterations generally require more detailed plans, which in turn, increase administrative involvement, plan check, and inspection time. This adjustment will better align the fees with the time it takes to process each task.

FINANCIAL ANALYSIS

Currently Third Mutual subsidizes approximately one hundred and thirty thousand dollars annually in expenses related to manor alterations. Based on the estimated revenue projection for 2020 if the proposed alteration fee schedule is approved, the Mutual would decrease its expense by approximately thirty thousand dollars.

The additional fee revenue will partially offset existing administrative costs in Operations, as outlined above.

Prepared By: Brett Crane, Permits, Inspections and Restoration Manager

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

ATTACHMENT(S)

Attachment 1: Revised Resolution 03-19-XXX
Attachment 2: Revised Fee Schedule

Attachment 1

RESOLUTION 03-19-XXX

Alteration/Variance Processing Fee Policy

WHEREAS, alteration and variance requests require significant staff time for proper processing, including research, report preparation, and then presentation to the appropriate committee and then the Board; and

WHEREAS, in order to offset administrative costs associated with processing variance requests, which is often followed by multiple resubmittals, and can be followed by an appeal to the Board as mandated in accordance with Resolution 03-13-105; and

WHEREAS, the Mutual currently charges a \$35 fee for a Mutual Consent and a \$150 fee for a Variance; and

WHEREAS, the new alteration fee schedule will be increased to better align the fees with the administrative time required to process said manor alterations; and

WHEREAS, the Board realizes that the current fee schedule does not appropriately cover staff time.

NOW THEREFORE BE IT RESOLVED, December 17, 2019, to partially offset administrative costs associated with processing alteration and variance requests, the Board of Directors of this Corporation hereby revise the alteration and inspection fees as attached to the official minutes of this meeting; the Variance request processing fee will remain at \$150;and

RESOLVED FURTHER, October 20, 2017, that Resolution 03-17-120 adopted October 20, 2017 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 resolution.

Attachment 2

Alteration Fee Schedule

Mutual Consent for alteration(s) fee schedule

alterations@vmsinc.org

Visit www.lagunawoodsvillage.com for Mutual Standard and Standard Plans

All items require HOA Mutual Consent for manor alterations; city permit required as shown.

All Construction, with a value of \$500 or greater, is subject to refundable \$250 conformance deposit.

Unauthorized Alteration Fee	\$300
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Variance Processing Fee	\$150
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\$50 alteration processing fee	
Alteration Type	City Permit Required
Acoustic ceiling removal	Yes
Awnings (standard, less than 54")	No
Awnings (powered)	Yes
Air conditioner, central (replacement)	Yes
Bath tub replacement	Yes
Block walls (less than 4 feet high)	No
Block walls (more than 4 feet high)	Yes
Planter wall	No
Dishwasher	Yes
Doors revisions (exterior)	Yes
Electrical	Yes
Exhaust fan	Yes
Fences and gates	No
Floor coverings (exterior)	No
Flooring (vinyl)	Yes
Gutters and downspouts	Yes
Metal drop shades	No
Modesty panels (balcony)	No
Patio slab revision	No
Patio wall revision	No
Plumbing (Minor)	No
Soft water system	Yes
Soft water system (connected to water heater)	Yes
Storage cabinets (carport)	No
Shades (roll-up)	No

Inspection fees based on value	
Alteration Type	City Permit Required
Air conditioner (through the wall)	Yes
Bathroom addition (split)	Yes
Central heating & air (new)	Yes
Covers (atrium, balcony, patio) Replace or New	Yes
Doors (new)	Yes
Enclosures atrium/balcony/patio	Yes
French doors (new)	Yes
Garden room/solarium	Yes
Heat pumps (through the wall)	Yes
Man doors (new)	Yes
Plumbing (new or relocation)	Yes
Room addition	Yes
Shower to shower	Yes
Skylights	Yes
Sliding glass doors (new)	Yes
Sliding glass door (retrofit)	Yes
Solatubes	Yes
Solar panels	Yes
Tub to shower	Yes
Wall revisions	Yes
Washer and dryer	Yes
Water heater (relocation)	Yes
Windows (new construction)	Yes
Windows (retrofit)	Yes

Inspection fee schedule	
Valuation	Fee
Less than \$750	\$50
\$750 to \$2,000	\$77
\$2,001 to \$4,000	\$168
\$4,001 to \$6,000	\$280
\$6,001 to \$8,000	\$392
\$8,001 to \$10,000	\$504
Above \$10,000	\$700