



**SPECIAL MEETING OF THE MAINTENANCE AND CONSTRUCTION COMMITTEE
2020 BUSINESS PLAN**

**Wednesday, May 29, 2019 – 9:30 A.M.
Laguna Woods Village Community Center, Board Room
24351 El Toro Road**

NOTICE and AGENDA

This Meeting May be Recorded

1. Call to Order
2. Acknowledgement of Media
3. Approval of Agenda
4. Chair's Comments
5. Member Comments - (*Items Not on the Agenda*)
6. Department Head Update

Items for Discussion and Consideration

7. Review Maintenance Service Levels
2020 Proposed Business Plan, *Version B*
8. Review Reserve Expenditures Plan
2020 Proposed Business Plan, *Version B*

Concluding Business

9. Committee Member Comments
10. Date of Next Meeting – July 1, 2019
11. Adjournment

Cush Bhada, Chair
Ernesto Munoz, Staff Officer
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STAFF REPORT

DATE: May 29, 2019
FOR: Maintenance and Construction Committee
SUBJECT: Proposed 2020 Business Plan – Version B

RECOMMENDATION

Staff recommends that committee members review the proposed 2020 service levels and provide direction for change or revision.

DISCUSSION

On May 29, 2019 the Maintenance and Construction Committee will meet to review all components of the proposed operating and reserve expenditure budgets. A brief narrative for each of the budgetary line items is listed in order of appearance and changes resulting from the meeting will be incorporated into future versions of the 2020 business plan. Managers responsible for the programs will be in attendance and available to answer questions at the meeting.

FINANCIAL ANALYSIS

In this version of the 2020 Business Plan, the operating portion of the M&C budget totals \$3,566,738 for general maintenance services such as janitorial, plumbing and carpentry (Attachment 1). This proposal reflects an increase of \$131,584 or 4% when compared to the current year budget. These programs are funded from the Operating Fund and will require an increase in the assessment of \$1.80 per manor per month as presented.

The planned reserve expenditures total \$13,412,422, an increase of \$697,262 or 6% (Attachment 2). A total of 25 reserve components cover large repair, remediation, or replacement programs such as painting, dry rot, and paving. An increase in planned reserve expenditures may impact the assessment. All reserve components will be evaluated within a 30-year reserves plan and presented for Board consideration at the July 12, 2019 business planning meeting.

An additional line item is included for Garden Villa Rec Rooms, proposed with a budget of \$71,131 for 2020, a decrease of \$26,449 when compared to current year budget. This item is a surcharge to those units that are located within a Garden Villa style building.

Prepared By: Ernesto Munoz, Maintenance & Construction Director

Reviewed By: Betty Parker, Chief Financial Officer

Attachments

ATT1 – Maintenance Expenditures by Program with Narratives
ATT2 – Reserve Expenditures by Program with Narratives

**THIRD LAGUNA HILLS MUTUAL
2020 BUSINESS PLAN
Maintenance Expenditures by Program**

DESCRIPTION	2016	2017	2018	2019	2020	Increase/(Decrease)	
	ACTUALS	ACTUALS	ACTUAL	BUDGET	BUDGET	\$	%
OPERATING FUND							
1 JANITORIAL SERVICE	\$653,906	\$701,593	\$874,334	\$947,862	\$936,264	(\$11,598)	(1%)
2 PLUMBING SERVICE	676,691	776,888	740,507	674,483	681,950	7,468	1%
3 CARPENTRY SERVICE	418,726	469,859	427,819	385,731	420,529	34,799	9%
4 CONCRETE REPAIR/REPLACEMENT	272,459	344,015	376,281	423,853	337,189	(86,665)	(20%)
5 PEST CONTROL	240,244	279,081	281,908	260,405	339,272	78,867	30%
6 FIRE PROTECTION	71,824	72,010	87,961	175,556	215,252	39,696	23%
7 GUTTER CLEANING	206,502	144,723	142,649	151,554	178,634	27,080	18%
8 ELECTRICAL SERVICE	122,876	115,399	93,736	121,615	134,550	12,935	11%
9 APPLIANCE REPAIRS	113,354	129,690	106,484	85,379	109,874	24,495	29%
10 WELDING	41,294	97,283	71,402	85,307	110,285	24,978	29%
11 MISCELLANEOUS REPAIRS BY OUTSIDE SERVICES	71,831	41,725	34,075	58,050	58,664	614	1%
12 TRAFFIC CONTROL	14,495	15,717	28,168	30,359	19,275	(11,085)	(37%)
13 SOLAR MAINTENANCE	0	0	15,911	25,000	25,000	0	0%
14 CURB CUTS	0	0	0	10,000	0	(10,000)	(100%)
15 PAINT PROGRAM	4,005	0	0	0	0	0	0%
16 REPAIRS PRIOR-TO-PAINT	6,138	0	0	0	0	0	0%
17 GV MAILROOM RENOVATIONS	8,504	53,786	0	0	0	0	0%
18 BALCONY/BREEZEWAY RESURFACING	373,619	291,946	478,073	0	0	0	0%
19 BUILDING REHAB/DRY ROT	116,009	154,877	198,433	0	0	0	0%
20 ROOF REPAIRS	245,943	349,416	274,541	0	0	0	0%
21 PAINT- TOUCHUP	128,039	165,742	244,896	0	0	0	0%
22 PAVING MAINTENANCE & REPAIRS	129,474	84,634	48,602	0	0	0	0%
23 STAIR TREAD REPLACEMENTS	0	0	0	0	0	0	0%
TOTAL MAINTENANCE	\$3,915,932	\$4,288,384	\$4,525,781	\$3,435,153	\$3,566,738	\$131,584	4%

Lines 18-23 moved to reserves in 2019.

Line 17 moved to reserves in 2018.

Lines 15 and 16 moved to the reserves in 2016.

Maintenance Expenditures by Program Operating Fund

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

1) Janitorial Services (General Services, WC 935) \$ 936,264

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

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

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

2) Plumbing Service \$ 681,950

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

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

3) Carpentry Service \$ 420,529

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

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

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

The slight increase to the proposed 2020 budget in this expenditure item is due to the required repairs found during the three-story building inspections, which are conducted three times a year.

4) Concrete Repair & Replacement (General Services, WC936) \$ 337,189

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

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

5) Pest Control \$ 339,272

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

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

on the number of manors contained in each of the buildings to be fumigated and a contract in place with a local hotel. The current contract is with the Ayres Hotel.

Projected funding for 2020 includes fumigation of buildings that may be identified during inspections performed in 2019. The budget for fumigation (tenting) is based on a weighted average of each building type with costs applied to those buildings based on a pre-determined contract value per building type. This approach is used to determine budgetary estimates for the Business Plan, as the full list of actual buildings that will require treatment are often not known until after the preparation of a given year's Business Plan. The 2020 budget also includes funding for an additional 26 buildings that were not fumigated in 2019 due to budget constraints.

The budget for local treatments has increased due to the escalation of necessary bee and wasp removal services which were transferred from General Services to the Maintenance and Construction Department in 2019.

The budget for tenting has increased due to the plant removal services which will be transferred from General Services Landscaping to the Maintenance and Construction Department in 2020.

6) Fire Protection \$ 215,252

(A) Fire Alarm System Inspections for All Multi-story Buildings (Security, WC 400):

This item addresses bi-annual fire alarm system inspections of 81 multi-story buildings in 2019.

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

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

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

This item is used to address the inspection and servicing of the fire suppression sprinkler systems in the trash chutes of three-story buildings. Sprinkler system service includes certified contractor quarterly inspection of all components of the system and implementation of identified repairs. All work is per NFPA 14 and California Title 19 fire regulations. Staff included funding based on contract pricing for quarterly inspections and provisions for repairs in the Sprinkler System Service category for this item in 2020.

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

This item is used to address the inspection and repair of the Fire Standpipe Systems (Class I or II standpipe systems) in each of the 53 Garden Villa style buildings. NFPA requires semi-annual inspection of these systems. Additionally, NFPA requires flow testing/certification and

fire hose pressure testing/certification by a qualified contractor on a five-year schedule or when repairs or use of the system results in the need for certification. The required five-year testing was last completed in 2019; therefore it is not required again until 2024.

For the 2020 Business Plan, staff included funding for the required semi-annual inspections and a contingency for as needed system repairs determined to be necessary during the inspection processes.

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

This item provides for as needed inspection and cleaning of original installation chimneys. Staff included funding for 15 as-needed chimney inspection/cleanings for 2020. Per Board direction, staff included funding for replacement of missing spark arrestors on original chimneys.

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

This item is used to address the cleaning of original dryer vent ducts in both laundry facilities and manors with original washer/dryer hookups throughout Third Laguna Hills Mutual. The dryer vents in the GV & LH-21 buildings are cleaned every 2 years. The next cleaning is due in 2020.

The overall increase is due to the scheduled dryer vent cleaning of the 3-story buildings, standpipe repairs and fire alarm inspections.

7) Gutter Cleaning (General Services, WC936) \$ 178,634

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

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

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

8) Electrical Service \$ 134,550

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

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

9) Appliance Repairs**\$ 109,874**

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

The Mutual maintains 455 high-efficiency laundry room washing machines. The newer model washing machines have plastic tubs, as well as upgraded components, thus reducing repair costs. In 2019, laundry pedestals were also added to the newer model washing machines in 3-story buildings. Budgeting for this item is based on inventory changes for Maytag washing machines and historical trends.

In 2012, the Board extended the reserve life for washing machines to 15 years, thereby leaving a number of 12 year or older old machines in place that will require an increase in repairs based on their age.

10) Welding (General Services, WC936)**\$ 110,285**

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

11) Miscellaneous Repairs by Outside Service**\$ 58,664**

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

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

(A) Broken Windows

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

(B) Sliding Glass Door Track

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

(C) Phone Line Repairs

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

(D) Lead Paint Testing

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

(E) Miscellaneous

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

12) Traffic Control (General Services, WC936) \$ 19,275

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

13) Solar Maintenance \$ 25,000

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

Daily:

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

Annually:

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

**THIRD LAGUNA HILLS MUTUAL
2020 RESERVES PLAN
Reserve Expenditures by Program**

DESCRIPTION	2016 ACTUALS	2017 ACTUALS	2018 ACTUAL	2019 BUDGET	2020 BUDGET	Increase/(Decrease)	
						\$	%
RESERVE FUNDS							
1 ALARM SYSTEMS	\$9,790	\$0	\$0	\$0	\$0	\$0	0%
2 BUILDING NUMBERS	2,391	4,196	32,797	33,970	33,970	0	0%
3 BUILDING STRUCTURES	1,448,293	1,588,675	2,084,453	2,732,992	2,784,826	51,834	2%
4 ELECTRICAL SYSTEMS	14,868	5,322	50,907	58,610	64,495	5,885	10%
5 ENERGY PROJECTS	40,000	5,157	7,997	50,000	50,000	0	0%
6 EXTERIOR LIGHTING	0	112,857	302,074	800,000	75,000	(775,000)	(97%)
7 FENCING	35,618	107,210	21,576	136,817	54,451	(82,365)	(60%)
8 GARDEN VILLA LOBBY	42,485	36,751	114,664	119,560	125,538	5,978	5%
9 GARDEN VILLA MAILROOM	0	0	54,023	70,173	33,800	(39,123)	(56%)
10 GARDEN VILLA RECESSED AREAS	0	36,350	71,111	250,440	274,400	23,960	10%
11 GARDEN VILLA REC ROOM HEAT PUMP/WATER HEATER	941	6,313	15,546	19,505	9,640	(9,865)	(51%)
12 GUTTERS	66,379	272,815	136,466	37,000	98,044	61,044	165%
13 LANDSCAPE MODERNIZATION	0	0	49,813	1,099,890	1,008,862	(91,028)	(8%)
14 MAILBOXES	2,454	12,988	6,701	36,483	26,493	(9,990)	(27%)
15 PAINT PROGRAM	1,347,231	1,703,787	1,482,768	2,008,631	2,056,607	47,976	2%
16 PRIOR TO PAINT	830,582	640,460	1,540,043	1,277,033	1,474,633	197,599	15%
17 PAVING/CONCRETE	273,304	296,129	518,479	844,499	882,358	37,858	4%
18 ROOFS	1,644,110	1,210,590	1,576,174	1,311,937	1,415,904	103,967	8%
19 TREE MAINTENANCE	88,966	738,686	828,245	213,630	852,726	639,096	299%
20 EXTERIOR WALLS	0	15,375	50,000	200,000	214,147	14,147	7%
21 WASTE LINE REMEDIATION	292,004	750,800	723,670	750,000	750,000	0	0%
22 WATER LINES - COPPER PIPE REMEDIATION	119,843	109,199	104,547	200,000	500,000	300,000	150%
23 ELEVATORS	306,727	306,380	309,899	346,698	505,432	158,734	46%
24 LAUNDRY COUNTERTOP/FLOOR REPLACEMENT	16,619	32,872	50,380	54,697	66,109	11,412	21%
25 LAUNDRY APPLIANCES REPLACEMENTS	32,890	17,075	46,293	9,844	54,987	45,143	459%
TOTAL REPLACEMENT FUNDS	\$6,615,496	\$8,009,987	\$10,178,627	\$12,662,410	\$13,412,422	\$697,262	6%
Lines 3, 15, 16, 17 and 18 include major repairs moved from operations in 2019. Line 9 was moved from operations to reserves in 2018.							
GARDEN VILLA RECREATION ROOMS	\$65,036	\$114,123	\$63,429	\$97,580	\$71,131	(\$26,449)	(27%)
TOTAL GARDEN VILLA RECREATION ROOM FUND	\$65,036	\$114,123	\$63,429	\$97,580	\$71,131	(\$26,449)	(27%)

Reserve Expenditures by Program Reserves Fund

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

1) Alarm Systems \$ 0

The fire alarms, as required by the building code are operational and vary in age, but most appear to be as originally constructed in each of the 81 buildings. This reserve program was created to replace the existing alarm systems for 81 buildings.

Staff proposes to obtain proposals to modernize the system in 2021. Fire Alarm systems are maintained consistently and are in working order. All expenditures relating to the maintenance of fire alarm systems are located within the annual operating budget. Therefore no funding has been allocated for 2020.

2) Building Numbers \$ 33,970

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

In 2018, the Third Board directed staff to concentrate on installing cul-de-sac signs prior to the building address signs. The cul-de-sac signs are scheduled to be completed in 2020, at which time the building address sign installation program will resume.

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

3) Building Structures \$ 2,784,826

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

Building Structures Replacements - This reserve component is designed to address building structures that are exhibiting deterioration and will be utilized on a contingency basis. It is

assumed that full replacement of this component would never be required. The unit cost is a contingency estimate for a typical building structure repair.

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

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

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

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

As part of the 2020 building structure repairs, staff will proactively assess buildings for drainage deficiencies that could lead to building settlement, and will implement the necessary modifications

The increase in the proposed 2020 budget for this line item is due in part to the transfer of the removal of the existing vinyl flooring, asbestos abatement, clearance testing and the application of epoxy coating in the Garden Villa Recreation Rooms from the Garden Villa Recreation Room Budget. Staff plans to replace four Garden Villa Recreation Room Kitchen and Restroom Floors in 2020.

In addition, there are 25 Garden Villas on the 2020 paint program that will be inspected for dry rot and will be repaired with this budget item.

4) Electrical Systems \$ 64,495

Electrical Systems – Panel Replacements

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

It has been determined by staff that the grounding of the Garden Villa electric panels are not up to code and should be improved for safety reasons. Staff completed grounding improvements to 20 of the GV buildings in 2018. The 2019 budget included funding for 23 GV buildings. The remaining 10 buildings will be completed in 2020.

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

Third Mutual is responsible for providing a heat source in the bedroom and living/dining room areas of its manors. At the time of original construction, the provided heat source was in-

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

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

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

5) Energy Projects \$ 50,000

Energy Projects: This component was added at the direction of the Third Board during the 2016 Reserve Budget meeting. Per the Board's request at the 07/22/2017 Business Planning Meeting, the board instructed staff to add \$50,000 to be used on a contingency basis for various energy projects.

This budget item will fund the services of an energy consultant to advance energy improvements in the Mutual and to execute energy projects on an as-needed basis.

6) Exterior Lighting \$ 75,000

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

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

7) Fencing \$ 54,451

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

The full fence replacement project has been put on hold and staff is waiting for Board direction. Carpentry staff currently makes necessary repairs as needed.

Planned maintenance expenditures are based on the historical replacement quantities, anticipated useful life, and current estimated cost of materials and labor plus inflation. The proposed 2020 budget is based on anticipated repairs and current requests.

8) Garden Villa Lobby	\$ 125,538
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This reserve component addresses the renovation of the lobby areas of the Mutual's Garden Villa-style buildings, which is performed on a program basis. The lobbies ceiling, walls, and floor covering are inspected annually and those with the poorest condition, receive the highest priority for renovation. Member requests for lobby improvements are considered during the evaluation process each year. The Lobby renovation program consists of asbestos testing, abatement of the existing acoustic ceiling, removal of the wallpaper including the adhesive, clearance testing, new ceiling texture, wall repair and texture, paint, installation of new baseboards and carpet replacement.

In June of 2017, staff was given direction to renovate 10 lobbies yearly, beginning in 2018

The 2020 budget includes funding for the renovation of 10 Garden Villa lobbies.

9) Garden Villa Mail Rooms	\$ 33,800
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This reserve component addresses the renovation of mailrooms in the Mutual's Garden Villa style buildings. The scope of work includes:

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

The decrease in the 2020 budget is due to there only being 4 Garden Villa Mail Room renovations left to complete

10) Garden Villa Recessed Areas	\$ 274,400
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GV Breezeway Recessed Area - Lightweight Concrete: At the May 1, 2017 M&C meeting, the committee came to a consensus with alternatives for replacement of the Garden Villa recessed area carpets with light weight concrete, matching the existing walkway concrete finish surface with a different color. This alternative entails increasing the size of the walkway (correspondingly decreasing the size of the recessed area) by pouring concrete from the edge of the walkway over the entire recessed area. At locations where stucco and carpet meet, the weep screed on the adjacent walls will need to be raised before installing concrete. Additionally, the deck drains may require relocations to keep them out of the path of travel.

GV Recessed Area Carpet: This reserve component addresses the green outdoor carpet replacement of the recessed areas of the Mutual's Garden Villa style buildings, which is performed on a program basis. The scope of work includes water testing, removal of the indoor/outdoor carpet in recessed areas, crack repairs to the concrete slab, application of waterproofing sealant (where applicable), application of waterproof barrier and liner at planter boxes (where applicable), and installation of new carpet. Funding in this reserve item provides for the replacement of the synthetic recessed area carpets at 10 Garden Villa style buildings, which is performed on a program basis. The 2019 program was underfunded and only 6 buildings are currently scheduled for replacement.

11) Garden Villa Rec Room - Heat Pumps & Water Heaters	\$ 9,640
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Water Heaters: There are 53 Garden Villa Recreation Room water heaters in the Mutual. Replacement of the water heaters is implemented proactively at the end of their 10-year serviceable life. Nine water heaters are due for replacement in 2020.

Heat Pumps: Replacement of the heat pumps is based on an annual inspection with consideration to the unit's expected lifecycle, maintenance and repair history, age and its overall condition, or upon failure. The 2020 budget provides for three heat pumps to be replaced.

12) Gutters – Repair, Replacement & New Installations \$ 98,044

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

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

Gutter Replacement: This reserve item is designed to address the replacement of failing, original rain gutters, and downspout systems on all of the Mutual's buildings. The 2020 budget allows for gutter replacement on up to 17 buildings.

New Gutter Installation: Starting in 2020, \$50,000 has been added to the budget for new gutter installations in order to address drainage issues and to prevent foundation erosion.

13) Landscape Modernization \$ 1,008,862

Landscape renovation programs are designed to address specific areas of concern as determined by each mutual and funded through the Replacement/Reserve Funds. Each program requires varying levels of time and materials, depending upon the site(s) and project(s) selected to be completed each year.

For 2020, the Third Landscape Committee recommended \$250,000 for Landscape Modification on slopes, \$250,000 for Slope Maintenance, \$180,000 for Landscape Fire Risk, \$100,000 for Turf Renovation, and \$200,000 for Landscape Modernization.

14) Mailboxes \$ 26,493

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

The current mailbox clusters are deteriorating and are no longer compliant to USPS standards. The 2020 budget allows for the replacement of 17 cluster mailboxes. The decrease is due to not needing new concrete pads for the upcoming installations.

15) Paint Program \$ 2,056,607

The Mutual has a 10 year full cycle exterior paint program. The 2020 Program includes 1,618,042 square feet of buildings. The building components to be painted include the body, (stucco and/or siding) and the trim (fascia boards, beams, overhangs, doors, closed soffits, ornamental metal and structural surfaces). Non-wood alternatives are used where possible. Deck waterproofing (topcoat), sign replacement for carport & laundry room numbers, and lead abatement activities are also performed during the Exterior Paint Program. Funding also includes interior and exterior touch-up painting which was moved from Operating to Reserves in 2019.

The slight increase is due to the cost of the large building address signs that will replace the small Lexan football shaped signs.

16) Prior to Paint \$ 1,474,633

The Mutual has a 10 year full cycle prior to paint (PTP) program. PTP work performed by outside contractors and in-house staff includes repairs for structural and non-structural dry rot, decking, and welding every 10 years to prepare building surfaces for painting. Prep work includes environmental testing and abatement as needed. Funding also includes the mid-cycle top coat program which had no buildings scheduled on the 2019 program.

The 2020 budget increase for this program is due to the mid-cycle top coat waterproofing program and the square footage of buildings scheduled for a full cycle exterior paint, including the costs related to asbestos and lead testing with abatement of dry rotted components.

17) Paving/Concrete \$ 882,358

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

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

Seal Coat: The application of a seal coat over asphalt is necessary to extend the useful life of pavement. Asphalt receives a seal coat 5 years after paving and also on a continuous 5-year cycle thereafter. This type of preventive maintenance is considered the most efficient and cost-effective method of extending the serviceable life of asphalt paving. In addition, curb cuts were removed from the operating budget and added to the concrete repairs budget in the amount of \$10,000 per year.

Golf Cart Parking & Striping: Staff was directed to consider additional opportunities to create golf cart parking in areas where landscaping has declined or is absent. The proposed budget for 2020 will be decreased by \$25,000, and will provide for an additional 10 golf cart parking spaces. The amount shown on the expenditure report will be reduced in the next budget adjustment made by Finance.

The 2020 budget allows for concrete replacement for areas including two cul-de-sacs and two streets to be paved per the program, and 199,016 square feet of asphalt and 430,427 square feet to be seal coated.

General Maintenance & Street Repairs; Asphalt Repairs, Main Line Repair, Crack Filling:

Funding for asphalt and concrete in General Services addresses the reactive component of roadway and sidewalk repairs. Areas are addressed throughout the year as they are identified to eliminate the liability associated with the long waiting required with the annual proactive program. All street asphalt is also inspected and minor repairs and crack filling work is performed when needed to keep the roadways safe.

Sweeping/Scrubbing Garages: Twice a year 51 Garden Villa underground garages are cleaned and scrubbed to help keep these areas well maintained which helps extend the life of the parking surface areas.

The increase in the 2020 budget is due to the transfer of funding for sweeping and scrubbing garages from Operating to Reserves in 2019 and the need for additional parkway concrete replacement.

18) Roofs \$ 1,415,904

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

The current roofing contract provides for the 5-year preventive maintenance of each roof system at no cost to the Mutual. In 2020, 76,614 square feet will be addressed by the roofing contractor on roofing replacements completed in 2015.

The 10-year preventive maintenance program for 2020 includes those built-up roofs that were replaced in 2010. The scope includes 341,842 square feet.

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

The roofs are ranked and those with the worst overall performance are slated for replacement. Therefore, not all BUR roofs are replaced upon expiration of their anticipated 16-year serviceable life. The increase in the proposed budget for 2020 is due to the square footage of BUR roofs to be replaced.

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

Staff proposes to lower the reserve costs required to maintain the built up roofs by \$100,000 per year. This will offset the funding needed to replace the lightweight tile roofs which are failing prior to their expected useful life.

Roofs – Lightweight Tile: In 1990, staff was directed to replace 377 wood shake roofs with lightweight tile roof systems due to the potential fire risks associated with wood shake roofing. Although the lightweight tile roof products were projected to have a 40 year serviceable life, they have required a high rate of leak repairs. Buildings with the lightweight roof tile systems have incurred an average roofing repair cost of \$3,766 per building. The total cost of repairs on the 377 lightweight tile roofs from 2006 through 2018 was \$1,419,761. In 2018, the cost of repairs and moisture intrusion restoration, resulting from these roof failures, was approximately \$180,000.

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

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

19) Tree Maintenance \$ 852,726

In 2019, the Landscape Committee approved a five-year tree trimming schedule based upon species. Tree Maintenance crews, supplemented by contractors, will trim trees based upon the trimming needs of each species. All trees will be trimmed within five years, some as often as every two, with their canopies being reduced by 25 percent.

For 2020, the Third Landscape Committee recommended \$824,142 for Tree Trimming.

20) Exterior Walls \$ 214,147

Walls – Common Area: This budget line item has been transferred to the Paving Division of the General Services Department and provides contingency funding for improvements to the common interior walls in the Mutual. This program addresses the need to provide common wall repair or replacement throughout the community.

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

Shepherd's Crook: Barbed wire is no longer a city-approved material for wall security. In 2017, the City of Laguna Woods passed a resolution to include Shepherd's Crook as an acceptable replacement to the existing barbed wire. A 21-year plan has been proposed to replace the barbed wire with Shepherds Crook at approximately 1,437 lineal feet per year.

For the 2020 budget, total cost is projected to be \$165K for fencing while the remaining \$50K of the annual budget is for contingency replacements and repairs of perimeter and common block walls.

The increase in the 2020 budget is due to the cost of clearing and grubbing which was not included in prior years.

21) Waste Line Remediation \$ 750,000

Waste Lines: In 2006, the Board established a reserve line item for Waste Lines. The program provides for the evaluation of waste lines and the establishment and implementation of a strategy for replacement. This plan includes the assumption that all of the buildings/manors would be replaced by 2028. Lining the underground and under slab pipe is possible with a liner and epoxy resin product, and was expanded to include interior pipes in 2017.

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

Funding is predicated for project completion by the year 2028.

The Board has expressed a desire to accelerate this program. Staff provided qualitative information and a recommendation to increase funding by \$750,000 for a total allocation of \$1.5 million starting in 2020. However, additional funding has not been added to this version of the budget subject to further direction by the Board.

22) Water Lines – Copper Pipe Remediation \$ 500,000

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

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

The increased budget for 2020 is due to a spike in the number of buildings that have qualified for epoxy lining based on the approved leak rate ratio of two leaks in a three year period or manors with one leak equating to 1/3 of the total number of manors in a building.

The 2020 program includes funding for the lining of approximately 85 manors.

The Board expressed interest in accelerating this program. Staff does not recommend increasing the budget to accelerate the program since failure of these lines is not prevalent throughout the Community and the typical life expectancy of copper lines is 75 to 100 years.

23) Elevators	\$ 505,432
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The Elevator Replacement Fund provides funding for component replacement and upgrades to the 82 passenger elevators in the Mutual.

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

Staff is proposing 10 elevators for the 2020 fiscal year, which accounts for the increase.

24) Laundry Countertop/Floor Replacement	\$ 66,109
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Countertops: The laundry facilities in Third Mutual are comprised of 81 three-story buildings with three laundry rooms each and 44 free standing laundry rooms. The three-story building laundry rooms have one folding table that will be replaced with a wall mounted countertop. The free standing laundry rooms have four wall mounted countertops and are treated as one component for reserve purposes. The current replacement policy is reactive and countertops are replaced upon failure or non-reparability.

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

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

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

Once the existing vinyl flooring is professionally removed by an abatement contractor, staff then applies an epoxy floor coating.

The 2020 program will replace the flooring in six buildings or 18 laundry room floors. The budget increase is due to flooring abatement costs and more countertops requiring replacement.

25) Laundry Appliances - Replacements	\$ 54,987
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Water Heaters: There are 125 laundry water heaters in the Mutual. The Mutual's policy is to replace all water heaters in their 10th year of life. Planned expenditures are based on the anticipated useful life and current estimated cost of materials and labor plus inflation.

Dryers: The Board approved the replacement of all existing residential dryers with commercial, coin operated machines. The level of the machines was raised by placing them

on pedestals for easier use. Per Board directive, the number of dryers in stand-alone laundry facilities was reduced to 2 units. This was achieved when all dryers were replaced in 2019.

Washers: There are 455 washers in the Mutual's laundry facilities. The current replacement policy is reactive and washers are currently replaced upon failure or non-reparability. Some washers are now requiring replacement and the budget has been increased to account for 13 replacements in 2020.

Per Board directive, the number of washers in the laundry facilities was to be reduced. This is to be achieved over time by removing faulty washers and not replacing them in low utilization locations.

The budget increase accounts for the replacement 25 water heaters in the 3-story buildings and the replacement 13 washers.