



REGULAR MEETING OF THE FINANCE COMMITTEE

**Tuesday, August 4, 2020 – 1:30 p.m.
Laguna Woods Village Virtual Meeting
24351 El Toro Road
Laguna Woods, CA 92637**

AGENDA

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for June 2, 2020
5. Member Comments (Items Not on the Agenda)
Laguna Woods Village owners/residents are welcome to participate in all open committee meetings and submit comments or questions regarding virtual meetings using one of two options:

1. Via email to meeting@vmsinc.org any time before the meeting is scheduled to begin or during the meeting. Please use the name Third Finance Committee in the subject line of the email. Name and unit number must be included.

2. By calling (949) 268-2020 beginning one half hour before the meeting begins and throughout the remainder of the meeting. You must provide your name and unit number.

6. Chair Remarks
7. Department Head Update

Reports

8. Preliminary Financial Statements dated June 30, 2020

Items for Discussion and Consideration

9. Insurance Program Update
10. Investment Update
11. 2021 Reserve Study Update
12. Other Endorsements from Standing Committees
 - a. Compliance: Annual Income Requirements for Guarantors

Future Agenda Items

Disaster Fund Expenditures
NOL Status
Solar System Update – (Late 2020)
Chargeable Services Analysis (semi-annual)

Concluding Business:

13. Committee Member Comments

14. Date of Next Meeting – Tuesday, September 1, 2020 at 1:30 p.m.

15. Recess to Closed Session

Robert Mutchnick, Chair
Betty Parker, Staff Officer
Telephone: 949-597-4201



FINANCE COMMITTEE MEETING REPORT OF THE REGULAR OPEN SESSION

Tuesday, June 2, 2020 – 1:30 p.m.
Virtual Meeting

MEMBERS PRESENT: Jon Pearlstone – Chair, Steve Parsons, Annie McCary, Cush Bhada, Lynn Jarrett, John Frankel, Robert Mutchnick, Ralph Engdahl, Doug Gibson, Reza Karimi
Advisors: Wei-Ming Tao, John Hess

MEMBERS ABSENT: Craig Wayne

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 May 5, 2020

Director Pearlstone commented on the May 5, 2020 committee report and the status of the requested items from the prior meeting. A motion was made and carried unanimously to approve the committee report as presented.

Member Comments

None.

Chair Remarks

Director Pearlstone mentioned that he received comments from members of the community at the GRF Board meeting, praising Third for its efforts for fiscal responsibility.

Department Head Update

Betty Parker, Chief Financial Officer, provided updates on 2020 budget carryovers, Civil Code 5500 reporting, insurance and investments. A meeting will be scheduled for the review the 2019 Audit adjusting entries with Directors Pearlstone, Parsons and both committee advisors.

Preliminary Financial Statements dated April 30, 2020

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

- Sageview Presentation – Follow up on Gains/Losses on Sales of Investments and basis of reallocation of investment portfolio.

- Provide a variance explanation on YTD variance in Appliances division.
- Present recommendations to transfer funds into the discretionary investment account.
- Disaster Fund analysis for 2020 expenditures and projections

Insurance Program Update

Director Pearlstone requested a professional actuarial analysis to recommend the level of property insurance coverage if revisions to the CC&Rs are made. Staff will coordinate and provide the committee information on insurance industry standards and options for analytical analysis to help bring recommendations to the board.

2021 Reserve Study Update

The 2021 reserve study is underway and will be available for the first round of budget meetings next month.

Solar Analysis Update – Q1 (June, 2020)

Director Pearlstone commented on the need for reports to be included into agenda packets prior to the meeting.

The committee reviewed the 2020 Q1 Solar Analysis. Director Mutchnick requested a copy be sent to him via email. The committee requested that the 2020 Q2 Solar Analysis be distributed to the Finance Committee as soon as it was able via email.

Future Agenda Items

Solar System Update – Q2 (July)

Chargeable Services Analysis (Semi-Annual)

Committee Member Comments

None.

Date of Next Meeting

Tuesday, July 7, 2020 at 1:30 p.m.

Recess to Closed Session

The meeting recessed at 2:50 p.m.

Jon Pearlstone, Chair



MEMORANDUM

To: Third Finance Committee
 From: Betty Parker, CFO
 Date: August 4, 2020
 Re: Department Head Update

Financial Highlights

- SUMMARY:** For the year-to-date period ending June 30, 2020, Third Mutual was better than budget by \$5,169K primarily due to various programs being put on hold in Mid-March due to the COVID-19 pandemic. Outside services \$3,131K, and materials \$446K, were greatly impacted. Compensation was also favorable by \$1,217K due to furloughs. In addition, \$652K of unrealized gains was recorded to reflect investment market conditions.

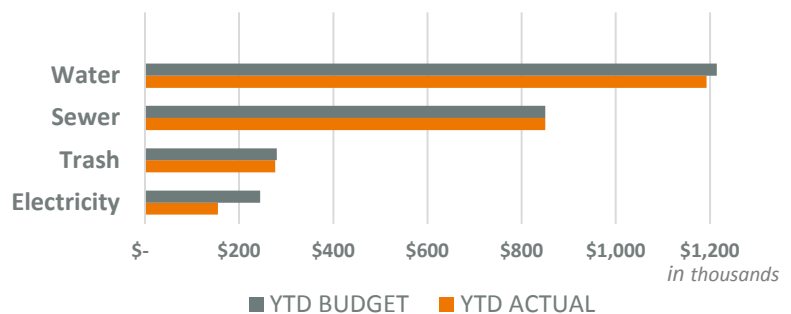
INCOME STATEMENT (in Thousands)			
	Actual	Budget	Variance
Assessment Revenues	\$16,582	\$16,581	\$1
Other Revenues	1,421	994	427
Expenses	14,275	19,016	4,741
Revenue / (Expense)	\$3,728	(\$1,441)	\$5,169

- COMPENSATION:**

Actual compensation and related costs came in at \$5.8 million, with \$4.6 million in operations and \$1.2 million in reserves. Combined, this category is 17.4% favorable to budget due to open positions and various staff members being furloughed during COVID-19 closures. The most significant impacts were in Maintenance and Landscape.

	Budget (in Thousands)			Variance (in Thousands)	
	Comp.	Related	Total	Total \$	Total %
All Units					
Operating	\$3,530	\$1,507	\$5,037	\$419	8.3%
Reserves	1,359	598	1,957	798	40.8%
TOTAL	\$4,889	\$2,105	\$6,994	\$1,217	17.4%

- UTILITIES:** In total, this category was favorable to budget by \$116K. On average water consumption was slightly lower than budget due to heavier rainfall in March and April compared to prior years. Sewer is a fixed residential charge and was on budget, trash was slightly lower than budget, and electricity was favorable due to energy consumption offset by solar credits.



Discussions

Section 5500 Update: Due to Covid-19 orders, information required for Board review of monthly financials is being provided to all board members via email. Further, a programming change was made to AX in May segregating A/P and Cash reserve fund transactions and balances from operating funds on the balance sheet. Beginning in June, the change has allowed Board members to approve weekly reserve expenditures, prior to payment.

Insurance Update: Property valuation for the community was completed by Duff & Phelps. Farmers has declined to make a proposal on the Laguna Woods Village insurance program due to market conditions and will re-visit the option of working with our broker in the future. Beecher Carlson reached out to incumbents and early indicators suggest property insurance premiums will increase significantly at renewal due to tightening of reinsurance markets.

Investment Update: Based on current market conditions, the portfolio target allocations were adjusted modestly by SageView in early April to shift from corporate bonds to intermediary Treasury bonds. Third portfolio balance has grown from \$16,711,420 on 12/31/19 to \$25,462,546 as of June 30, 2020 (inclusive of an \$8MM transfer from operating account), representing a market valuation gain of \$751,126 or 4.5%.

2021 Budget: On July 27, 2020, Third Board reviewed Version 1 of the proposed 2021 Business Plan. Changes and directives will be included in the next version of the budget, which will be televised at a special board meeting on August 20, 2020.

Calendar

The following scheduled meetings will be held remotely during COVID-19 stay home orders:

- August 4, 2020 @ 1:30 p.m. Third Finance Committee Meeting (June financials)
- August 7, 2020 @ 9:30 a.m. Third Board Agenda Prep
- August 18, 2020 @ 9:30 a.m. Third Board Meeting
- August 20, 2020 @ 10:00 a.m. Third Special Board – 2021 Budget Meeting (Televised)
- September 1, 2020 @ 1:30 a.m. Third Finance Committee Meeting (July financials)

July 2020							August 2020							September 2020						
Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa
			1	2	3	4							1			1	2	3	4	5
5	6	7	8	9	10	11	2	3	4	5	6	7	8	6	7	8	9	10	11	12
12	13	14	15	16	17	18	9	10	11	12	13	14	15	13	14	15	16	17	18	19
19	20	21	22	23	24	25	16	17	18	19	20	21	22	20	21	22	23	24	25	26
26	27	28	29	30	31		23	24	25	26	27	28	29	27	28	29	30			
							30	31												

Third Laguna Hills Mutual
Statement of Revenues & Expenses - Preliminary
6/30/2020
(\$ IN THOUSANDS)

		CURRENT MONTH			YEAR TO DATE			PRIOR YEAR	TOTAL
		ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET
Revenues:									
Assessments:									
1	Operating	\$1,686	\$1,686		\$10,114	\$10,114		\$9,383	\$20,228
2	Additions to restricted funds	1,078	1,078		6,468	6,468		6,730	12,935
3	Total assessments	<u>2,764</u>	<u>2,764</u>		<u>16,582</u>	<u>16,581</u>		<u>16,113</u>	<u>33,163</u>
Non-assessment revenues:									
4	Fees and charges for services to residents	26	49	(23)	134	294	(160)	386	588
5	Laundry	16	18	(2)	113	110	3	96	220
6	Investment income	36	45	(9)	250	268	(18)	317	536
7	Unrealized gain/(loss) on AFS investments	33		33	652		652	299	
8	Miscellaneous	46	54	(8)	272	322	(50)	309	643
9	Total non-assessment revenue	<u>157</u>	<u>166</u>	<u>(8)</u>	<u>1,421</u>	<u>994</u>	<u>428</u>	<u>1,408</u>	<u>1,988</u>
10	Total revenue	<u>2,921</u>	<u>2,929</u>	<u>(8)</u>	<u>18,003</u>	<u>17,575</u>	<u>428</u>	<u>17,521</u>	<u>35,150</u>
Expenses:									
11	Employee compensation and related	857	1,219	362	5,777	6,995	1,217	6,308	13,940
12	Materials and supplies	36	147	110	460	906	446	681	1,787
13	Utilities and telephone	558	474	(84)	2,474	2,589	116	2,314	5,542
14	Legal fees	66	42	(25)	269	250	(19)	178	500
15	Professional fees	16	9	(7)	58	86	28	94	145
16	Equipment rental	1	2	1	10	10		14	20
17	Outside services	765	1,086	321	3,063	6,195	3,131	3,361	11,661
18	Repairs and maintenance	24	32	8	164	190	26	167	380
19	Other Operating Expense	6	17	11	54	100	46	72	199
20	Income taxes	20		(20)	20		(20)		
21	Insurance	170	126	(44)	1,023	759	(265)	651	1,517
22	Investment expense		4	4	6	23	17	23	47
23	Uncollectible Accounts	1	10	9	17	60	43	155	120
24	(Gain)/loss on sale or trade	(6)		6	108		(108)	7	
25	Depreciation and amortization	11	11		68	68		72	136
26	Net allocation to mutuals	118	129	11	703	785	82	597	1,577
27	Total expenses	<u>2,644</u>	<u>3,308</u>	<u>664</u>	<u>14,275</u>	<u>19,016</u>	<u>4,741</u>	<u>14,692</u>	<u>37,572</u>
28	Excess of revenues over expenses	<u>\$277</u>	<u>(\$379)</u>	<u>\$656</u>	<u>\$3,728</u>	<u>(\$1,441)</u>	<u>\$5,169</u>	<u>\$2,829</u>	<u>(\$2,421)</u>

**Third Laguna Hills Mutual
Operating Statement
6/30/2020
THIRD LAGUNA HILLS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
Revenues:					
Assessments:					
Operating					
41001000 - Monthly Assessments	\$10,114,273	\$10,113,834	\$439	0.00%	\$20,227,669
Total Operating	10,114,273	10,113,834	439	0.00%	20,227,669
Additions To Restricted Funds					
41002000 - Monthly Assessments - Disaster Fund	566,754	566,754	0	0.00%	1,133,508
41003000 - Monthly Assessments - Unappropriated Expenditures Fund	292,896	292,896	0	0.00%	585,792
41003500 - Monthly Assessments - Replacement Fund	5,345,352	5,345,352	0	0.00%	10,690,704
41004000 - Monthly Assessments - Elevator Replacement Fund	183,060	183,060	0	0.00%	366,120
41004500 - Monthly Assessments - Laundry Replacement Fund	36,612	36,612	0	0.00%	73,224
41006000 - Monthly Assessments - Garden Villa Recreation Room Fund	42,849	42,849	0	0.00%	85,698
Total Additions To Restricted Funds	6,467,523	6,467,523	0	0.00%	12,935,046
Total Assessments	16,581,796	16,581,357	438	0.00%	33,162,715
Non-Assessment Revenues:					
Fees and Charges for Services to Residents					
46501000 - Permit Fee	74,772	71,756	3,017	4.20%	143,514
46501500 - Inspection Fee	31,702	38,259	(6,557)	(17.14%)	76,520
46502000 - Resident Maintenance Fee	27,782	183,903	(156,122)	(84.89%)	368,129
Total Fees and Charges for Services to Residents	134,256	293,917	(159,661)	(54.32%)	588,163
Laundry					
46005000 - Coin Op Laundry Machine	113,096	110,000	3,096	2.81%	220,000
Total Laundry	113,096	110,000	3,096	2.81%	220,000
Investment Income					
49001000 - Investment Income - Nondiscretionary	36,684	75,266	(38,582)	(51.26%)	150,532
49002000 - Investment Income - Discretionary	213,622	192,903	20,719	10.74%	385,805
Investment Interest Income	250,306	268,168	(17,863)	(6.66%)	536,337
Unrealized Gain/(Loss) On AFS Investments					
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	651,893	0	651,893	0.00%	0
Total Unrealized Gain/(Loss) On AFS Investments	651,893	0	651,893	0.00%	0
Miscellaneous					
46004500 - Resident Violations	7,582	28,497	(20,915)	(73.39%)	56,999
44501510 - Lease Processing Fee - Third	117,185	126,000	(8,815)	(7.00%)	252,000
44502500 - Non-Sale Transfer Fee - Third	650	996	(346)	(34.74%)	2,000
44503520 - Resale Processing Fee - Third	58,784	87,498	(28,714)	(32.82%)	175,000
44505500 - Hoa Certification Fee	4,465	2,622	1,843	70.29%	5,250
44507000 - Golf Cart Electric Fee	34,940	34,000	940	2.76%	68,000
44507200 - Electric Vehicle Plug-In Fee	5,672	3,500	2,171	62.04%	7,000
44507500 - Cartport/Carport Space Rental Fee	2,640	2,000	640	32.00%	4,000
47001500 - Late Fee Revenue	26,559	28,500	(1,941)	(6.81%)	57,000
47002020 - Collection Administrative Fee - Third	175	0	175	0.00%	0
47002500 - Collection Interest Revenue	12,552	4,500	8,052	178.92%	9,000
47501000 - Recycling	681	3,500	(2,819)	(80.53%)	7,000
49009000 - Miscellaneous Revenue	(5)	0	(5)	0.00%	0
Total Miscellaneous	271,879	321,613	(49,735)	(15.46%)	643,249
Total Non-Assessment Revenue	1,421,430	993,699	427,731	43.04%	1,987,749
Total Revenue	18,003,225	17,575,056	428,169	2.44%	35,150,463
Expenses:					
Employee Compensation					
51011000 - Salaries & Wages - Regular	1,136,979	1,349,345	212,366	15.74%	2,728,278
51021000 - Union Wages - Regular	2,202,067	2,982,773	780,707	26.17%	6,014,985
51041000 - Wages - Overtime	13,284	12,276	(1,008)	(8.21%)	24,561
51051000 - Union Wages - Overtime	36,266	28,522	(7,745)	(27.15%)	57,065
51061000 - Holiday & Vacation	425,260	365,744	(59,516)	(16.27%)	738,150
51071000 - Sick	208,826	149,185	(59,641)	(39.98%)	301,087
51081000 - Sick - Part Time	0	12	12	100.00%	24

**Third Laguna Hills Mutual
Operating Statement
6/30/2020
THIRD LAGUNA HILLS MUTUAL**

	YEAR TO DATE				TOTAL
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	BUDGET
51091000 - Missed Meal Penalty	1,797	538	(1,259)	(233.85%)	1,095
51101000 - Temporary Help	4,933	936	(3,997)	(427.26%)	1,876
51981000 - Compensation Accrual	(126,653)	0	126,653	0.00%	0
Total Employee Compensation	3,902,759	4,889,330	986,571	20.18%	9,867,121
Compensation Related					
52411000 - F.I.C.A.	313,332	370,507	57,175	15.43%	740,744
52421000 - F.U.I.	7,514	10,574	3,060	28.94%	10,574
52431000 - S.U.I.	51,336	53,774	2,439	4.54%	53,774
52441000 - Union Medical	930,429	947,222	16,792	1.77%	1,894,443
52451000 - Workers' Compensation Insurance	228,264	345,594	117,329	33.95%	613,988
52461000 - Non Union Medical & Life Insurance	158,918	152,420	(6,498)	(4.26%)	304,840
52471000 - Union Retirement Plan	174,846	166,320	(8,526)	(5.13%)	335,396
52481000 - Non-Union Retirement Plan	28,531	58,916	30,385	51.57%	119,124
52981000 - Compensation Related Accrual	(18,732)	0	18,732	0.00%	0
Total Compensation Related	1,874,438	2,105,326	230,888	10.97%	4,072,883
Materials and Supplies					
53001000 - Materials & Supplies	184,704	268,791	84,087	31.28%	513,296
53003000 - Materials Direct	274,567	636,876	362,309	56.89%	1,274,117
53004000 - Freight	349	0	(349)	0.00%	0
Total Materials and Supplies	459,621	905,667	446,046	49.25%	1,787,413
Utilities and Telephone					
53301000 - Electricity	154,770	244,600	89,830	36.73%	390,500
53301500 - Sewer	850,160	850,200	40	0.00%	1,715,400
53302000 - Water	1,192,578	1,214,750	22,173	1.83%	2,876,390
53302500 - Trash	276,345	279,926	3,581	1.28%	559,854
Total Utilities and Telephone	2,473,853	2,589,476	115,623	4.47%	5,542,144
Legal Fees					
53401500 - Legal Fees	269,156	249,992	(19,163)	(7.67%)	499,985
Total Legal Fees	269,156	249,992	(19,163)	(7.67%)	499,985
Professional Fees					
53402020 - Audit & Tax Preparation Fees - Third	38,000	36,000	(2,000)	(5.56%)	44,500
53403500 - Consulting Fees	0	5,909	5,909	100.00%	11,824
53403520 - Consulting Fees - Third	19,729	44,208	24,479	55.37%	88,436
Total Professional Fees	57,729	86,117	28,388	32.96%	144,760
Equipment Rental					
53501500 - Equipment Rental/Lease Fees	9,903	9,979	75	0.76%	19,963
Total Equipment Rental	9,903	9,979	75	0.76%	19,963
Outside Services					
53601000 - Bank Fees	16,101	12,588	(3,513)	(27.91%)	25,179
53601500 - Credit Card Transaction Fees	3,152	0	(3,152)	0.00%	0
53604500 - Marketing Expense	2,600	0	(2,600)	0.00%	0
54603500 - Outside Services Cost Collection	3,015,122	6,140,802	3,125,680	50.90%	11,541,973
53704000 - Outside Services	26,467	41,410	14,944	36.09%	93,428
Total Outside Services	3,063,442	6,194,801	3,131,358	50.55%	11,660,580
Repairs and Maintenance					
53701000 - Equipment Repair & Maint	1,949	8,066	6,116	75.83%	16,157
53703000 - Elevator /Lift Maintenance	161,817	182,045	20,228	11.11%	364,090
Total Repairs and Maintenance	163,767	190,111	26,344	13.86%	380,247
Other Operating Expense					
53801000 - Mileage & Meal Allowance	735	7,480	6,744	90.17%	14,959
53801500 - Travel & Lodging	246	1,481	1,235	83.40%	2,934
53802000 - Uniforms	30,990	46,767	15,778	33.74%	93,574
53802500 - Dues & Memberships	208	889	680	76.55%	2,053
53803000 - Subscriptions & Books	839	1,016	177	17.38%	2,042
53803500 - Training & Education	3,452	9,707	6,255	64.44%	18,731
53804000 - Staff Support	104	554	449	81.18%	1,107
53901500 - Volunteer Support	0	626	626	100.00%	1,253
53903000 - Safety	0	276	276	100.00%	556
54001000 - Board Relations	158	0	(158)	0.00%	0
54001020 - Board Relations - Third	1,709	3,750	2,041	54.44%	7,500

**Third Laguna Hills Mutual
Operating Statement
6/30/2020
THIRD LAGUNA HILLS MUTUAL**

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
54002000 - Postage	15,680	26,892	11,213	41.69%	53,788
54002500 - Filing Fees / Permits	130	434	304	69.98%	956
Total Other Operating Expense	54,251	99,871	45,620	45.68%	199,454
Income Taxes					
54301000 - State & Federal Income Taxes	20,000	0	(20,000)	0.00%	0
Total Income Taxes	20,000	0	(20,000)	0.00%	0
Property and Sales Tax					
54302000 - Property Taxes	497	0	(497)	0.00%	0
Total Property and Sales Tax	497	0	(497)	0.00%	0
Insurance					
54401000 - Hazard & Liability Insurance	285,461	219,934	(65,526)	(29.79%)	439,870
54401500 - D&O Liability	23,317	24,232	915	3.78%	48,466
54402000 - Property Insurance	711,729	510,806	(200,923)	(39.33%)	1,021,615
54403000 - General Liability Insurance	2,799	3,536	737	20.84%	7,072
Total Insurance	1,023,306	758,509	(264,797)	(34.91%)	1,517,022
Investment Expense					
54201000 - Investment Expense	6,311	23,491	17,180	73.14%	46,981
Total Investment Expense	6,311	23,491	17,180	73.14%	46,981
Uncollectible Accounts					
54602000 - Bad Debt Expense	16,552	60,050	43,498	72.44%	120,100
Total Uncollectible Accounts	16,552	60,050	43,498	72.44%	120,100
(Gain)/Loss on Sale or Trade					
54101500 - (Gain)/Loss On Investments	108,078	0	(108,078)	0.00%	0
Total (Gain)/Loss on Sale or Trade	108,078	0	(108,078)	0.00%	0
Depreciation and Amortization					
55001000 - Depreciation And Amortization	68,112	68,112	0	0.00%	136,224
Total Depreciation and Amortization	68,112	68,112	0	0.00%	136,224
Net Allocation to Mutuals					
54602500 - Allocated Expenses	703,480	785,294	81,814	10.42%	1,576,803
Total Net Allocation to Mutuals	703,480	785,294	81,814	10.42%	1,576,803
Total Expenses	14,275,254	19,016,126	4,740,872	24.93%	37,571,680
Excess of Revenues Over Expenses	\$3,727,972	(\$1,441,070)	\$5,169,041	358.69%	(\$2,421,217)

**Third Laguna Hills Mutual
Balance Sheet - Preliminary
6/30/2020**

		<u>Current Month End</u>	<u>Prior Year December 31</u>
	Assets		
1	Cash and cash equivalents	\$4,547,501	\$692,297
2	Non-discretionary investments	3,998,753	13,852,772
3	Discretionary investments	25,462,546	16,711,420
4	Receivable/(Payable) from mutuals	725,392	743,861
5	Accounts receivable and interest receivable	143,795	517,813
6	Prepaid expenses and deposits	356,016	807,109
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	5,256,401	5,324,513
10	Non-controlling interest in GRF	37,749,056	37,749,056
11	Total Assets	<u>\$78,239,460</u>	<u>\$76,398,842</u>
	Liabilities and Fund Balances		
	Liabilities:		
12	Accounts payable and accrued expenses	\$639,323	\$2,396,340
13	Accrued compensation and related costs	454,762	629,534
14	Deferred income	792,872	748,436
15	Income tax payable	80,710	80,710
16	Total liabilities	<u>\$1,967,667</u>	<u>\$3,855,020</u>
	Fund balances:		
17	Fund balance prior years	72,543,822	72,327,726
18	Change in fund balance - current year	3,727,972	216,095
19	Total fund balances	<u>76,271,794</u>	<u>72,543,822</u>
20	Total Liabilities and Fund Balances	<u>\$78,239,460</u>	<u>\$76,398,842</u>

7/15/2020

**Third Laguna Hills Mutual
Changes in Fund Balances - Preliminary
6/30/2020**

	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	\$10,114,273							\$10,114,273
2 Additions to restricted funds		292,896	566,754	5,345,352	183,060	36,612	42,849	6,467,523
3 Total assessments	10,114,273	292,896	566,754	5,345,352	183,060	36,612	42,849	16,581,796
Non-assessment revenues:								
4 Fees and charges for services to residents	134,256							134,256
5 Laundry	113,096							113,096
6 Interest income		31,600	75,768	122,646	16,097	3,564	631	250,306
7 Unrealized gain/(loss) on AFS investments		81,860	187,760	330,274	41,317	9,070	1,613	651,893
8 Miscellaneous	271,879							271,879
9 Total non-assessment revenue	519,231	113,459	263,527	452,920	57,414	12,634	2,245	1,421,430
10 Total revenue	10,633,503	406,355	830,281	5,798,272	240,474	49,246	45,094	18,003,225
Expenses:								
11 Employee compensation and related	4,617,984		7,770	1,141,079		5,122	5,241	5,777,197
12 Materials and supplies	322,858		334	114,553		20,288	1,588	459,621
13 Utilities and telephone	2,471,739		50	2,060			4	2,473,853
14 Legal fees	269,156							269,156
15 Professional fees	57,729							57,729
16 Equipment rental	1,983		83	7,835			2	9,903
17 Outside services	353,265		852,807	1,793,280	37,560		26,530	3,063,442
18 Repairs and maintenance	163,404		7	355				163,767
19 Other Operating Expense	45,789		63	8,328		38	32	54,251
20 Income taxes	20,000							20,000
21 Property and sales tax	497							497
22 Insurance	1,023,306							1,023,306
23 Investment expense		795	1,910	3,094	406	90	16	6,311
24 Uncollectible Accounts	16,552							16,552
25 (Gain)/loss on sale or trade		13,812	32,582	52,834	7,072	1,549	230	108,078
26 Depreciation and amortization	68,112							68,112
27 Net allocations to mutuals	639,101		1,243	62,312		462	363	703,480
28 Total expenses	10,071,474	14,607	896,849	3,185,730	45,038	27,550	34,005	14,275,254
29 Excess of revenues over expenses	\$562,030	\$391,748	(\$66,568)	\$2,612,542	\$195,436	\$21,696	\$11,088	\$3,727,972
30 Excluding unrealized gain/(loss) and depreciation	\$630,142	\$309,889	(\$254,328)	\$2,282,268	\$154,119	\$12,626	\$9,475	\$3,144,190

**THIRD LAGUNA HILLS MUTUAL
NON-DISCRETIONARY ACCOUNT HELD BY BANK OF AMERICA
SCHEDULE OF INVESTMENTS
6/30/20**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECTIVE YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *	BOOK VALUE	6/30/2020	
										MARKET VALUE	UNREALIZED GAIN/(LOSS)
912796SZ3	U.S. TREASURY BILL	0.00%	05-15-20	07-16-20	2,000,000.00	0.07%	1,999,758.89		1,999,939.72	\$1,999,894.00	(\$45.72)
912796Z21	U.S. TREASURY BILL	0.00%	05-15-20	11-12-20	2,000,000.00	0.10%	1,998,994.44		1,999,245.84	\$1,998,828.00	(\$417.84)
TOTAL FOR NON-DISCRETIONARY INVESTMENTS					\$ 4,000,000.00		\$ 3,998,753.33	1.65%	\$3,999,185.56	\$3,998,722.00	(\$463.56)

*Yield is based on all investments held during the year

**THIRD LAGUNA HILLS MUTUAL
DISCRETIONARY ACCOUNT - SAGEVIEW/FIDELITY
SCHEDULE OF INVESTMENTS
6/30/20**

I.D. NO.	DESCRIPTION	STATED RATE	SETTLEMENT DATE	MATURITY DATE	PAR VALUE	EFFECTIVE YIELD	ORIGINAL COST	ANNUALIZED YTD YIELD *	BOOK VALUE	6/30/2020	
										MARKET VALUE	UNREALIZED GAIN/(LOSS)
	FIDELITY GOVT CASH RESERVES				\$ 41,085.92		\$ 41,085.92		41,085.92	\$41,085.92	\$0.00
92206C870	VCIT Vanguard Corp Bond Index	0.00%	12-17-19	-	1,867,466.66	0.00%	1,867,466.66		1,867,466.66	\$1,912,979.98	\$45,513.32
31635V216	FUMBX Fidelity Treas Bond Index	0.00%	12-13-19	-	7,385,638.68	0.00%	7,385,638.68		7,385,638.68	\$7,618,117.89	\$232,479.21
31635V257	FUAMX Fidelity Treas Bond Index	0.00%	12-13-19	-	6,405,463.86	0.00%	6,405,463.86		6,405,463.86	\$6,618,616.46	\$213,152.60
922031851	VFIRX Vanguard Treas Admiral	0.00%	12-13-19	-	1,238,614.21	0.00%	1,238,614.21		1,238,614.21	\$1,270,835.99	\$32,221.78
92206C607	VSCSX Vanguard Corp Bond Index	0.00%	12-13-19	-	1,879,539.54	0.00%	1,879,539.54		1,879,539.54	\$1,903,710.27	\$24,170.73
92206C755	VMBSX Vanguard Sec Index Admiral	0.00%	12-13-19	-	5,979,304.08	0.00%	5,979,304.08		5,979,304.08	\$6,097,199.81	\$117,895.73
TOTAL FOR DISCRETIONARY INVESTMENTS					24,797,112.95		24,797,112.95	1.80%	\$24,797,112.95	\$25,462,546.32	\$665,433.37
TOTAL INVESTMENTS					\$ 28,797,112.95		\$ 28,795,866.28	1.72%			

*Yield is based on all investments held during the year

THIRD LAGUNA HILLS MUTUAL
Provision For Doubtful Accounts
As of June 30, 2020

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-19	100,999			512,865			12
January-20	104,299	-	-	506,468		(3,097)	11
February-20	107,143		(2,610)	495,154	-	(11,080)	11
March-20	121,333		-	498,595	-	17,630	15
April-20	125,552		-	495,157	-	781	13
May-20	137,801		-	494,047	-	11,139	14
June-20	139,567		-	493,459	-	1,178	14
July-20			-		-	-	
August-20			-		-	-	
September-20			-		-	-	
October-20			-		-	-	
November-20			-		-	-	
December-20		-	-		-	-	
YTD TOTAL						16,552	

(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

**Third Laguna Hills Mutual
Supplemental Appropriation Schedule
Period Ending: 06/30/2020**

Fund / Item	Resolution	BUDGET	EXPENDITURES I-T-D*			Remaining Encumbrance
		Total Appropriations	2020	Prior Years	Total	
Replacement Fund						
Ridge Route Perimeter Wall Improvements	03-18-84	\$330,000	\$0	\$253,937	\$253,937	\$76,063
Cul-De-Sac Sign Replacement	03-19-73	\$23,000	\$0	\$20,304	\$20,304	\$2,696
Totals		\$353,000	\$0	\$274,241	\$274,241	\$78,759
Disaster Fund						
Slope Repairs Monte Hermosa	03-19-59	\$42,216	\$0	\$38,378	38,378	\$3,839
Totals		\$42,216	\$0	\$38,378	\$38,378	\$3,839

*Incurred To Date

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF JUNE 30, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET *	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
REPLACEMENT FUND - MAINTENANCE & CONSTRUCTION								
BUILDING NUMBERS	0	2,500	0	15,000	30,000	0%	15,000	100%
BUILDING STRUCTURES	67,746	231,772	569,811	1,392,975	2,787,028	20%	823,164	59%
ELECTRICAL SYSTEMS	0	4,957	1,090	29,742	59,495	2%	28,652	96%
ENERGY PROJECTS	0	833	923	4,998	10,000	9%	4,076	82%
EXTERIOR LIGHTING	14,941	84,582	16,652	777,494	815,000	2%	760,843	98%
FENCING	0	4,507	17,068	27,293	54,703	31%	10,226	37%
GARDEN VILLA LOBBY	0	9,375	28,300	56,250	112,500	25%	27,950	50%
GARDEN VILLA MAILROOM	0	2,800	0	16,902	33,867	0%	16,902	100%
GARDEN VILLA RECESSED AREA	0	5,416	109	32,496	65,000	0%	32,387	100%
GV REC ROOM WATER HEATER/HEAT PUMP	85	801	5,488	4,815	9,644	57%	(673)	(14%)
GUTTER REPLACEMENTS	0	8,140	20,022	49,087	98,289	20%	29,064	59%
MAILBOXES	0	4,148	8,865	24,980	50,000	18%	16,115	65%
PAINT PROGRAM - EXTERIOR	20,076	169,229	736,952	1,025,923	2,055,556	36%	288,972	28%
PRIOR TO PAINT	37,717	121,094	295,975	733,607	1,470,323	20%	437,632	60%
PAVING	0	64,591	3,014	387,546	775,112	0%	384,532	99%
ROOF REPLACEMENTS	25,821	117,991	235,589	707,946	1,415,904	17%	472,357	67%
WALL REPLACEMENTS	114,082	13,750	137,928	82,500	165,000	84%	(55,428)	(67%)
WASTE LINE REMEDIATION	0	83,333	196,674	499,998	1,000,000	20%	303,324	61%
WATER LINES - COPPER PIPE REMEDIATION	0	41,666	151,438	249,996	500,000	30%	98,558	39%
TOTAL	\$280,469	\$971,487	\$2,425,897	\$6,119,549	\$11,507,422	21%	\$3,693,652	60%
* Exterior Lighting includes \$740,000 carried over from the 2019 plan.								
REPLACEMENT FUND - GENERAL SERVICES								
PRIOR TO PAINT	0	937	1,842	5,689	11,405	16%	3,848	68%
PAVING	10,451	6,258	34,022	37,980	76,146	45%	3,957	10%
EXTERIOR WALLS	0	4,095	0	24,570	49,147	0%	24,570	100%
TOTAL	\$10,451	\$11,290	\$35,864	\$68,239	\$136,698	26%	\$32,375	47%
REPLACEMENT FUND - LANDSCAPE SERVICES								
LANDSCAPE MODIFICATION	118,409	174,888	243,520	449,512	899,129	126%	205,992	46%
TREE MAINTENANCE	112,226	70,274	424,522	426,002	853,812	50%	1,480	0%
TOTAL	\$230,635	\$245,162	\$668,042	\$875,514	\$1,752,942	38%	\$207,472	24%
* Landscape Modification includes \$300,000 carried over from the 2019 plan.								
ELEVATOR REPLACEMENT FUND								
ELEVATOR REPLACEMENT	\$0	\$21,250	\$37,560	\$127,500	\$255,000	15%	\$89,940	71%
TOTAL	\$0	\$21,250	\$37,560	\$127,500	\$255,000	15%	\$89,940	71%
LAUNDRY REPLACEMENT FUND								
LAUNDRY APPLIANCES	\$7,630	\$4,859	\$21,973	\$29,227	\$58,508	38%	\$7,253	25%
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	0	4,974	3,938	29,933	59,912	7%	25,996	87%
TOTAL	\$7,630	\$9,832	\$25,911	\$59,160	\$118,420	22%	\$33,249	56%

**THIRD LAGUNA HILLS MUTUAL
FUND EXPENDITURES REPORT
AS OF JUNE 30, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		TOTAL BUDGET *	% EXPENDED	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET			\$	%
GARDEN VILLA RECREATION ROOM FUND								
GARDEN VILLA RECREATION ROOMS	\$1,423	\$5,880	\$33,760	\$35,420	\$70,982	48%	\$1,660	5%
TOTAL GARDEN VILLA REC ROOMS FUND	\$1,423	\$5,880	\$33,760	\$35,420	\$70,982	48%	\$1,660	5%
OPERATING FUND - MAINTENANCE & CONSTRUCTION								
APPLIANCE REPAIRS	\$7,251	\$7,179	\$69,296	\$43,519	\$87,257	79%	(\$25,778)	(59%)
CARPENTRY SERVICE	27,572	34,781	363,481	210,752	422,426	86%	(152,729)	(72%)
ELECTRICAL SERVICE	9,277	11,003	59,622	66,771	133,883	45%	7,148	11%
FIRE PROTECTION	1,876	10,935	31,160	65,610	131,252	24%	34,450	53%
MISC REPAIRS BY OUTSIDE SERVICE	0	4,889	4,405	29,332	58,664	8%	24,927	85%
PEST CONTROL	0	30,355	17,524	182,130	364,272	5%	164,606	90%
PLUMBING SERVICE	75,171	56,299	406,560	340,808	682,989	60%	(65,752)	(19%)
SOLAR MAINTENANCE	0	2,083	7,770	12,498	25,000	31%	4,728	38%
TOTAL	\$121,147	\$157,524	\$959,818	\$951,419	\$1,905,743	50%	(\$8,399)	(1%)
OPERATING FUND - GENERAL SERVICES								
CONCRETE REPAIR/REPLACEMENT	43,437	30,293	164,269	183,639	368,011	45%	19,370	11%
JANITORIAL SERVICE	81,957	77,358	463,317	470,999	943,316	49%	7,682	2%
GUTTER CLEANING	387	14,852	18,662	89,352	178,802	10%	70,690	79%
TRAFFIC CONTROL	377	1,590	8,506	9,655	19,357	44%	1,149	12%
WELDING	3,198	9,099	38,214	55,244	110,744	35%	17,030	31%
TOTAL	\$129,356	\$133,191	\$692,967	\$808,888	\$1,620,230	43%	\$115,921	14%
DISASTER FUND - MAINTENANCE & CONSTRUCTION								
MOISTURE INTRUSION - RAIN LEAKS	\$118,081	\$39,585	306,279	\$237,510	\$475,025	64%	(68,769)	(29%)
MOISTURE INTRUSION - PLUMBING LEAKS	55,656	54,166	295,567	324,996	650,000	45%	29,429	9%
MOISTURE INTRUSION - PLUMBING STOPPAGES	4,844	8,333	47,775	49,998	100,000	48%	2,223	4%
MOISTURE INTRUSION - MISCELLANEOUS	6,693	7,757	44,600	46,542	93,095	48%	1,942	4%
DAMAGE RESTORATION SERVICES	5,477	30,750	152,296	184,828	369,812	41%	32,532	18%
TOTAL DISASTER FUND	\$190,752	\$140,591	\$846,517	\$843,874	\$1,687,932	50%	(\$2,644)	(0%)
DISASTER FUND - LANDSCAPE SERVICES								
RISK FIRE MANAGEMENT	\$3,984	\$15,000	\$15,840	\$90,000	\$180,000	9%	\$74,160	82%
TOTAL UNAPPROPRIATED EXPENDITURES FUND	\$3,984	\$15,000	\$15,840	\$90,000	\$180,000	9%	\$74,160	82%
UNAPPROPRIATED EXPENDITURES FUND								
SUPPLEMENTAL APPROPRIATIONS	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%
TOTAL UNAPPROPRIATED EXPENDITURES FUND	\$0	\$0	\$0	\$0	\$0	0%	\$0	0%

**THIRD LAGUNA HILLS MUTUAL
MAINTENANCE PROGRAMS EXPENDITURES REPORT
AS OF JUNE 30, 2020**

DESCRIPTION	YTD ACTUAL			
	TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES

RESERVE FUNDS - MAINTENANCE & CONSTRUCTION

ALARM SYSTEM	\$0	\$0	\$0	\$0
BUILDING NUMBERS	0	0	0	0
BUILDING STRUCTURES	569,811	67,074	3,603	499,133
ELECTRICAL SYSTEMS	1,090	980	110	0
ENERGY PROJECTS	923	0	0	923
EXTERIOR LIGHTING	16,652	0	0	16,652
FENCING	17,068	14,688	2,379	0
GARDEN VILLA LOBBY	28,300	0	0	28,300
GARDEN VILLA MAILROOM	0	0	0	0
GARDEN VILLA RECESSED AREA	109	109	0	0
GV REC ROOM WATER HEATER/HEAT PUMP	5,488	1,329	2,535	1,624
GUTTER REPLACEMENTS	20,022	18,161	1,862	0
MAILBOXES	8,865	2,249	6,616	0
PAINT PROGRAM - EXTERIOR	736,952	681,545	53,648	1,758
PRIOR TO PAINT	295,975	239,475	14,721	41,779
PAVING	3,014	0	0	3,014
ROOF REPLACEMENTS	235,589	0	0	235,589
WALL REPLACEMENTS	137,928	0	0	137,928
WASTE LINE REMEDIATION	196,674	738	0	195,936
WATER LINES - COPPER PIPE REMEDIATION	151,438	0	0	151,438
SUPPL. APPROPRIATIONS	0	0	0	0
TOTAL	\$2,425,897	\$1,026,348	\$85,475	\$1,314,073

* Exterior Lighting includes \$740,000 carried over from the 2019 plan.

RESERVE FUNDS - GENERAL SERVICES

PRIOR TO PAINT	1,842	1,837	5	0
PAVING	34,022	31,477	2,545	0
EXTERIOR WALLS	0	0	0	0
TOTAL	\$35,864	\$33,314	\$2,550	\$0

RESERVE FUNDS - LANDSCAPE

LANDSCAPE MODIFICATION	243,520	14,068	0	229,451
TREE MAINTENANCE	424,522	176,886	0	247,636
TOTAL	\$668,042	\$190,954	\$0	\$477,087

* Landscape Modification includes \$300,000 carried over from the 2019 plan.

RESERVE FUNDS - ELEVATOR

ELEVATOR REPLACEMENT	\$37,560	\$0	\$0	\$37,560
TOTAL	\$37,560	\$0	\$0	\$37,560

RESERVE FUNDS - LAUNDRY

LAUNDRY APPLIANCES	\$21,973	\$3,203	\$18,771	\$0
LAUNDRY COUNTERTOP/FLOOR/TILE REPAIRS	3,938	\$2,533	\$1,405	\$0
SUPPL. APPROPRIATIONS	0	0	0	0
TOTAL	\$25,911	\$5,735	\$20,176	\$0

GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION

GARDEN VILLA RECREATION ROOMS	\$33,760	\$6,108	\$1,122	\$26,530
TOTAL	\$33,760	\$6,108	\$1,122	\$26,530

**THIRD LAGUNA HILLS MUTUAL
MAINTENANCE PROGRAMS EXPENDITURES REPORT
AS OF JUNE 30, 2020**

YTD ACTUAL

DESCRIPTION	TOTAL			OUTSIDE
	EXPENDITURES	LABOR	MATERIALS	SERVICES

OPERATING FUND - MAINTENANCE & CONSTRUCTION

APPLIANCE REPAIRS	69,296	62,149	7,148	0
CARPENTRY SERVICE	363,481	346,513	16,967	0
CURB CUT/SIDEWALK RAMPS	0	0	0	0
ELECTRICAL SERVICE	59,622	55,618	4,004	0
FIRE PROTECTION	31,160	0	7	31,153
GUTTER CLEANING	0	0	0	0
MISC REPAIRS BY OUTSIDE SERVICE	4,405	0	0	4,405
PEST CONTROL	17,524	0	0	17,524
PLUMBING SERVICE	406,560	363,650	15,272	27,639
SOLAR MAINTENANCE	7,770	0	0	7,770
TOTAL	\$959,818	\$827,930	\$43,398	\$88,490

OPERATING FUND - GENERAL SERVICES

CONCRETE REPAIR/REPLACEMENT	164,269	151,402	12,866	0
GUTTER CLEANING	18,662	18,662	0	0
JANITORIAL SERVICE	463,317	454,073	9,245	0
TRAFFIC CONTROL	8,506	8,506	0	0
WELDING	38,214	37,626	589	0
TOTAL	\$692,967	\$670,268	\$22,699	\$0

DISASTER FUND - MAINTENANCE & CONSTRUCTION

MOISTURE INTRUSION - RAIN LEAKS	\$306,279	\$0	\$0	\$306,279
MOISTURE INTRUSION - PLUMBING LEAKS	295,567	0	0	\$295,567
MOISTURE INTRUSION - PLUMBING STOPPAGES	47,775	0	0	\$47,775
MOISTURE INTRUSION - MISCELLANEOUS	44,600	0	0	\$44,600
DAMAGE RESTORATION SERVICES	152,296	5,571	65	146,660
SUPPL. APPROPRIATIONS	0	0	0	0
TOTAL	\$846,517	\$5,571	\$65	\$840,881

DISASTER FUND - LANDSCAPE

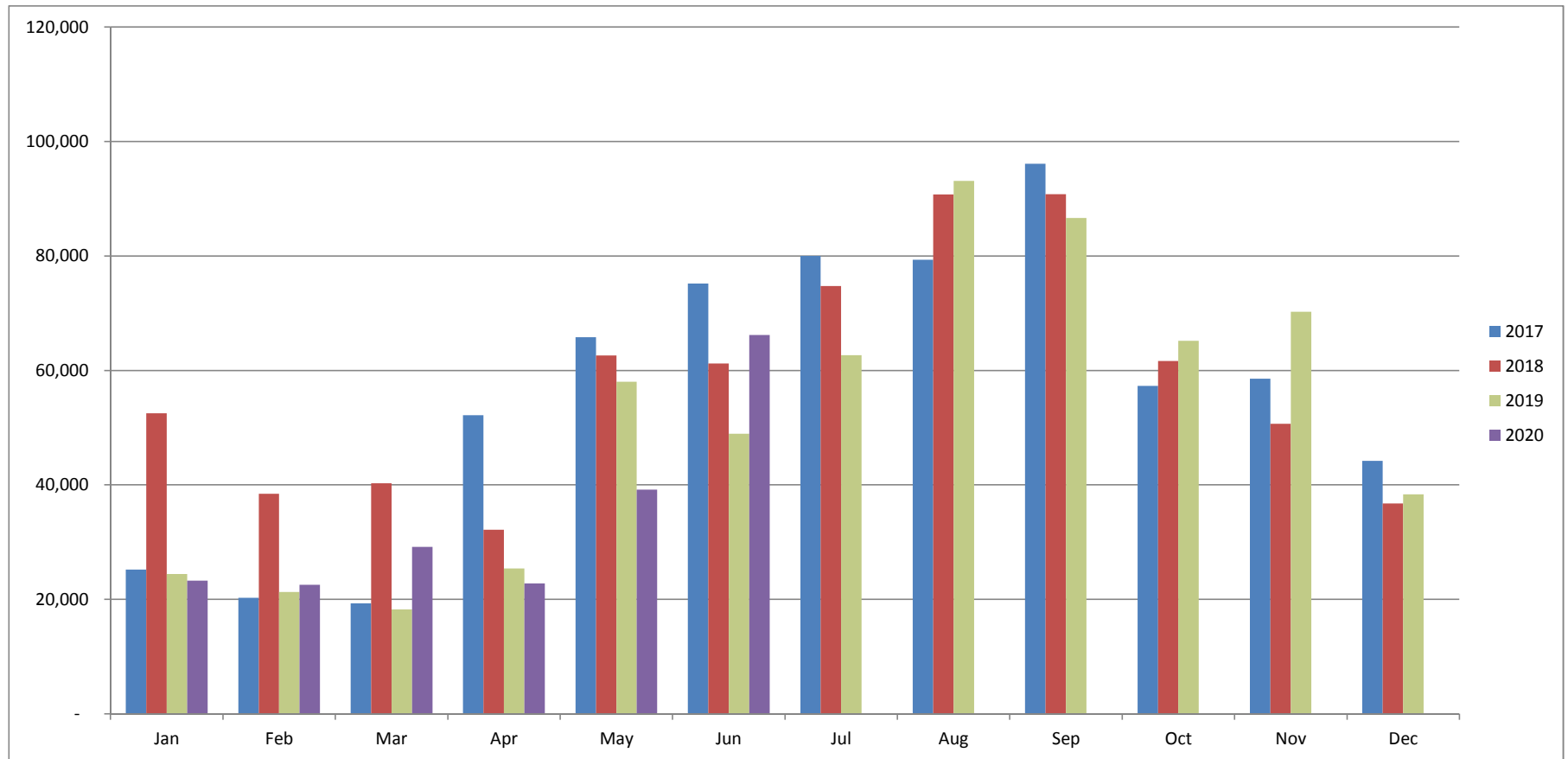
RISK FIRE MANAGEMENT	\$15,840	\$3,984	\$0	\$11,856
TOTAL	\$15,840	\$3,984	\$0	\$11,856

UNAPPROPRIATED EXPENDITURES FUND

SUPPLEMENTAL APPROPRIATIONS	\$0	\$0	\$0	\$0
TOTAL	\$0	\$0	\$0	\$0

Third Mutual Water Usage in 100 cubic feet units

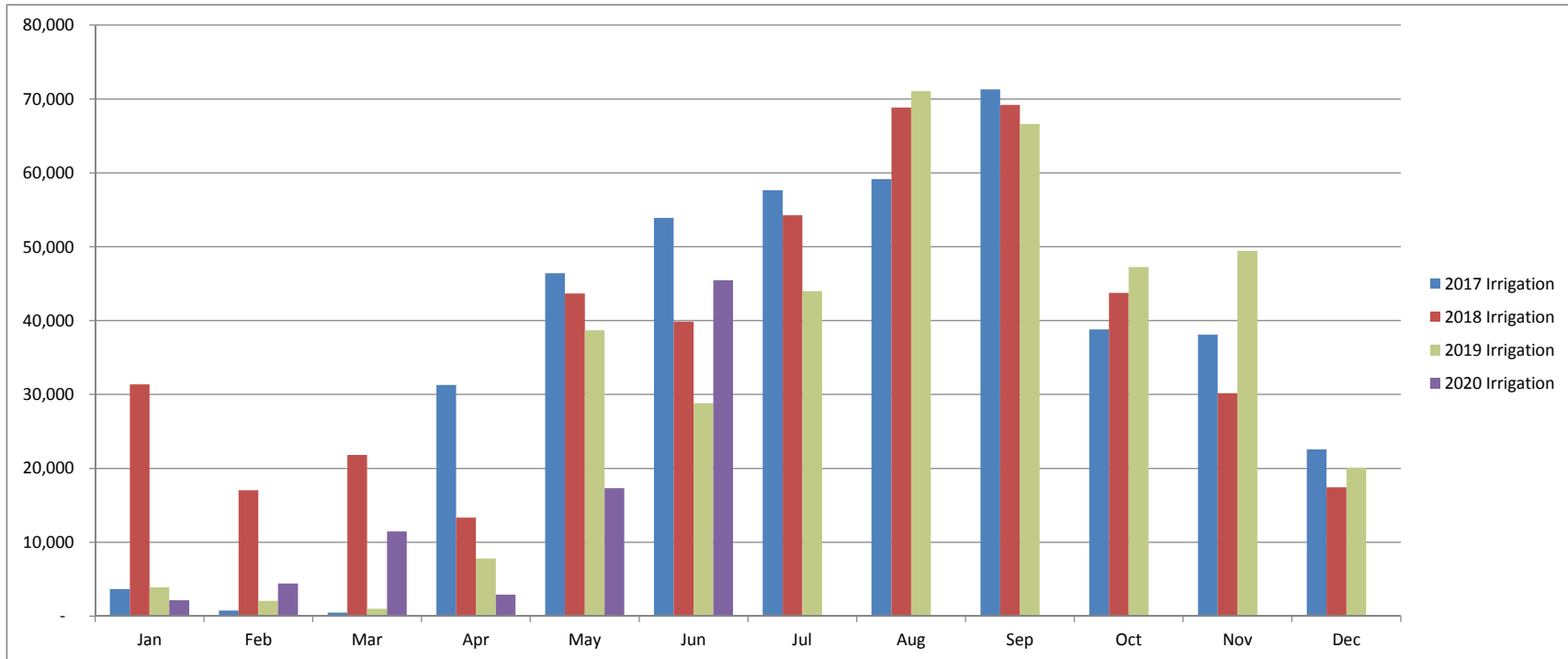
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2017	25,226	20,286	19,299	52,174	65,796	75,181	79,992	79,315	96,121	57,296	58,557	44,191	257,962	673,434
2018	52,495	38,446	40,263	32,183	62,631	61,214	74,756	90,767	90,776	61,661	50,693	36,777	287,232	692,662
2019	24,432	21,298	18,269	25,378	58,015	48,914	62,672	93,135	86,655	65,159	70,254	38,350	196,306	612,531
2020	23,285	22,570	29,169	22,804	39,197	66,203	-	-	-	-	-	-	203,228	203,228



Third Mutual

Irrigation Water Usage in 100 cubic feet units

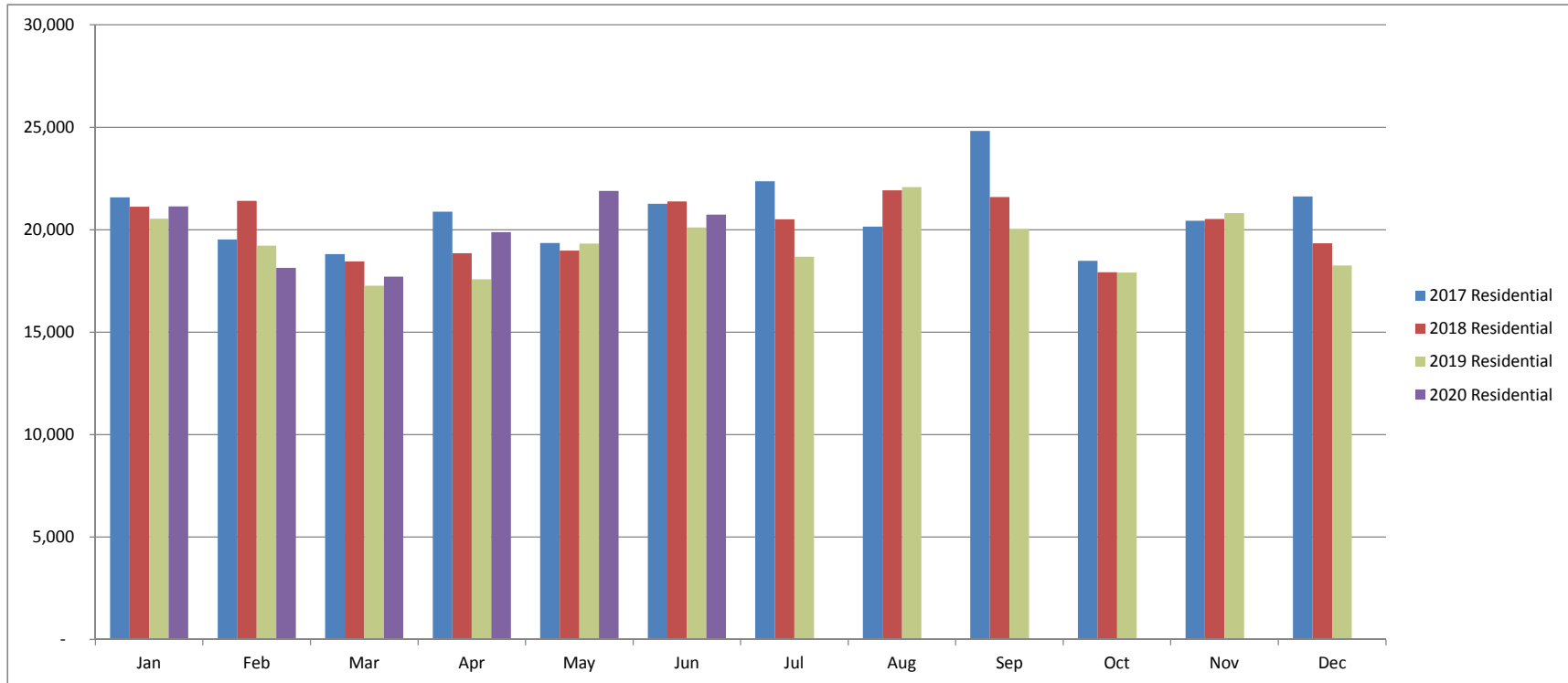
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Total
2017 Irrigation	3,646	766	494	31,291	46,437	53,911	57,625	59,166	71,293	38,819	38,114	22,567	136,545	424,129
2018 Irrigation	31,368	17,039	21,814	13,332	43,653	39,833	54,254	68,843	69,176	43,741	30,171	17,434	167,039	450,658
2019 Irrigation	3,892	2,081	1,000	7,803	38,696	28,811	43,994	71,052	66,612	47,254	49,451	20,096	82,283	380,742
2020 Irrigation	2,146	4,430	11,464	2,923	17,310	45,463	-	-	-	-	-	-	83,736	83,736



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
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	121,417	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	120,193	242,004
2019 Residential	20,540	19,217	17,269	17,575	19,319	20,103	18,678	22,083	20,043	17,905	20,803	18,254	114,023	231,789
2020 Residential	21,139	18,140	17,705	19,881	21,887	20,740	-	-	-	-	-	-	119,492	119,492



ENDORSEMENT (to Board)

Discuss & Consider Guarantors

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

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

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

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



STAFF REPORT

DATE: August 4, 2020
FOR: Finance Committee
SUBJECT: Guidelines for Financial Qualifications
Annual Income Requirement for Guarantors

RECOMMENDATION

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

BACKGROUND

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

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

DISCUSSION

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

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

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

FINANCIAL ANALYSIS

None.

Prepared By: Pamela Bashline, Community Services Manager

Reviewed By: Blessilda Wright, Compliance Supervisor

ATTACHMENT(S)

Attachment 1 – Guidelines for Financial Qualifications

Attachment 2 – Resolution Amendment of Guidelines for Financial Qualifications



RESOLUTION 03-18-131
Guidelines For Financial Qualifications

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

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

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

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

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

GUIDELINES FOR FINANCIAL QUALIFICATIONS

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

I. General Application Requirements.

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



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

II. Net Worth Requirements.

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



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

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

III. **Income Requirements.**

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



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

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

IV. **Guarantors.**

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



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

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



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

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

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

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

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

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

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

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



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

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

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

July Initial Notification

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



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EXHIBIT “A”

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

ASSESSMENT/CHARGES GUARANTOR OBLIGATION FORM

A. The Parties

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

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

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

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

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

E. Enforcement.

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



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

2. This Assessment/Charges Guarantor Obligation Form is general and shall inure to, and may be relied upon and enforced by, any successor or assign of the Mutual.
3. This Assessment/Charges Guarantor Obligation Form shall be governed by the laws of the State of California and the parties specifically agree that any legal action brought under this Assessment/Charges Guarantor Obligation Form or any underlying lease shall be brought only in Orange County, California, which Court is agreed to have jurisdiction over the parties.
4. The Parties waive the right to a jury trial in any such legal action.
5. If the Guarantor breaches this Assessment/Charges Guarantor Obligation Form, the Mutual shall be entitled to a full award of attorney fees, costs and expenses relative to any enforcement efforts taken, including any litigation pursued to enforce this Assessment/Charges Guarantor Obligation Form. Guarantor agrees to pay the Mutual's actual attorney fees, costs, and expenses in the enforcement of the Governing Documents and this Assessment/Charges Guarantor Obligation Form, whether before the lawsuit/proceeding is filed, after the lawsuit/proceeding is filed, or in any and all trial and appellate tribunals, whether suit be brought or not, if, after default, counsel shall be employed by the Mutual.
6. All amounts due to the Mutual hereunder shall bear interest at the highest rate allowed by law from the date of default.

- F. Modification.** Alteration, Modification or Revocation of this Assessment/Charges Guarantor Obligation Form is not permitted unless otherwise agreed to and signed by the Parties in writing.
- G. No Strict Performance Required.** Failure of the Mutual to insist upon strict performance or observance of any of the terms of the Governing Documents or to exercise any right held by the Mutual will not diminish the enforceability of this Assessment/Charges Guarantor Obligation Form. Guarantor agrees that the foregoing obligations shall in no way be terminated, affected, or impaired by reason of any action which the Mutual may take, or fail to take against the Owner, or by reason of any waiver of, or failure to enforce, any of the rights or remedies to the Mutual in the Governing Documents and all amendments thereto.
- H. Binding on Successors.** The obligations of Guarantor shall be binding upon Guarantor and his/her/their successors and assigns.
- I. Effective Immediately Upon Signature.** Guarantor fully understands this Assessment/Charges Guarantor Obligation Form is neither a reference, credit check, nor application, that the Mutual has relied on Guarantor's representations and warranties contained herein and it is fully effective upon Guarantor's signature.



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Resolution 03-20-XX
Amendment of Guidelines for Financial Qualifications

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

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

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

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

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

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

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