



**REGULAR MEETING OF THE FINANCE COMMITTEE**

**Tuesday, October 27, 2020 – 1:30 p.m.  
Laguna Woods Village Virtual Meeting  
24351 El Toro Road**

**AGENDA**

1. Call to Order
2. Acknowledgment of Media
3. Approval of the Agenda
4. Approval of Meeting Report for September 29, 2020
5. Chair Remarks
6. 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](mailto:meeting@vmsinc.org) any time before the meeting is scheduled to begin or during the meeting. Please use the name United 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.*

7. Department Head Update

**Reports**

8. Preliminary Financial Statements dated September 30, 2020

**Items for Discussion and Consideration**

9. Update on Insurance
10. Update on Reserve Bank Account
11. Status of Research Fund Bank Account
12. Reserve Fund Invoice Approval Process
13. Disaster Fund Budget Presentation – Director Tornø
14. Disaster Fund Proposal
15. Endorsements from Standing Committees

Future Agenda Items

Update on Contingency Fund Reclassifications  
Year End Projections – Operating and Reserves  
Solar System Update

Concluding Business:

16. Committee Member Comments
17. Date of Next Meeting – Tuesday, November 24, 2020 at 1:30 p.m.
18. Recess to Closed Session

Brian Gilmore, Chair  
Betty Parker, Staff Officer  
Telephone: 949-597-4201



OPEN MEETING

**FINANCE COMMITTEE MEETING  
REPORT OF THE REGULAR OPEN SESSION**

Tuesday, September 29, 2020 – 1:30 p.m.  
Virtual Meeting

**MEMBERS PRESENT:** Brian Gilmore – Chair, Sue Margolis, Carl Randazzo, Manuel Armendariz, Elsie Addington

**OTHERS PRESENT:** Andre Torng  
VMS: Juanita Skillman, Cynthia Rupert, Dick Rader

**MEMBERS ABSENT:** None

**STAFF PRESENT:** Betty Parker, Dan Yost, Steve Hormuth, Jose Campos, Christopher Swanson

**Call to Order**

Director Gilmore chaired the meeting and called it to order at 1:30 p.m.

**Acknowledge of Media**

It was noted that the virtual meeting would be recorded and placed on the website due to a scheduling conflict with the Board room.

**Approval of Agenda**

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

**Approval of the Regular Meeting Report of August 25, 2020**

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

**Chair Remarks**

Director Gilmore requested a copy of the property valuation report.

**Member Comments (Items Not on the Agenda)**

None

**Department Head Update**

Betty Parker, CFO, provided an overview of several ongoing projects.

### **Review Preliminary Financial Statements dated August 31, 2020**

The committee reviewed the preliminary financial statements and requested a change to the format of the investment schedule totals. A request was also made for the addition of an explanatory footnote to the irrigation water usage chart.

Director Margolis made a motion to add an equity position in the investment portfolio. Discussion ensued and the motion was withdrawn.

Staff will provide an updated year-end projection and forecast of operating surplus based on the September 30, 2020 financials.

Director Gilmore requested United's investment advisor, SageView, to provide an update on why a change was made in discretionary investments from commercial bonds to treasury bills.

Director Margolis responded to the committee's insurance discussion stating the insurance increase would be communicated to United residents during a televised budget meeting in October.

### **Contingency Fund Classifications**

The Committee reviewed a staff report regarding the reclassification of moisture intrusion expenses from the Contingency Fund to the Replacement Fund for certain remediation work.

A motion was made and carried unanimously to recommend the Board approve at their next open board meeting a reclassification of \$510,876.73 from the Contingency Fund to the Replacement Fund through the reporting period of August 31, 2020. Furthermore, such future expenditures will be coded to the Replacement Fund.

The Committee discussed the history of the Contingency Fund and the potential for a separate Disaster Fund to be used for emergency purposes only.

### **Reserve Expenditure Category**

The Committee reviewed a staff report outlining the process of charging labor expenses to reserve. Discussion ensued on a range of topics and questions were addressed. Continuous updates will be provided at United finance committee meetings. No action was taken.

### **Update on Reserve Bank Account**

Ms. Parker noted that the creation of reserve bank account is in progress. Discussion ensued. At the next GRF Finance Meeting, banking fees will be reviewed.

### **Update on Insurance Renewal**

The committee discussed the October 1 annual insurance renewal and requested this item remain on the monthly agenda for discussion at the Finance Committee meetings.

**Update on AP Invoice Approval Process**

Steve Hormuth, Controller, noted that a new cover sheet for invoice review and approval is in progress.

**Update on Budget Ad-Hoc Committee**

Director Margolis commented on forming the committee, creating standard operating procedures, and identifying a committee chair. Betty Parker will represent VMS, Inc.

**Future Agenda Items**

Insurance Program

Reserve Bank Account

Reserve Expenditures

Budget Ad-Hoc Committee

Disaster Fund Creation

**Member Comments**

Director Gilmore commented on the lateness of the meeting.

**Date of Next Meeting**

Tuesday, October 27, 2020 at 1:30 p.m.

**Recess to Closed Session**

The meeting recessed to closed session at 4:27 p.m.

**DRAFT**

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Brian Gilmore, Chair



**MEMORANDUM**

To: United Finance Committee  
 From: Betty Parker, CFO  
 Date: October 27, 2020  
 Re: Department Head Update

**Financial Highlights**

**SUMMARY:** For the year-to-date period ending September 30, 2020, United Mutual was better than budget by \$5.6 million primarily due to timing of reserve programs, especially in the areas of compensation \$2.2M, outside services \$2.2M, and materials \$1.1M. Various programs were put on hold in mid-March due to the COVID-19 pandemic; however, by August, most were restarted.

**INCOME STATEMENT**  
(in Thousands)

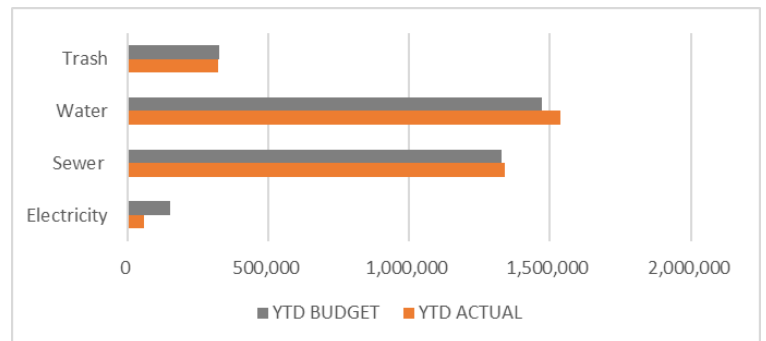
	Actual	Budget	Variance
Assessment Revenues	\$32,037,183	\$31,622,146	\$415,037
Other Revenues	1,459,614	1,345,144	114,470
Expenses	29,388,973	34,482,026	5,093,053
<b>Revenue/(Expense)</b>	<b>\$4,107,823</b>	<b>(\$1,514,737)</b>	<b>\$5,622,560</b>

**COMPENSATION:** Actual compensation and related costs came in at \$8.7 million, with just under \$7.0 million in operations and \$1.7 million in reserves. Combined, this category is 20% favorable to budget. Staffing was reduced through employee furloughs beginning mid-March due to the Covid-19 pandemic. For United, the most significant impacts were in Maintenance and Landscape.

**BUDGET**      **VARIANCE**

	BUDGET			VARIANCE	
	Comp	Related	Total	\$	%
<b>All units</b>					
Operating	\$5,641,931	\$2,249,143	\$7,891,074	\$852,921	11%
Reserves	2,118,878	\$915,630	\$3,034,508	\$1,336,243	44%
<b>TOTAL</b>	<b>\$7,760,809</b>	<b>\$3,164,773</b>	<b>\$10,925,582</b>	<b>\$2,189,164</b>	<b>20%</b>

**UTILITIES:** In total, this category was favorable to budget by \$19K. Trash came in on budget; electricity was favorable due to energy consumption offset by solar credits. Unfavorable variance in water resulted from high water usage during the summer months.



**Discussions**

**2021 Budget:** On September 8, 2020, United Board of Directors approved the 2021 Business Plan with no increase in the basic assessment. On October 21, 2020, the Board changed the allocation of the basic assessment, with a reduction of \$10 per manor per month (PMPM) from Reserve Fund and an increase of \$10 PMPM to the Contingency Fund. Members will be advised that in addition to the Basic Assessment, each unit will pay their calculated portion of property insurance and property taxes.

**2021 Collection & Lien Enforcement Policy:** On September 8, 2020 the Board approved the 2021 Collection & Lien Enforcement Policy by Resolution 01-20-61. The updated policy highlights owners continuing obligation to pay assessments despite temporary closures or modified availability of common area facilities and amenities, absent a mandate from state officials or as otherwise determined by the Board.

**Section 5500/5510 Update:** Due to Covid-19 orders, information required for Board review of monthly financials is being provided to all board members via email. For signature requirements, authorization is obtained from two board members prior to remittance of reserve payments to vendors. Procedures for review of labor charges in on hold during data recovery period.

**Insurance Update:** Property valuation for the community was completed by Duff & Phelps. Beecher Carlson reached out to incumbents and presented a renewal strategy update to All Boards All Directors on Monday, July 20, 2020, indicating significant increases driven by the markets for both casualty and property lines. As of September 30, 2020 all lines of insurance for casualty, executive liability, and property were renewed and bound with United’s portion of the total cost coming in at \$3.7M compared to a budget of \$3.1M for the policy period. The Mutual has formed a task force to review viable alternatives to the current insurance program.

**Reserve Bank Account:** On September 8, 2020, by resolution 01-20-60, the Board requested the opening of a new bank account for the purpose of depositing and disbursing monies from the Reserve Fund. The relationship team at Bank of America is currently working on the implementation of the new account including adding check signers and mirroring the functionality of the existing bank account. Use of the Reserve Fund bank account is anticipated to begin prior to the end of October 2020.

**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. The United portfolio balance has grown from \$14,828,044 on 12/31/19 to \$15,407,630 as of September 30, 2020, representing a gain of \$580K or 3.9%.

**Calendar**

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

- Oct 27, 2020 @ 1:30 p.m. United Finance Committee Meeting (September Financials)
- Oct 29, 2020 @ 2:00 p.m. United Board Agenda Prep Meeting
- Nov 10, 2020 @ 9:30 a.m. United Annual Members Meeting
- Nov 24, 2020 @ 1:30 p.m. United Finance Committee Meeting (October Financials)

October 2020							November 2020							December 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	1	2	3	4	5	6	7			1	2	3	4	5
4	5	6	7	8	9	10	8	9	10	11	12	13	14	6	7	8	9	10	11	12
11	12	13	14	15	16	17	15	16	17	18	19	20	21	13	14	15	16	17	18	19
18	19	20	21	22	23	24	22	23	24	25	26	27	28	20	21	22	23	24	25	26
25	26	27	28	29	30	31	29	30						27	28	29	30	31		

**United Laguna Woods Mutual**  
**Statement of Revenues & Expenses - Preliminary**  
**9/30/2020**  
(\$ IN THOUSANDS)

	CURRENT MONTH			YEAR TO DATE			PRIOR YEAR ACTUAL	TOTAL BUDGET	
	ACTUAL	BUDGET	VARIANCE	ACTUAL	BUDGET	VARIANCE			
<b>Revenues:</b>									
<b>Assessments:</b>									
1	Operating	\$2,535	\$2,489	\$46	\$22,817	\$22,402	\$415	\$21,035	\$29,869
2	Additions to restricted funds	1,024	1,024		9,220	9,220		9,276	12,294
3	<b>Total assessments</b>	<b>3,560</b>	<b>3,514</b>	<b>46</b>	<b>32,037</b>	<b>31,622</b>	<b>415</b>	<b>30,311</b>	<b>42,163</b>
<b>Non-assessment revenues:</b>									
4	Merchandise sales	1	2	(1)	5	15	(10)	4	20
5	Fees and charges for services to residents	25	45	(20)	262	405	(143)	439	540
6	Laundry	11	23	(11)	183	203	(20)	192	270
7	Investment income	18	32	(14)	204	289	(85)	338	385
8	Unrealized gain/(loss) on AFS investments	(20)		(20)	449		449	274	
9	Miscellaneous	39	48	(9)	357	434	(77)	415	579
10	<b>Total non-assessment revenue</b>	<b>74</b>	<b>149</b>	<b>(75)</b>	<b>1,460</b>	<b>1,345</b>	<b>114</b>	<b>1,663</b>	<b>1,794</b>
11	<b>Total revenue</b>	<b>3,634</b>	<b>3,663</b>	<b>(29)</b>	<b>33,497</b>	<b>32,967</b>	<b>530</b>	<b>31,974</b>	<b>43,957</b>
<b>Expenses:</b>									
12	Employee compensation and related	1,091	1,186	95	8,736	10,926	2,189	10,528	14,548
13	Materials and supplies	221	259	38	1,287	2,363	1,076	2,473	3,141
14	Utilities and telephone	442	428	(14)	3,262	3,282	19	3,196	4,326
15	Legal fees	23	29	6	194	262	68	158	350
16	Professional fees		7	7	46	102	56	123	122
17	Equipment rental	6	2	(4)	16	13	(4)	17	17
18	Outside services	659	717	58	4,271	6,465	2,194	6,009	8,638
19	Repairs and maintenance	2	4	1	20	35	15	26	47
20	Other Operating Expense	9	17	8	80	151	71	122	201
21	Income taxes		2	2		19	19	3	25
22	Property and sales tax	942	926	(16)	8,668	8,334	(334)	8,273	11,112
23	Insurance	169	125	(44)	1,529	1,128	(402)	956	1,504
24	Investment expense		3	3	5	28	23	19	37
25	Uncollectible Accounts	(1)	5	6	4	45	41	31	60
26	(Gain)/loss on sale or trade	(2)	(1)	1	54	(6)	(60)	2	(8)
27	Depreciation and amortization	17	17		149	149		156	198
28	Net allocation to mutuals	121	131	11	1,066	1,188	121	906	1,584
29	<b>Total expenses</b>	<b>3,698</b>	<b>3,857</b>	<b>159</b>	<b>29,389</b>	<b>34,482</b>	<b>5,093</b>	<b>32,997</b>	<b>45,902</b>
30	<b>Excess of revenues over expenses</b>	<b>(\$64)</b>	<b>(\$194)</b>	<b>\$130</b>	<b>\$4,108</b>	<b>(\$1,515)</b>	<b>\$5,623</b>	<b>(\$1,023)</b>	<b>(\$1,945)</b>



**United Laguna Woods Mutual  
Operating Statement  
9/30/2020**  
UNITED LAGUNA WOODS MUTUAL

	Actual	YEAR TO DATE Budget	VAR\$ B/(W)	VAR% B/(W)	TOTAL BUDGET
Revenues:					
Assessments:					
<b>Operating</b>					
41001000 - Monthly Assessments	\$13,336,725	\$13,337,226	(\$501)	0.00%	\$17,782,968
41007000 - Monthly Assessments - Property Taxes	8,522,429	8,333,996	188,433	2.26%	11,111,994
41007500 - Monthly Assessments - Supplemental Property Taxes	227,351	0	227,351	0.00%	0
41008000 - Monthly Assessments - Property Insurance	730,606	730,604	2	0.00%	974,142
<b>Total Operating</b>	<b>22,817,111</b>	<b>22,401,826</b>	<b>415,285</b>	<b>1.85%</b>	<b>29,869,104</b>
<b>Additions To Restricted Funds</b>					
41001500 - Monthly Assessments - Contingency Fund	569,070	569,070	0	0.00%	758,760
41003500 - Monthly Assessments - Replacement Fund	8,651,002	8,651,250	(248)	0.00%	11,535,000
<b>Total Additions To Restricted Funds</b>	<b>9,220,072</b>	<b>9,220,320</b>	<b>(248)</b>	<b>0.00%</b>	<b>12,293,760</b>
<b>Total Assessments</b>	<b>32,037,183</b>	<b>31,622,146</b>	<b>415,037</b>	<b>1.31%</b>	<b>42,162,864</b>
Non-Assessment Revenues:					
<b>Merchandise Sales</b>					
41501500 - Merchandise Sales - Warehouse	5,472	14,994	(9,522)	(63.50%)	20,000
<b>Total Merchandise Sales</b>	<b>5,472</b>	<b>14,994</b>	<b>(9,522)</b>	<b>(63.50%)</b>	<b>20,000</b>
<b>Fees and Charges for Services to Residents</b>					
46501000 - Permit Fee	126,472	111,535	14,937	13.39%	148,715
46501500 - Inspection Fee	36,285	59,468	(23,183)	(38.98%)	79,294
46502000 - Resident Maintenance Fee	99,038	233,522	(134,484)	(57.59%)	311,513
<b>Total Fees and Charges for Services to Residents</b>	<b>261,794</b>	<b>404,524</b>	<b>(142,731)</b>	<b>(35.28%)</b>	<b>539,522</b>
<b>Laundry</b>					
46005000 - Coin Op Laundry Machine	182,551	202,500	(19,949)	(9.85%)	270,000
<b>Total Laundry</b>	<b>182,551</b>	<b>202,500</b>	<b>(19,949)</b>	<b>(9.85%)</b>	<b>270,000</b>
<b>Investment Income</b>					
49001000 - Investment Income - Nondiscretionary	7,820	66,217	(58,397)	(88.19%)	88,289
49002000 - Investment Income - Discretionary	196,203	222,904	(26,700)	(11.98%)	297,205
<b>Investment Interest Income</b>	<b>204,023</b>	<b>289,121</b>	<b>(85,097)</b>	<b>(29.43%)</b>	<b>385,494</b>
<b>Unrealized Gain/(Loss) On AFS Investments</b>					
49008100 - Unrealized Gain/(Loss) On Available For Sale Investments	448,658	0	448,658	0.00%	0
<b>Total Unrealized Gain/(Loss) On AFS Investments</b>	<b>448,658</b>	<b>0</b>	<b>448,658</b>	<b>0.00%</b>	<b>0</b>
<b>Miscellaneous</b>					
46004500 - Resident Violations	6,975	37,498	(30,523)	(81.40%)	50,001
44501000 - Additional Occupant Fee	36,880	31,500	5,380	17.08%	42,000
44501500 - Lease Processing Fee - United	97,090	95,994	1,096	1.14%	128,000
44502000 - Variance Processing Fee	1,650	2,997	(1,347)	(44.94%)	4,000
44503000 - Stock Transfer Fee	5,650	9,747	(4,097)	(42.03%)	13,000
44503510 - Resale Processing Fee - United	81,606	93,744	(12,138)	(12.95%)	125,000
44507000 - Golf Cart Electric Fee	44,810	46,500	(1,690)	(3.63%)	62,000
44507200 - Electric Vehicle Plug-In Fee	12,219	11,250	969	8.61%	15,000
44507500 - Cartport/Carport Space Rental Fee	1,763	1,875	(113)	(6.00%)	2,500
47001500 - Late Fee Revenue	23,097	37,500	(14,403)	(38.41%)	50,000
47002010 - Collection Administrative Fee - United	43,330	54,000	(10,670)	(19.76%)	72,000
47002500 - Collection Interest Revenue	2,595	3,600	(1,005)	(27.92%)	4,800
47501000 - Recycling	1,178	4,500	(3,322)	(73.83%)	6,000
48001000 - Legal Fee	0	3,300	(3,300)	(100.00%)	4,400
49009000 - Miscellaneous Revenue	(1,726)	0	(1,726)	0.00%	0
<b>Total Miscellaneous</b>	<b>357,116</b>	<b>434,005</b>	<b>(76,889)</b>	<b>(17.72%)</b>	<b>578,701</b>
<b>Total Non-Assessment Revenue</b>	<b>1,459,614</b>	<b>1,345,144</b>	<b>114,470</b>	<b>8.51%</b>	<b>1,793,717</b>
<b>Total Revenue</b>	<b>33,496,796</b>	<b>32,967,290</b>	<b>529,507</b>	<b>1.61%</b>	<b>43,956,581</b>
Expenses:					
<b>Employee Compensation</b>					
51011000 - Salaries & Wages - Regular	1,881,880	2,155,247	273,367	12.68%	2,883,900

**United Laguna Woods Mutual**  
**Operating Statement**  
**9/30/2020**  
UNITED LAGUNA WOODS MUTUAL

	YEAR TO DATE				TOTAL BUDGET
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	
51021000 - Union Wages - Regular	3,399,352	4,696,792	1,297,440	27.62%	6,279,593
51041000 - Wages - Overtime	19,965	21,145	1,180	5.58%	28,203
51051000 - Union Wages - Overtime	100,449	71,166	(29,283)	(41.15%)	94,908
51061000 - Holiday & Vacation	499,901	578,242	78,341	13.55%	773,301
51071000 - Sick	249,558	235,862	(13,696)	(5.81%)	315,425
51081000 - Sick - Part Time	0	17	17	100.00%	24
51091000 - Missed Meal Penalty	3,740	939	(2,801)	(298.31%)	1,268
51101000 - Temporary Help	11,667	1,399	(10,268)	(733.90%)	1,870
51981000 - Compensation Accrual	(143,804)	0	143,804	0.00%	0
<b>Total Employee Compensation</b>	<b>6,022,708</b>	<b>7,760,808</b>	<b>1,738,100</b>	<b>22.40%</b>	<b>10,378,493</b>
<b>Compensation Related</b>					
52411000 - F.I.C.A.	472,534	583,651	111,117	19.04%	776,727
52421000 - F.U.I.	7,744	10,834	3,090	28.52%	10,834
52431000 - S.U.I.	52,882	55,120	2,238	4.06%	55,120
52441000 - Union Medical	1,314,772	1,416,963	102,191	7.21%	1,889,284
52451000 - Workers' Compensation Insurance	328,892	500,831	171,939	34.33%	639,961
52461000 - Non Union Medical & Life Insurance	258,107	253,204	(4,903)	(1.94%)	337,605
52471000 - Union Retirement Plan	253,836	250,174	(3,662)	(1.46%)	334,482
52481000 - Non-Union Retirement Plan	44,630	93,997	49,366	52.52%	125,775
52981000 - Compensation Related Accrual	(19,688)	0	19,688	0.00%	0
<b>Total Compensation Related</b>	<b>2,713,710</b>	<b>3,164,773</b>	<b>451,064</b>	<b>14.25%</b>	<b>4,169,789</b>
<b>Materials and Supplies</b>					
53001000 - Materials & Supplies	310,351	453,575	143,225	31.58%	594,628
53003000 - Materials Direct	975,362	1,909,089	933,728	48.91%	2,545,928
53004000 - Freight	1,282	0	(1,282)	0.00%	0
<b>Total Materials and Supplies</b>	<b>1,286,994</b>	<b>2,362,664</b>	<b>1,075,670</b>	<b>45.53%</b>	<b>3,140,556</b>
<b>Utilities and Telephone</b>					
53301000 - Electricity	60,799	151,800	91,001	59.95%	189,000
53301500 - Sewer	1,338,954	1,329,300	(9,654)	(0.73%)	1,779,600
53302000 - Water	1,537,710	1,471,666	(66,044)	(4.49%)	1,919,116
53302500 - Trash	324,449	328,287	3,839	1.17%	437,719
53304000 - Telephone	494	514	20	3.93%	685
<b>Total Utilities and Telephone</b>	<b>3,262,406</b>	<b>3,281,568</b>	<b>19,162</b>	<b>0.58%</b>	<b>4,326,120</b>
<b>Legal Fees</b>					
53401500 - Legal Fees	194,409	262,489	68,080	25.94%	349,985
<b>Total Legal Fees</b>	<b>194,409</b>	<b>262,489</b>	<b>68,080</b>	<b>25.94%</b>	<b>349,985</b>
<b>Professional Fees</b>					
53402010 - Audit & Tax Preparation Fees - United	42,000	44,500	2,500	5.62%	44,500
53403500 - Consulting Fees	19	8,937	8,918	99.78%	12,479
53403510 - Consulting Fees - United	4,263	48,735	44,472	91.25%	65,000
<b>Total Professional Fees</b>	<b>46,282</b>	<b>102,172</b>	<b>55,890</b>	<b>54.70%</b>	<b>121,979</b>
<b>Equipment Rental</b>					
53501500 - Equipment Rental/Lease Fees	16,467	12,775	(3,693)	(28.91%)	17,038
<b>Total Equipment Rental</b>	<b>16,467</b>	<b>12,775</b>	<b>(3,693)</b>	<b>(28.91%)</b>	<b>17,038</b>
<b>Outside Services</b>					
53601000 - Bank Fees	32,807	18,989	(13,818)	(72.77%)	25,321
53601500 - Credit Card Transaction Fees	3,085	0	(3,085)	0.00%	0
54603500 - Outside Services Cost Collection	4,186,342	6,335,658	2,149,316	33.92%	8,447,910
53704000 - Outside Services	49,051	110,840	61,789	55.75%	164,394
<b>Total Outside Services</b>	<b>4,271,284</b>	<b>6,465,487</b>	<b>2,194,202</b>	<b>33.94%</b>	<b>8,637,624</b>
<b>Repairs and Maintenance</b>					
53701000 - Equipment Repair & Maint	2,216	12,586	10,370	82.39%	16,823
53703000 - Elevator /Lift Maintenance	17,858	22,618	4,760	21.04%	30,157
<b>Total Repairs and Maintenance</b>	<b>20,074</b>	<b>35,204</b>	<b>15,130</b>	<b>42.98%</b>	<b>46,979</b>
<b>Other Operating Expense</b>					
53801000 - Mileage & Meal Allowance	1,181	11,374	10,193	89.62%	15,153
53801500 - Travel & Lodging	245	2,299	2,054	89.36%	3,027
53802000 - Uniforms	43,453	66,559	23,106	34.72%	88,787
53802500 - Dues & Memberships	382	1,079	697	64.61%	1,687
53803000 - Subscriptions & Books	839	1,512	673	44.50%	2,026

**United Laguna Woods Mutual**  
**Operating Statement**  
**9/30/2020**  
UNITED LAGUNA WOODS MUTUAL

	YEAR TO DATE				TOTAL
	Actual	Budget	VAR\$ B/(W)	VAR% B/(W)	BUDGET
53803500 - Training & Education	3,831	14,860	11,029	74.22%	19,682
53804000 - Staff Support	133	1,057	924	87.45%	1,409
53901500 - Volunteer Support	0	1,250	1,250	100.00%	1,668
53903000 - Safety	0	378	378	100.00%	508
54001000 - Board Relations	397	0	(397)	0.00%	0
54001010 - Board Relations - United	1,112	5,625	4,513	80.23%	7,500
54002000 - Postage	28,350	44,035	15,685	35.62%	58,717
54002500 - Filing Fees / Permits	95	669	574	85.77%	847
<b>Total Other Operating Expense</b>	<b>80,018</b>	<b>150,698</b>	<b>70,680</b>	<b>46.90%</b>	<b>201,011</b>
<b>Income Taxes</b>					
54301000 - State & Federal Income Taxes	0	18,751	18,751	100.00%	25,000
<b>Total Income Taxes</b>	<b>0</b>	<b>18,751</b>	<b>18,751</b>	<b>100.00%</b>	<b>25,000</b>
<b>Property and Sales Tax</b>					
54302000 - Property Taxes	8,667,741	8,333,996	(333,746)	(4.00%)	11,111,994
<b>Total Property and Sales Tax</b>	<b>8,667,741</b>	<b>8,333,996</b>	<b>(333,746)</b>	<b>(4.00%)</b>	<b>11,111,994</b>
<b>Insurance</b>					
54401000 - Hazard & Liability Insurance	444,899	341,834	(103,066)	(30.15%)	455,779
54401500 - D&O Liability	48,062	49,808	1,745	3.50%	66,412
54402000 - Property Insurance	1,034,076	730,604	(303,472)	(41.54%)	974,142
54403000 - General Liability Insurance	2,280	5,496	3,216	58.52%	7,328
<b>Total Insurance</b>	<b>1,529,318</b>	<b>1,127,741</b>	<b>(401,577)</b>	<b>(35.61%)</b>	<b>1,503,660</b>
<b>Investment Expense</b>					
54201000 - Investment Expense	5,047	27,549	22,502	81.68%	36,732
<b>Total Investment Expense</b>	<b>5,047</b>	<b>27,549</b>	<b>22,502</b>	<b>81.68%</b>	<b>36,732</b>
<b>Uncollectible Accounts</b>					
54602000 - Bad Debt Expense	3,664	44,700	41,036	91.80%	59,600
<b>Total Uncollectible Accounts</b>	<b>3,664</b>	<b>44,700</b>	<b>41,036</b>	<b>91.80%</b>	<b>59,600</b>
<b>(Gain)/Loss on Sale or Trade</b>					
54101000 - (Gain)/Loss - Warehouse Sales	(6,324)	(5,625)	699	12.43%	(7,500)
54101500 - (Gain)/Loss On Investments	60,228	0	(60,228)	0.00%	0
<b>Total (Gain)/Loss on Sale or Trade</b>	<b>53,904</b>	<b>(5,625)</b>	<b>(59,529)</b>	<b>(1058.29%)</b>	<b>(7,500)</b>
<b>Depreciation and Amortization</b>					
55001000 - Depreciation And Amortization	148,682	148,682	0	0.00%	198,242
<b>Total Depreciation and Amortization</b>	<b>148,682</b>	<b>148,682</b>	<b>0</b>	<b>0.00%</b>	<b>198,242</b>
<b>Net Allocation to Mutuals</b>					
54602500 - Allocated Expenses	1,066,265	1,187,595	121,330	10.22%	1,584,319
<b>Total Net Allocation to Mutuals</b>	<b>1,066,265</b>	<b>1,187,595</b>	<b>121,330</b>	<b>10.22%</b>	<b>1,584,319</b>
<b>Total Expenses</b>	<b>29,388,973</b>	<b>34,482,026</b>	<b>5,093,053</b>	<b>14.77%</b>	<b>45,901,622</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$4,107,823</b>	<b>(\$1,514,737)</b>	<b>\$5,622,560</b>	<b>371.19%</b>	<b>(\$1,945,042)</b>

**United Laguna Woods Mutual  
Balance Sheet - Preliminary  
9/30/2020**

		<u>Current Month End</u>	<u>Prior Year December 31</u>
<b>Assets</b>			
1	Cash and cash equivalents	\$8,580,889	\$2,159,882
2	Non-discretionary investments	1,999,507	1,992,808
3	Discretionary investments	15,407,630	14,828,044
4	Receivable/(Payable) from mutuals	1,210,633	1,518,100
5	Accounts receivable and interest receivable	675,498	675,921
6	Prepaid expenses and deposits	476,350	1,118,128
7	Property and equipment	91,989,605	91,989,605
8	Accumulated depreciation property and equipment	(83,758,487)	(83,756,191)
9	Beneficial interest in GRF of Laguna Hills Trust	5,650,564	5,796,949
10	Non-controlling interest in GRF	39,116,237	39,116,237
<b>11</b>	<b>Total Assets</b>	<b><u>\$81,348,425</u></b>	<b><u>\$75,439,483</u></b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
12	Accounts payable and accrued expenses	\$3,528,769	\$1,453,947
13	Accrued compensation and related costs	385,466	596,765
14	Deferred income	874,148	936,551
15	Asset retirement obligation	1,207,814	1,207,814
16	Total liabilities	<u>\$5,996,197</u>	<u>\$4,195,078</u>
Fund balances:			
17	Fund balance prior years	71,244,405	74,614,944
18	Change in fund balance - current year	4,107,823	(3,370,539)
19	Total fund balances	<u>75,352,228</u>	<u>71,244,405</u>
<b>20</b>	<b>Total Liabilities and Fund Balances</b>	<b><u>\$81,348,425</u></b>	<b><u>\$75,439,483</u></b>

**United Laguna Woods Mutual Fund  
Balance Sheet - Preliminary  
9/30/2020**

	<u>Operating Fund</u>	<u>Contingency Fund</u>	<u>Replacement Fund</u>	<u>Total</u>	
<b>Assets</b>					
1	Cash and cash equivalents	\$4,128,336		\$4,452,553	\$8,580,889
2	Non-discretionary investments			1,999,507	1,999,507
3	Discretionary investments		745,042	14,662,588	15,407,630
4	Receivable/(Payable) from mutuals	1,210,633			1,210,633
5	Receivable/(Payable) from operating fund	(486,968)	45,656	441,312	
6	Accounts receivable and interest receivable	675,498			675,498
7	Prepaid expenses and deposits	476,350			476,350
8	Property and equipment	91,989,605			91,989,605
9	Accumulated depreciation property and equipment	(83,758,487)			(83,758,487)
10	Beneficial interest in GRF of Laguna Hills Trust	5,650,564			5,650,564
11	Non-controlling interest in GRF	39,116,237			39,116,237
<b>12</b>	<b>Total Assets</b>	<b><u>\$59,001,769</u></b>	<b><u>\$790,698</u></b>	<b><u>\$21,555,959</u></b>	<b><u>\$81,348,425</u></b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
13	Accounts payable and accrued expenses	\$3,053,065	\$50,408	\$425,296	\$3,528,769
14	Accrued compensation and related costs	385,466			385,466
15	Deferred income	874,148			874,148
16	Asset retirement obligation	1,207,814			1,207,814
17	Total liabilities	<u>\$5,520,493</u>	<u>\$50,408</u>	<u>\$425,296</u>	<u>\$5,996,197</u>
Fund balances:					
18	Fund balance prior years	52,881,436	1,106,755	17,256,214	71,244,405
19	Change in fund balance - current year	599,840	(366,465)	3,874,448	4,107,823
20	Total fund balances	<u>53,481,276</u>	<u>740,290</u>	<u>21,130,662</u>	<u>75,352,228</u>
<b>21</b>	<b>Total Liabilities and Fund Balances</b>	<b><u>\$59,001,769</u></b>	<b><u>\$790,698</u></b>	<b><u>\$21,555,959</u></b>	<b><u>\$81,348,425</u></b>

**United Laguna Woods Mutual**  
**Changes in Fund Balances - Preliminary**  
**9/30/2020**

	<u>Operating Fund</u>	<u>Contingency Fund</u>	<u>Replacement Fund</u>	<u>Total</u>
Revenues:				
Assessments:				
1	\$22,817,111			\$22,817,111
2	162	569,060	8,650,850	9,220,072
3	<u>22,817,273</u>	<u>569,060</u>	<u>8,650,850</u>	<u>32,037,183</u>
Non-assessment revenues:				
4	620		4,852	5,472
5	261,794			261,794
6	182,551			182,551
7		12,150	191,873	204,023
8		26,782	421,875	448,658
9	357,116			357,116
10	<u>802,080</u>	<u>38,933</u>	<u>618,600</u>	<u>1,459,614</u>
11	<u>23,619,353</u>	<u>607,993</u>	<u>9,269,451</u>	<u>33,496,796</u>
Expenses:				
12	7,038,153	2,612	1,695,653	8,736,418
13	501,716	164	785,114	1,286,994
14	3,260,399	9	1,998	3,262,406
15	194,409			194,409
16	46,282			46,282
17	2,524	6	13,937	16,467
18	587,569	967,618	2,716,098	4,271,284
19	19,671	1	401	20,074
20	68,784	18	11,216	80,018
21	8,667,741			8,667,741
22	1,529,318			1,529,318
23		301	4,745	5,047
24	3,664			3,664
25	(6,324)	3,595	56,633	53,904
26	148,682			148,682
27	956,926	132	109,207	1,066,265
28	<u>23,019,513</u>	<u>974,458</u>	<u>5,395,002</u>	<u>29,388,973</u>
29	<u>\$599,840</u>	<u>(\$366,465)</u>	<u>\$3,874,448</u>	<u>\$4,107,823</u>
30	<u>\$748,522</u>	<u>(\$393,247)</u>	<u>\$3,452,573</u>	<u>\$3,807,847</u>

United Laguna Woods Mutual  
 Supplemental Appropriation Schedule  
 Period Ending: 09/30/2020

Fund/Item	Resolution	BUDGET	EXPENDITURES I-T-D*			Remaining Ecumbrance
		Total Appropriations	2020	Prior Years	Total	
<b>Reserve Fund</b>						
Emergency Panel Replacements	1-18-99	48,000	0	28,961	28,961	19,039
Water Heater Replacement	1-19-66	940,000	1,389	865,107	866,496	73,504
Laundry Room Coin Box Guards	1-19-64	20,000	0	0	0	20,000
2021 Reserve Study	01-20-XX	5,000	5,000	0	5,000	0
	<b>Total</b>	<b>1,013,000</b>	<b>6,389</b>	<b>894,068</b>	<b>900,457</b>	<b>112,543</b>
<b>Contingency Fund</b>						
Solar Energy		0	(47,328)	0	(47,328)	0
Energy Consultant Services	1-18-67	50,000	1,410	29,679	31,089	18,911
2019 Fumigation Program	1-19-33	104,762	0	68,819	68,819	35,943
Slope Repair Avenida Castilla	1-19-51	13,246	0	12,042	12,042	1,204
	<b>Total</b>	<b>168,008</b>	<b>(45,918)</b>	<b>110,540</b>	<b>64,622</b>	<b>56,058</b>

\*Incurred To Date

**UNITED LAGUNA WOODS MUTUAL  
FUND EXPENDITURES REPORT  
AS OF SEPTEMBER 30, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		2020	%	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	EXPENDED	\$	%
<b>RESERVE FUND - MAINTENANCE &amp; CONSTRUCTION</b>								
<b>REPLACEMENTS</b>								
BUILDING STRUCTURES	\$9,191	\$55,647	\$227,363	\$502,388	\$670,009	34%	\$275,025	55%
CDS SIGNAGE	0	4,166	29,078	37,494	50,000	58%	8,416	22%
ELECTRICAL SYSTEMS	31,372	38,290	167,187	344,610	459,495	36%	177,423	51%
EXTERIOR WALKWAY LIGHTING	0	6,233	5,821	56,321	75,121	8%	50,499	90%
FOUNDATIONS	0	3,653	0	32,877	43,836	0%	32,877	100%
GUTTER REPLACEMENT	2,745	8,140	29,297	73,684	98,289	30%	44,387	60%
PAINT - EXTERIOR	156,043	154,356	818,156	1,406,122	1,876,061	44%	587,966	42%
PRIOR TO PAINT	101,168	82,670	481,059	752,110	1,003,518	48%	271,051	36%
PAVING	167,976	33,052	226,078	297,468	396,628	57%	71,390	24%
ROOF REPLACEMENTS	258,487	77,565	603,372	698,085	930,804	65%	94,713	14%
WALL REPLACEMENT	0	13,750	0	123,750	165,000	0%	123,750	100%
WASTE LINE REMEDIATION	7,694	191,666	737,767	1,724,994	2,300,000	32%	987,227	57%
WATER LINE - COPPER PIPE REMEDIATION	4,272	16,666	169,666	149,994	200,000	85%	(19,672)	(13%)
WINDOW/SLIDING SCREEN DOOR	17,538	9,908	35,069	89,604	119,518	29%	54,535	61%
SUPPL. APPROPRIATIONS	0	0	6,389	6,389	6,389	100%	0	0%
<b>SUB-TOTAL</b>	<b>\$756,487</b>	<b>\$695,762</b>	<b>\$3,536,303</b>	<b>\$6,295,889</b>	<b>\$8,394,668</b>	<b>42%</b>	<b>\$2,759,586</b>	<b>44%</b>
<b>APPLIANCE AND FIXTURE REPLACEMENTS</b>								
COOKTOPS	\$6,269	\$5,910	\$37,754	\$53,322	\$71,112	53%	\$15,567	29%
DISHWASHERS	5,424	7,092	39,257	64,111	85,523	46%	24,854	39%
BASINS/SINKS/TOILETS	15,446	19,814	86,210	178,927	238,679	36%	92,717	52%
GARBAGE DISPOSALS	5,696	9,554	53,875	86,535	115,440	47%	32,660	38%
HOODS	1,720	2,958	6,830	26,745	35,681	19%	19,915	74%
COUNTER TOPS/FLOORS/SHOWER ENCLOSURES	59,115	115,529	390,827	1,043,839	1,392,191	28%	653,012	63%
OVENS	12,526	9,243	76,023	83,319	111,112	68%	7,296	9%
RANGES	0	1,031	3,863	9,345	12,469	31%	5,482	59%
REFRIGERATORS	6,949	18,925	78,449	170,783	227,754	34%	92,334	54%
WATER HEATERS & PERMITS	37,281	62,281	226,727	563,425	751,503	30%	336,698	60%
DRYERS	0	2,974	123	26,799	35,735	0%	26,676	100%
WASHING MACHINES	11,918	7,554	43,635	68,066	90,773	48%	24,430	36%
<b>SUB-TOTAL</b>	<b>\$162,343</b>	<b>\$262,866</b>	<b>\$1,043,575</b>	<b>\$2,375,216</b>	<b>\$3,167,971</b>	<b>33%</b>	<b>\$1,331,641</b>	<b>56%</b>
<b>TOTAL RESERVE FUND</b>	<b>\$918,830</b>	<b>\$958,628</b>	<b>\$4,579,878</b>	<b>\$8,671,105</b>	<b>\$11,562,639</b>	<b>40%</b>	<b>\$4,091,227</b>	<b>47%</b>

**RESERVE FUND - GENERAL SERVICES**

PRIOR TO PAINT	\$0	\$756	\$0	\$6,884	\$9,186	0%	\$6,884	100%
PAVING	1,131	5,635	17,193	51,309	68,481	25%	34,117	66%
WALL REPLACEMENT	0	2,529	0	22,761	30,365	0%	22,761	100%
<b>TOTAL</b>	<b>\$1,131</b>	<b>\$8,920</b>	<b>\$17,193</b>	<b>\$80,955</b>	<b>\$108,032</b>	<b>16%</b>	<b>\$63,762</b>	<b>79%</b>



**UNITED LAGUNA WOODS MUTUAL  
FUND EXPENDITURES REPORT  
AS OF SEPTEMBER 30, 2020**

DESCRIPTION	CURRENT MONTH		YEAR-TO-DATE		2020	%	VARIANCE	
	ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	EXPENDED	\$	%
<b>RESERVE FUND - LANDSCAPE</b>								
<b>REPLACEMENTS</b>								
LANDSCAPE MODIFICATION	\$45,987	\$37,616	\$107,938	\$338,636	\$451,543	24%	\$230,698	68%
TREE MAINTENANCE	69,427	71,205	628,615	648,084	864,752	73%	19,469	3%
<b>TOTAL RESERVE FUND</b>	<b>\$115,414</b>	<b>\$108,821</b>	<b>\$736,553</b>	<b>\$986,720</b>	<b>\$1,316,295</b>	<b>56%</b>	<b>\$250,167</b>	<b>25%</b>

**OPERATING EXPENDITURES - MAINTENANCE & CONSTRUCTION**

PLUMBING SERVICE	\$119,294	\$113,740	\$1,154,214	\$1,035,896	\$1,382,295	83%	(\$118,318)	(11%)
CARPENTRY SERVICE	39,327	40,654	352,974	370,269	494,100	71%	17,294	5%
ELECTRICAL SERVICE	28,860	33,681	230,373	306,962	409,634	56%	76,588	25%
APPLIANCE REPAIRS	23,947	25,401	184,429	231,172	308,507	60%	46,744	20%
INTERIOR PREVENTIVE MAINTENANCE	30,815	28,483	172,665	259,618	346,454	50%	86,952	33%
PEST CONTROL	10,615	18,830	37,499	169,470	225,980	17%	131,971	78%
COUNTERTOP/FLOOR/TILE REPAIRS	8,196	10,573	79,743	96,271	128,480	62%	16,528	17%
ENERGY PROGRAM	0	2,083	9,746	18,747	25,000	39%	9,001	48%
MISC. REPAIRS BY OUTSIDE SERVICE	415	2,083	20,694	18,747	25,000	83%	(1,947)	(10%)
FIRE PROTECTION	335	1,058	2,197	9,522	12,700	17%	7,325	77%
<b>TOTAL</b>	<b>\$261,804</b>	<b>\$276,586</b>	<b>\$2,244,535</b>	<b>\$2,516,673</b>	<b>\$3,358,151</b>	<b>67%</b>	<b>\$272,138</b>	<b>11%</b>

**OPERATING EXPENDITURES - GENERAL SERVICES**

CONCRETE REPAIR/REPLACEMENT	\$33,368	\$30,716	\$270,868	\$279,617	\$373,111	73%	\$8,748	3%
JANITORIAL SERVICE	28,690	28,359	347,893	258,633	345,015	101%	(89,260)	(35%)
GUTTER CLEANING	0	16,014	36,202	144,616	192,872	19%	108,415	75%
WELDING	4,028	8,334	51,497	75,888	101,275	51%	24,392	32%
TRAFFIC CONTROL	948	1,234	5,889	11,243	15,010	39%	5,354	48%
<b>TOTAL</b>	<b>\$67,034</b>	<b>\$84,656</b>	<b>\$712,348</b>	<b>\$769,997</b>	<b>\$1,027,283</b>	<b>69%</b>	<b>\$57,649</b>	<b>7%</b>

**CONTINGENCY FUND - MAINTENANCE & CONSTRUCTION**

MOISTURE INTRUSION - RAIN LEAKS	\$19,708	\$12,666	\$241,969	\$113,994	\$152,000	159%	(\$127,975)	(112%)
MOISTURE INTRUSION - PLUMBING LEAKS	5,731	62,949	414,840	566,541	755,390	55%	151,701	27%
MOISTURE INTRUSION - PLUMBING STOPPAGES	17,292	23,243	206,942	209,187	278,926	74%	2,245	1%
MOISTURE INTRUSION - MISCELLANEOUS	10,068	6,565	133,351	59,085	78,786	169%	(74,266)	(126%)
DAMAGE RESTORATION SERVICES	2,003	11,904	19,376	107,689	143,640	13%	88,312	82%
SUPPL. APPROPRIATIONS	(47,328)	(47,328)	(45,918)	(45,918)	(45,918)	100%	0	0%
<b>TOTAL CONTINGENCY FUND</b>	<b>\$7,473</b>	<b>\$69,999</b>	<b>\$970,561</b>	<b>\$1,010,577</b>	<b>\$1,362,824</b>	<b>71%</b>	<b>\$40,016</b>	<b>4%</b>

**UNITED LAGUNA WOODS MUTUAL  
MAINTENANCE PROGRAMS EXPENDITURES REPORT  
AS OF SEPTEMBER 30, 2020**

YTD ACTUAL

DESCRIPTION	TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES
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**RESERVE FUND - MAINTENANCE & CONSTRUCTION**

BUILDING STRUCTURES	\$227,363	\$17,631	\$2,966	\$206,766
CDS SIGNAGE	29,078	\$0	\$0	\$29,078
ELECTRICAL SYSTEMS	167,187	\$0	\$0	\$167,187
EXTERIOR WALKWAY LIGHTING	5,821	\$0	\$0	\$5,821
FOUNDATIONS	0	\$0	\$0	\$0
GUTTER REPLACEMENT	29,297	\$26,987	\$2,310	\$0
PAINT - EXTERIOR	818,156	\$732,797	\$85,359	\$0
PRIOR TO PAINT	481,059	\$409,518	\$71,541	\$0
PAVING	226,078	\$0	\$0	\$226,078
ROOF REPLACEMENTS	603,372	\$0	\$0	\$603,372
WALL REPLACEMENT	0	\$0	\$0	\$0
WASTE LINE REMEDIATION	737,767	\$6,333	\$203	\$731,232
WATER LINE - COPPER PIPE REMEDIATION	169,666	\$0	\$0	\$169,666
WINDOW/SLIDING SCREEN DOOR	35,069	\$12,391	\$19,260	\$3,418
SUPL. APPROPRIATIONS	6,389	\$900	\$489	\$5,000
COOKTOPS	\$37,754	\$6,116	\$24,603	\$7,035
DISHWASHERS	39,257	\$11,983	\$23,719	\$3,554
BASINS/SINKS/TOILETS	86,210	\$28,519	\$57,692	\$0
GARBAGE DISPOSALS	53,875	\$20,302	\$33,572	\$0
HOODS	6,830	\$2,199	\$3,199	\$1,432
COUNTER TOPS/FLOORS/SHOWER ENCLOSURES	390,827	\$179,604	\$99,468	\$111,755
OVENS	76,023	\$6,473	\$51,417	\$18,132
RANGES	3,863	\$1,090	\$1,930	\$843
REFRIGERATORS	78,449	\$15,303	\$51,373	\$11,773
WATER HEATERS & PERMITS	226,727	\$66,750	\$159,977	\$0
DRYERS	123	\$123	\$0	\$0
WASHING MACHINES	43,635	\$4,582	\$39,054	\$0
<b>TOTAL</b>	<b>\$4,579,878</b>	<b>\$1,549,602</b>	<b>\$728,133</b>	<b>\$2,302,144</b>

**RESERVE FUND - GENERAL SERVICES**

PRIOR TO PAINT	\$0	\$0	\$0	\$0
PAVING	17,193	\$16,735	\$458	\$0
WALL REPLACEMENT	0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$17,193</b>	<b>\$16,735</b>	<b>\$458</b>	<b>\$0</b>

**RESERVE FUND - LANDSCAPE**

LANDSCAPE MODIFICATION	\$107,938	\$0	\$609	\$107,329
TREE MAINTENANCE	628,615	\$326,940	\$0	\$301,675
<b>TOTAL</b>	<b>\$736,553</b>	<b>\$326,940</b>	<b>\$609</b>	<b>\$409,004</b>

**UNITED LAGUNA WOODS MUTUAL  
MAINTENANCE PROGRAMS EXPENDITURES REPORT  
AS OF SEPTEMBER 30, 2020**

YTD ACTUAL

DESCRIPTION	TOTAL EXPENDITURES	LABOR	MATERIALS	OUTSIDE SERVICES
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***OPERATING EXPENDITURES - MAINTENANCE & CONSTRUCTION***

PLUMBING SERVICE	\$1,154,214	\$898,977	\$47,604	\$207,634
CARPENTRY SERVICE	352,974	\$328,928	\$24,046	\$0
ELECTRICAL SERVICE	230,373	\$202,994	\$25,786	\$1,594
APPLIANCE REPAIRS	184,429	\$162,517	\$21,912	\$0
INTERIOR PREVENTIVE MAINTENANCE	172,665	\$171,373	\$1,292	\$0
PEST CONTROL	37,499	\$0	\$0	\$37,499
COUNTERTOP/FLOOR/TILE REPAIRS	79,743	\$73,590	\$2,628	\$3,525
ENERGY PROGRAM	9,746	\$0	\$0	\$9,746
MISC. REPAIRS BY OUTSIDE SERVICE	20,694	\$0	\$0	\$20,694
FIRE PROTECTION	2,197	\$0	\$1,021	\$1,176
<b>TOTAL</b>	<b>\$2,244,535</b>	<b>\$1,838,378</b>	<b>\$124,289</b>	<b>\$281,868</b>

***OPERATING EXPENDITURES - GENERAL SERVICES***

CONCRETE REPAIR/REPLACEMENT	\$270,868	\$253,279	\$17,590	\$0
JANITORIAL SERVICE	347,893	\$347,655	\$237	\$0
GUTTER CLEANING	36,202	\$36,144	\$58	\$0
WELDING	51,497	\$50,408	\$1,089	\$0
TRAFFIC CONTROL	5,889	\$5,889	\$0	\$0
<b>TOTAL</b>	<b>\$712,348</b>	<b>\$693,375</b>	<b>\$18,973</b>	<b>\$0</b>

***CONTINGENCY FUND - MAINTENANCE & CONSTRUCTION***

MOISTURE INTRUSION - RAIN LEAKS	\$241,969	\$0	\$0	\$241,969
MOISTURE INTRUSION - PLUMBING LEAKS	414,840	\$0	\$0	\$414,840
MOISTURE INTRUSION - PLUMBING STOPPAGES	206,942	\$0	\$0	\$206,942
MOISTURE INTRUSION - MISCELLANEOUS	133,351	\$0	\$0	\$133,351
DAMAGE RESTORATION SERVICES	19,376	\$2,926	\$17	\$16,433
SUPPL. APPROPRIATIONS	(45,918)	\$0	\$0	(\$45,918)
<b>TOTAL</b>	<b>\$970,561</b>	<b>\$2,926</b>	<b>\$17</b>	<b>\$967,618</b>



## STAFF REPORT

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**DATE:** October 27, 2020  
**FOR:** Finance Committee  
**SUBJECT:** Insurance Renewal Timeline

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### **RECOMMENDATION**

Receive and file.

### **BACKGROUND**

Prior to the 10/1/2019 insurance renewal, the property insurance coverage for the community was insured at a \$700 million limit with Travelers Insurance Company. During the 10/1/2019 insurance renewal, due to unfavorable market conditions in the property insurance marketplace, Travelers Insurance Company only provided insurance coverage up to \$50 million and a layered program with various insurance companies was put together to achieve a \$700 million limit. During this time Travelers stated the statement of values (SOV) was too low and a new valuation would need to be completed to accurately reflect the values for the community. The last valuation completed for the community was in 1987 and in June 2020 Duff & Phelps completed a new valuation.

As part of the 10/1/2020 insurance renewal process, Beecher Carlson Insurance Services, the insurance broker for the Community, provided a casualty, executive liability, and property renewal proposal. The proposal included property, general liability, auto, excess liability, directors and officers, and workers compensation insurance. Due to continued unfavorable market conditions and an updated SOV for the community, the property portions of the proposal came in higher than anticipated for the 2020/2021 policy period.

Consistent with the prior renewal, Travelers Insurance Company only provided insurance coverage up to \$50 million and a layered program with various insurance companies was put together to achieve a \$425 million shared limit for the community and a \$700 million limit for Third. A schedule of the insurance companies participating in the property program and their financial ratings is attached (Attachment 1).

### **DISCUSSION**

To prepare for the next insurance renewal, the timeline below provides an overview of the of the 10/1/2021 insurance renewal process:

**October 2020** – Review all binders and policies for accuracy and pay invoices for the various lines of insurance renewed. Also, begin the RFQ/RFP process to obtain proposals for broker services. The last broker bid process was completed in late June of 2016. Additionally, to

continually monitor the current insurance placement for the community and to prepare for the next renewal an Insurance Ad Hoc Committee for United that was formed on October 13th.

**November/December 2020 –**

- Determine if a viable coverage option of a possible maximum loss (PML) of \$150 million and loss assessment coverage under resident HO-6 is available.
- Conduct broker and carrier meetings. Meetings with the new broker will focus on the past renewal and planning for the next renewal. The focus of the meetings with the property carrier (Travelers Insurance) and will be on claims handling and loss prevention.
- Work with the Department of Media Communications to get information out to residents regarding HO-6 policies and help residents understand how it can help with loss assessments, personal property, and loss of use.
- Look at having insurance companies advertise on Village TV about the products they offer in regards to HO-6 policies.
- Discuss a possible renewal date change with the current broker to be more in line with the current budget process. However, market conditions will have to be monitored to achieve premium savings in regards to canceling current policies and renewing coverage. This would be done on a carrier by carrier basis and minimum premiums of approximately 25% to 35% would need to be earned before any premium would be returned.

**January/April 2020** - Each quarter we will be working with the broker to look at market conditions for both property and liability insurance to look at the possibility of renewing lines of insurance to achieve premium savings. The latest information from AmWINS which is a global specialty insurance broker states market conditions are still unfavorable. Here is some information that can be found on the market impact from 2020 wildfire and hurricane natural disasters at: <https://www.amwins.com/insights/article/2020-natural-disasters-amwins-special-report>

*These natural disasters, combined with the ever-precarious economic environment, will continue to impact market conditions. We've already seen many carriers change their approach to assessing risk, such as reducing limits, increasing deductibles, restricting terms and raising rates. The market has continued to harden in many areas throughout 2020 and the culmination of this activity will put continued pressure on pricing.*

**April 2021 –** Attend the Risk Management Society (RIMS) conference which will be held in late April. The conference is where the risk community gathers to generate ideas and learn the latest strategies in risk management, meet with current providers, and discover new ones with over 400 companies in attendance.

**May/September 2021** – Work with current/new broker on renewals and provide budgetary estimates based on different limits and deductible options to achieve premium savings. This will allow for preliminary budget estimates to be included in the 2022 business plan.

**FINANCIAL ANALYSIS**

None.

**Prepared By:** Dan Yost, Risk Manager

**Reviewed By:** Betty Parker, Chief Financial Officer

**ATTACHMENTS:**

**Attachment 1 – Insurance Program Company Financial Ratings**

**2020-2021 PROPERTY INSURANCE PROGRAM  
SCHEDULE OF PARTICIPATION**

<b>CARRIER</b>	<b>POLICY NUMBER</b>	<b>PARTICIPATION PERCENTAGE</b>	<b>PARTICIPATION LIMIT</b>	<b>A.M. BEST RATING</b>
<b>Primary \$50,000,000</b>				
Travelers Excess and Surplus Lines Company	KTQ-CMB-3R01375-0-20	100.00%	\$50,000,000	A++
<b>\$25,000,000 Excess of \$50,000,000</b>				
Certain Underwriters at Lloyd's of London	20-ASC-0059B	20.00%	\$5,000,000	A
Lexington Insurance Company	11144922	22.66666666%	\$5,666,667	A
Aspen Specialty Insurance Company	PX00E3X20	10.00%	\$2,500,000	A
Mt. Hawley Insurance Company	20-ASC-0060B	10.00%	\$2,500,000	A+
Colony Specialty Insurance Company	XP190277-1	14.00%	\$3,500,000	A-
<b>\$75,000,000 Excess of \$50,000,000</b>				
Kinsale Insurance Company	0100097541-1	10.00%	\$7,500,000	A
Everest Indemnity Insurance Company	CA3X001495-201	13.333333%	\$10,000,000	A+
<b>\$50,000,000 Excess of \$75,000,000</b>				
Certain Underwriters at Lloyd's of London	B128418758W20	10.00%	\$5,000,000	A
Ategrity Specialty Insurance Company	01-B-XP-P00000739-1	10.00%	\$5,000,000	A-
Navigators Specialty Insurance Company	BO20HABZ02QVAIC	10.00%	\$5,000,000	A+
Westchester Surplus Lines Insurance Company	D42286199 002	10.00%	\$5,000,000	A++
Evanston Insurance Company	MKLV11XP008384	10.00%	\$5,000,000	A
Arch Specialty Insurance Company	ESP1001147-01	8.00%	\$4,000,000	A+
Ironshore Specialty Insurance Company	1000361644-02	11.1666667%	\$5,583,333	A
Certain Underwriters at Lloyd's of London	B128420784W20	7.50%	\$3,750,000	A
<b>\$100,000,000 Excess of \$125,000,000</b>				
Landmark American Insurance Company	LHD915067	50.00%	\$50,000,000	A+
Certain Underwriters at Lloyd's of London	B128418830W20	5.25%	\$5,250,000	A
Certain Underwriters at Lloyd's of London	B128418785W20	20.00%	\$20,000,000	A
Certain Underwriters at Lloyd's of London	B128418785W20	6.50%	\$6,500,000	A
Ategrity Specialty Insurance Company	01-B-XP-P00000739-1	5.00%	\$5,000,000	A-
Fidelis Underwriting Limited	B128420856W20	13.25%	\$13,250,000	A
<b>\$100,000,000 Excess of \$225,000,000</b>				
Fidelis Underwriting Limited	B128420856W20	36.75%	\$36,750,000	A
Certain Underwriters at Lloyd's of London	B128418829W20	10.75%	\$10,750,000	A
Endurance American Specialty Insurance Co.	ARP30002005000	10.00%	\$10,000,000	A+
Starr Surplus Lines Insurance Company	20SUFPA11370101	10.00%	\$10,000,000	A
Lexington Insurance Company	0006893481	5.00%	\$5,000,000	A
Hallmark Specialty Insurance Company	73-PX-000632444-00-000	5.00%	\$5,000,000	A-
Scottsdale Insurance Company	BXS0001875	17.50%	\$17,500,000	A+
Argo Re Ltd.	P145305	5.00%	\$5,000,000	A-
<b>\$100,000,000 Excess of \$325,000,000</b>				
Princeton Excess and Surplus Lines Ins. Co.	78-A3-XP-0000633-01	50.00%	\$50,000,000	A+
Homeland Insurance Company of New York	795013599	50.00%	\$50,000,000	A+
<b>\$75,000,000 Excess of \$425,000,000</b>				
Certain Underwriters at Lloyd's of London	B128420781W20	5.33333334%	\$4,000,000	A
Interstate Fire & Casualty	US2000319201	16.6666667%	\$12,500,000	A+
Houston Casualty Company (UK Branch)	B128418832W20	7.50%	\$5,625,000	A++
Certain Underwriters at Lloyd's of London	B128418832W20	10.00%	\$7,500,000	A
Certain Underwriters at Lloyd's of London	B128418784W20	3.00%	\$2,250,000	A
Convex Insurance UK Limited	B128420866W20	7.50%	\$5,625,000	A-
Certain Underwriters at Lloyd's of London	B128418758W20	7.50%	\$5,625,000	A
<b>\$175,000,000 Excess of \$425,000,000</b>				
Starr Surplus Lines Insurance Company	SLSTPTY11370920	17.50%	\$30,625,000	A
Landmark American Insurance Company	LHD915074	25.00%	\$43,750,000	A+
<b>\$100,000,000 Excess of \$500,000,000</b>				
Mitsui Sumitomo Insurance Company of America	EXP7000721	10.00%	\$10,000,000	A+
GuideOne Mutual Insurance Company	099000365	11.00%	\$11,000,000	A-
Endurance Specialty Insurance Ltd.	BPD 30000221900	12.00%	\$12,000,000	A+
Certain Underwriters at Lloyd's of London	B128420784W20	5.00%	\$5,000,000	A
Lancashire Insurance Co (UK) Ltd.	B128420869W20	7.50%	\$7,500,000	A
<b>\$50,000,000 Excess of \$500,000,000</b>				
Certain Underwriters at Lloyd's of London	B128418835W20	12.00%	\$6,000,000	A

<b>\$50,000,000 Excess of \$550,000,000</b>				
Chubb Bermuda International, a division of Chubb European Group SE	B128418767W20	12.00%	\$6,000,000	A++
<b>\$100,000,000 Excess of \$600,000,000</b>				
Chubb Bermuda International, a division of Chubb European Group SE	B128418767W20	100.00%	\$100,000,000	A++

## GUIDE TO BEST'S FINANCIAL STRENGTH RATINGS – (FSR)

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In addition, an FSR may be displayed with a rating identifier, modifier or affiliation code that denotes a unique aspect of the opinion.

### Best's Financial Strength Rating (FSR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

\* Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".





## Disaster Fund Proposal–

In the 2020 Green book page 17, our current Contingency Fund states:

“The Contingency Fund is used for the repair or replacement of mutual assets damaged by

- 1) Uninsured or unexpected disasters, in addition to providing for
- 2) Unanticipated significant expenditures not otherwise identified in the business plan. This fund may also be used for
- 3) Write-offs of uncollectible accounts according to original definition of the General Operating Fund.

The fund is not required by Civil Code and is not included in the reserve plan calculations.”

This Contingency Fund should be managed to meet all 3 requirements simultaneously, rather than managed to meet only any single requirement individually. I don't know why this fund is commingled by VMS, whether on purpose or by lack of knowledge. Currently VMS manages this fund to meet only the 2<sup>nd</sup> portion without considering other portions. We now have no fund for any unexpected disaster like the insurance premium spike. In order to make the disaster fund meaningful, it is necessary to split the disaster portion out of this Contingency Fund as an individual fund to maintain appropriate funding for that specific disaster purpose.

Other issues not clearly identified are the amounts required for each purposes.

The first requirement relates to disasters requires minimum amount, to cover certain % of damages otherwise it's totally meaningless with inadequate fund like under \$1m.

The 2<sup>nd</sup> requirement relates to expenditure fund, requires to be a percentage of operating funds otherwise it's also meaningless of inadequate fund.

Assuming 10% total destruction (632 manors), or 5% total destruction and 10% half destructions (316+632), \$240k average rebuild price, we need  $6,323 \times 10\% \times \$240k = \$152m$ . Assuming half of the amount paid before the disaster, half paid by members after the disaster, it will be \$76m to fill up the fund, further assume it will be filled up in 30 years, shared by 6,323 manors, the pmpm contribution will be  $\$76m / 30 / 12 / 6,323 = \$67$ .

If we assume 5% total destruction, the contribution will be \$33.

This amount will be filled up in 30 years, then can be stopped. Assume a big disaster will happen after 30 years, the remaining \$76m amount will be paid by loan from assessments from outstanding members.

It is therefore my suggestions that :

- 1) the Disaster portion split into its own Fund from this Contingency Fund to maintain adequate funding not to be commingled with any other fund.
- 2) this disaster fund will follow Civil Code reserve fund regulation to prevent from any abuse.



- 3) This disaster fund will require unanimous vote when disaster happens.
- 4) One of the assumption is the unit replacement cost, currently set as \$240k. This replacement cost should be re-evaluated every 3 to 5 years to adequately reflect the current value.
- 5) Other parameters during this calculation should not change unless justified.