



SPECIAL OPEN SESSION

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

Wednesday, June 1, 2023 - 9:30 a.m.
24351 El Toro Road, Laguna Woods, California
Hybrid Meeting

NOTICE AND AGENDA

The purpose of this meeting is to review the budget for the Third Laguna Hills Mutual in accordance with *Civil Code §4930* and was hereby noticed in accordance with *Civil Code §4920*

1. Call meeting to order / Establish Quorum – President Mark Laws
2. State Purpose of Meeting – President Laws
3. Approval of Agenda
4. Chair Remarks
5. Open Forum (Three Minutes per Speaker)

At this time Members only may address the Board of Directors regarding items not on the agenda and within the jurisdiction of this Board of Directors. The Board reserves the right to limit the total amount of time allotted for the Open Forum. Members can join the Zoom Meeting by clicking on the link <https://us06web.zoom.us/j/92081839160> or call (669) 900-6833 or email meeting@vmsinc.org to request to speak

6. Responses to Open Forum Speakers
7. Review of the Proposed 2024 Business Plan – Version 1 Landscape Review
8. Adjournment



STAFF REPORT

DATE: June 1, 2023
FOR: Board of Directors
SUBJECT: Proposed 2024 Business Plan – Version 1

RECOMMENDATION

Staff recommends that the Board review the proposed 2024 service levels and provide direction for change or revision.

DISCUSSION

On June 1, 2023 the Board will meet to review all components of the proposed operating and reserve expenditure budgets. A brief narrative for each of the budgetary line items is listed in order of appearance and changes resulting from the meeting will be incorporated into future versions of the 2024 business plan. Managers responsible for the programs will be in attendance and available to answer questions at the meeting.

FINANCIAL ANALYSIS

In this version of the 2024 Business Plan, the operating portion of the Landscape budget totals \$5,846,024 for landscape services such as lawn maintenance and shrub bed maintenance. This proposal reflects an increase of \$267,230 or 5% when compared to the current year budget. These programs are funded from the Operating Fund and will require an increase in the assessment of \$3.65 per manor per month as presented.

Landscape planned reserve expenditures total \$1,746,904, an increase of \$127,675 or 8% for scheduled tree maintenance, landscape modernization, improvement and restoration. A decrease in planned reserve expenditures may impact the assessment. All reserve components will be evaluated within a 30-year reserves plan and presented for Board consideration at the July 13, 2023 business planning meeting.

In this version of the 2024 Business Plan, the planned disaster fund expenditures total \$180,000, an amount equal to the current year budget. Expenditures are planned for fire risk management.

Prepared By: Jose Campos, Assistant Director of Financial Services

Reviewed By: Steve Hormuth, Director of Financial Services

Attachments

- ATTACHMENT 1 – Operating Landscape Expenditures by Program
- ATTACHMENT 2 – Operating Landscape Narratives by Program
- ATTACHMENT 3 – Reserve Landscape Expenditures by Program
- ATTACHMENT 4 – Reserve Landscape Narratives by Program
- ATTACHMENT 5 – Disaster Landscape Expenditures by Program
- ATTACHMENT 6 – Disaster Landscape Narratives by Program

**THIRD LAGUNA HILLS MUTUAL
2024 PLAN
PROGRAMS REPORT**

DESCRIPTION	2020	2021	2022	2023	2024	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
OPERATING FUND - LANDSCAPE							
17 GROUNDS MAINTENANCE	\$3,035,110	\$3,071,234	\$3,337,817	\$3,308,668	\$3,524,792	\$216,124	7%
Shrub-Bed Maintenance	2,138,753	2,096,515	2,278,493	2,181,742	2,406,127	224,386	10%
Turf Maintenance	670,385	584,633	635,379	767,841	670,971	(96,870)	(13%)
Miscellaneous Tasks	190,309	318,962	346,648	281,191	366,066	84,875	30%
Garden Villa Maintenance	35,662	71,125	77,298	77,894	81,628	3,734	5%
18 IRRIGATION	1,051,492	1,014,017	1,034,089	1,039,801	1,091,924	52,123	5%
19 PEST CONTROL	313,692	385,185	394,441	413,642	371,253	(42,389)	(10%)
20 LANDSCAPE ADMINISTRATION	145,024	316,948	340,320	358,085	392,994	\$34,909	10%
21 NURSERY & COMPOSTING	237,480	282,912	260,529	250,330	229,640	(20,690)	(8%)
22 SMALL EQUIPMENT REPAIR	206,371	233,039	233,928	208,268	235,421	27,153	13%
23 TREE MAINTENANCE	1,082	2,947	1,193	0	0	0	0%
TOTAL	\$4,990,251	\$5,306,282	\$5,602,317	\$5,578,793	\$5,846,024	\$267,230	5%

Line 23 Funding for this item moved to reserves in 2020.

**THIRD LAGUNA HILLS MUTUALS
2024 OPERATING EXPENDITURES
LANDSCAPE SERVICES**

1) Ground Maintenance**\$3,524,792**

Grounds Maintenance work center crews perform the routine maintenance tasks. The cost of these Grounds Maintenance tasks broken out below include shrub bed maintenance, turf maintenance, miscellaneous tasks, and slope maintenance.

Shrub-Bed Maintenance**\$2,406,127**

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

The 2023 Shrub-Bed Maintenance Budget has increased by \$224,386, 10% over the 2023 Budget due to the following factors:

- Annual increase in wage rates, reduction of turnover/unfunded positions
- Increase in agronomic costs (fertilizer, herbicides, etc.) due to inflation
- Allocation of hours from turf maintenance

Turf Maintenance**\$670,971**

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

The 2024 Turf Maintenance Budget has decreased by (\$96,870), 13% from the 2023 Budget due to the following factors:

- Annual increase in wage rates
- Allocation of hours to turf maintenance

Miscellaneous Tasks**\$ 366,066**

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

The 2024 Miscellaneous Tasks Budget has increased by \$ 84,875, 30% over the 2023 Budget due to the department focus on improving core services, including training and annual increase in wage rates.

Garden Villa Maintenance**\$81,628**

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

The 2024 Garden Villa Maintenance Budget has increased by \$3,734, 5% over the 2023 Budget due to the annual increase in wage rates and increased costs due to inflation.

2) Irrigation**\$ 1,091,924**

This is a support work center, providing irrigation support to other Landscape Maintenance sections. The irrigation work center oversees 5,683 watering zones throughout Third, controlled by 223 irrigation controllers. These controllers are managed by a central irrigation system through the use of cellular communication technologies. The system receives regular weather updates and automatically adjusts irrigation run times. The irrigation crew also maintains and cleans landscape drains throughout the Community on a regular basis.

The 2024 Irrigation Maintenance Budget has increased by \$52,123, or 5% from the 2023 Budget due annual increase in wage rates.

3) Pest Control**\$371,253**

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

The 2024 Pest Control Budget has decreased by (\$42,389), (10%) over the 2023 Budget due to annual increase in wage rates, offset by turnover/unbudgeted for one position.

4) Landscape Administration**\$392,994**

Landscape Administration support is provided to the Mutual Boards and Committees at regularly scheduled meetings. Additionally, the administrative staff provides customer service, maintains databases, and prepares work efficiency reports and annual operating budgets. This task also includes supervisory personnel that oversee day to day operations. Other tasks not directly related to the daily operation of individual work centers are included in this budget.

The 2024 Administration Budget has increased by \$34,909, 10% over the 2023 Budget due to the annual increase in wage rates and inflation.

5) Nursery and Composting**\$229,640**

The Nursery work center supports other crews by growing and providing groundcover, shrubs and trees for use throughout the community for new and replanting tasks. By growing all the plants used by the crews on site, the costs of new and replacement plant material are greatly reduced.

The Composting work center supports other crews by using a tub grinder to recycle tree and shrub cuttings, into the mulch used throughout the community. By recycling the green waste produced by the pruning within the Community, disposal costs are eliminated as well as the expense of purchasing mulch.

The 2024 Nursery and Composting Budget has decreased by (\$20,690) or (8%) from the 2023 Budget due to turnover/unbudgeted for one position.

6) Small Equipment Repair**\$235,421**

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

The 2024 Small Equipment Repair Budget has increased by \$27,153 or 13% over the 2023 Budget due to increase in materials costs and annual increase in wage rates.

Resident Chargeable Services**\$0**

In addition to routine maintenance, Grounds Maintenance crews also perform various services upon request. The cost of this service, for both labor and materials, is charged to the resident requesting service. Services that are considered chargeable include additional plantings, additional weeding, or pruning done out of cycle.

**THIRD LAGUNA HILLS MUTUAL
2024 PLAN
PROGRAMS REPORT**

DESCRIPTION		2020	2021	2022	2023	2024	Assessment	
		ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
RESERVE FUNDS - LANDSCAPE								
50	LANDSCAPE MODERNIZATION	\$837,542	\$422,111	\$614,885	\$541,671	\$572,587	\$30,916	6%
51	IMPROVEMENT & RESTORATION	0	120,344	253,565	177,744	195,858	18,114	10%
52	TREE MAINTENANCE	830,447	843,160	965,034	899,814	978,459	78,645	9%
TOTAL		\$1,667,989	\$1,385,616	\$1,833,484	\$1,619,229	\$1,746,904	\$127,675	8%

**THIRD LAGUNA HILLS MUTUAL
2024 RESERVE EXPENDITURES
LANDSCAPE**

50) Landscape Modernization

\$572,587

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

The 2024 Landscape Modernization Budget has increased by \$30,916 or 6% from the 2023 Budget due to an increase in slope renovation square footage and inflation.

51) Improvement and Restoration

\$195,858

The landscape in the Community is aging and in much of it is passed its useful life. The Improvement and Restoration work center replaces aging and dead plantings as well as re-landscaping areas that are difficult to maintain and irrigate. The work center also replaces standard plant material with drought tolerant water-saving plants. Additionally, this work center performs turf reduction projects, removing difficult to irrigate sections and maintain sections of turf and replacing them with attractive and functional drought tolerant plantings.

The 2024 Improvement and Restoration Budget has increased by \$18,114 or 10% due to annual wage rates and inflation.

Third and United are splitting the overall turf reduction costs.

52) Tree Maintenance

\$978,459

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

The 2024 Tree Maintenance Budget has increased by \$78,645 or 9% from the 2023 Budget due to annual wage rates and inflation.

THIRD LAGUNA HILLS MUTUAL
2024 PLAN
PROGRAMS REPORT

DESCRIPTION	2020	2021	2022	2023	2024	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
DISASTER FUND - LANDSCAPE							
58 FIRE RISK MANAGEMENT	\$106,597	\$83,108	\$86,577	\$180,000	\$180,000	\$0	0%
TOTAL	\$106,597	\$83,108	\$86,577	\$180,000	\$180,000	\$0	0%

**THIRD LAGUNA HILLS MUTUAL
2024 DISASTER EXPENDITURES
LANDSCAPE**

58) Fire Risk Management \$180,000

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

The proposed 2024 budget is equal to the 2023 amount budgeted.

For 2024, the staff recommends \$180,000 for Fire Risk Management.