



SPECIAL OPEN SESSION

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

Thursday, June 2, 2022 - 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 Robert Mutchnick
2. State Purpose of Meeting – President Mutchnick
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 2023 Business Plan – Version 1 Landscape Review
8. Adjournment

Robert Mutchnick, Chair
Steve Hormuth, Staff Officer
Telephone: 949-597-4201



STAFF REPORT

DATE: June 2, 2022
FOR: Board of Directors
SUBJECT: Proposed 2023 Business Plan – Version 1

RECOMMENDATION

Staff recommends that the Board review the proposed 2023 service levels and provide direction for change or revision.

DISCUSSION

On June 2, 2022 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 2023 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 2023 Business Plan, the operating portion of the Landscape budget totals \$5,572,760 for landscape services such as lawn maintenance and shrub bed maintenance. This proposal reflects an increase of \$78,152 or 1% when compared to the current year budget. These programs are funded from the Operating Fund and will require an increase in the assessment of \$1.07 per manor per month as presented.

Landscape planned reserve expenditures total \$1,484,878, a decrease of (\$111,462) or 7% 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 15, 2022 business planning meeting.

In this version of the 2023 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

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

ATTACHMENT 1

THIRD LAGUNA HILLS MUTUAL
2023 PLAN
PROGRAMS REPORT

DESCRIPTION	2019	2020	2021	2022	2023	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
OPERATING FUND - MAINTENANCE & CONSTRUCTION							
1 PLUMBING SERVICE	\$827,584	\$828,543	\$716,714	\$704,474	\$766,149	\$61,675	9%
2 CARPENTRY SERVICE	149,952	515,640	424,622	510,004	591,715	81,711	16%
3 PEST CONTROL	194,008	87,989	366,892	174,633	310,000	135,367	78%
4 FIRE PROTECTION	86,599	101,400	88,415	144,380	122,558	(21,822)	(15%)
5 ELECTRICAL SERVICE	99,796	107,651	126,478	115,944	115,374	(570)	(0%)
6 APPLIANCE REPAIRS	130,996	115,550	84,181	93,270	98,578	5,308	6%
7 MISCELLANEOUS REPAIRS BY OUTSIDE SE	58,234	11,191	39,560	58,664	58,664	0	0%
8 SOLAR MAINTENANCE	28,149	23,981	14,348	25,000	25,000	0	0%
9 STREET LIGHT MAINTENANCE	0	0	0	0	17,000	17,000	100%
10 GUTTER CLEANING	132,957	29,988	0	0	0	0	0%
11 CURB CUTS	10,000	0	0	0	0	0	0%
TOTAL	\$1,718,276	\$1,821,933	\$1,861,209	\$1,826,369	\$2,105,038	\$278,669	15%

Line 9 Funding for this Line was moved from Reserves to Operating in 2023.

Line 10 Funding for this Line is included in General Services under the Gutter Cleaning Line.

OPERATING FUND - GENERAL SERVICES

12 JANITORIAL SERVICE	\$882,450	\$963,848	\$979,609	\$977,822	\$949,851	(\$27,971)	(3%)
13 CONCRETE SERVICE	393,686	348,028	403,056	369,462	383,959	14,497	4%
14 GUTTER CLEANING	41,466	123,469	73,777	160,758	167,299	6,541	4%
15 WELDING	99,041	111,697	118,439	126,349	115,767	(10,582)	(8%)
16 TRAFFIC CONTROL	14,238	14,118	20,648	22,074	23,105	1,031	5%
TOTAL	\$1,430,881	\$1,561,161	\$1,595,528	\$1,656,465	\$1,639,981	(\$16,484)	(1%)

OPERATING FUND - LANDSCAPE

17 GROUNDS MAINTENANCE	2,910,763	3,035,110	3,035,959	3,211,025	\$3,302,636	91,611	3%
Shrub-Bed Maintenance	1,961,015	2,138,753	1,903,194	2,138,791	2,180,083	41,292	2%
Turf Maintenance	723,100	670,385	817,412	736,246	764,871	28,625	4%
Miscellaneous Tasks	196,771	190,309	258,206	261,539	280,091	18,552	7%
Garden Villa Maintenance	29,878	35,662	57,147	74,448	77,592	3,144	4%
18 IRRIGATION	1,043,777	1,051,492	1,002,546	1,040,845	1,039,800	(1,045)	(0%)
19 PEST CONTROL	291,533	313,692	377,679	383,391	413,642	30,251	8%
20 LANDSCAPE ADMINISTRATION	\$148,803	\$145,024	\$316,948	\$341,287	358,085	\$16,798	5%
21 NURSERY & COMPOSTING	257,239	237,480	276,053	290,925	250,330	(40,595)	(14%)
22 SMALL EQUIPMENT REPAIR	204,044	206,371	233,039	227,135	208,268	(18,867)	(8%)
23 TREE MAINTENANCE	(5,498)	1,082	0	0	0	0	0%
TOTAL	\$4,850,661	\$4,990,251	\$5,242,224	\$5,494,608	\$5,572,760	\$78,152	1%

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

Operating Fund

17) Grounds Maintenance

\$3,302,636

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

\$2,180,083

Components required for shrub-bed maintenance consist of all pruning, raking, 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 \$41,292, 2% over the 2022 Budget due to the following factors:

- Annual increase in wage rates
- Increase in agronomic costs (fertilizer, herbicides, etc.) due to inflation

Turf Maintenance

\$764,871

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 2023 Turf Maintenance Budget has increased by \$28,625, 4% more than the 2022 Budget due an annual increase in wage rates, and an increase in agronomic costs due to inflation.

Miscellaneous Tasks

\$280,091

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 2023 Miscellaneous Tasks Budget has increased by \$18,552, 7% more than the 2022 Budget due to the department focus on improving core services, including training and annual increase in wage rates.

Garden Villa Maintenance

\$77,592

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 2023 Garden Villa Maintenance Budget has increased by \$3,144, 4% over the 2022 Budget due to the annual increase in wage rates and increased costs due to inflation.

18) Irrigation **\$1,039,800**

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 computer through the use of radio and telephone communication transmission technologies. The system is weather sensitized and adjusts watering schedules based on daily fluctuations in plant evapotranspiration rates (ET). The irrigation crew also maintains and cleans landscape drains throughout the Community on a regular basis.

The 2023 Irrigation Maintenance Budget has decreased by (\$1,044), 0.1% from the 2022 Budget due to reallocation of hours.

19) Pest Control **\$413,642**

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 2023 Pest Control Budget has increased by \$30,251, 8% from the 2022 Budget due to reallocation of hours.

20) Landscape Administration **\$358,085**

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 2023 Administration Budget has increased by \$16,797, 5% over the 2022 Budget due to the annual increase in wage rates and inflation.

21) Nursery and Composting **\$250,330**

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 2023 Nursery and Composting Budget has decreased by (\$40,595), 14% from the 2022 Budget due to reallocation of hours.

22) Small Equipment Repair **\$208,268**

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 2023 Small Equipment Repair Budget has decreased by \$18,867, 8% over the 2022 Budget due to pausing of the equipment replacement program.

23) Tree Maintenance **\$0**

Tree Maintenance is included in Reserves.

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.

ATTACHMENT 2

THIRD LAGUNA HILLS MUTUAL
2023 PLAN
PROGRAMS REPORT

DESCRIPTION	2019	2020	2021	2022	2023	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%

RESERVE FUNDS - LANDSCAPE

49	LANDSCAPE MODERNIZATION	\$797,341	\$837,542	\$431,068	\$523,702	\$550,172	\$26,470	5%
50	IMPROVEMENT & RESTORATION	0	0	120,344	129,214	0	(129,214)	(100%)
51	TREE MAINTENANCE	228,647	830,447	843,160	943,424	934,706	(8,718)	(1%)
TOTAL		\$1,025,988	\$1,667,989	\$1,394,572	\$1,596,340	\$1,484,878	(\$111,462)	(7%)

DISASTER FUND - MAINTENANCE & CONSTRUCTION

52	MOISTURE INTRUSION - RAIN LEAKS	\$873,957	\$707,469	\$253,951	\$237,513	\$260,000	\$22,487	9%
53	MOISTURE INTRUSION - PLUMBING LEAKS	882,146	1,254,082	614,090	400,000	500,000	100,000	25%
54	MOISTURE INTRUSION - PLUMBING STOPP,	208,893	151,227	118,104	50,000	75,000	25,000	50%
55	MOISTURE INTRUSION - MISCELLANEOUS	148,226	146,221	14,507	46,548	14,000	(32,548)	(70%)
56	DAMAGE RESTORATION SERVICES	108,912	217,829	162,802	190,935	201,481	10,546	6%
TOTAL		\$2,222,135	\$2,476,828	\$1,163,454	\$924,996	\$1,050,481	\$125,485	14%

DISASTER FUND - LANDSCAPE

57	FIRE RISK MANAGEMENT	\$31,335	\$106,597	\$83,108	\$180,000	\$180,000	\$0	0%
TOTAL		\$31,335	\$106,597	\$83,108	\$180,000	\$180,000	\$0	0%

DISASTER FUND - FINANCIAL SERVICES

58	INSURANCE PREMIUMS	\$0	\$918,432	\$1,931,334	\$0	\$0	\$0	0%
TOTAL		\$0	\$918,432	\$1,931,334	\$0	\$0	\$0	0%

GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION

59	GARDEN VILLA RECREATION ROOMS	\$71,036	\$71,247	\$70,118	\$73,460	\$94,157	\$20,698	28%
TOTAL		\$71,036	\$71,247	\$70,118	\$73,460	\$94,157	\$20,698	28%

Reserve Fund

49) Landscape Modernization **\$550,172**

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 2023 Landscape Modernization Budget has increased by \$26,470 or 5% from the 2022 Budget due to an increase in slope renovation square footage.

50) Improvement and Restoration **\$0**

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 2023 Improvement and Restoration Budget has decreased by (\$129,214) or 100% due to the elimination of the 510 Work Center.

51) Tree Maintenance **\$934,706**

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 2023 Tree Maintenance Budget has decreased by (\$8,718) or 1% from the 2022 Budget due to new contracted vendor pricing.

Disaster Fund

57) 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 2023 budget is equal to the 2022 amount budgeted.

For 2023, the staff recommends \$180,000 for Fire Risk Management.