



OPEN SESSION

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

**Thursday, June 3, 2021 - 1:30 p.m.
Laguna Woods Village Virtual Meeting
24351 El Toro Road
Laguna Woods, California**

NOTICE OF MEETING AND AGENDA

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

- 1. Call meeting to order / Establish Quorum – President Parsons**
- 2. Acknowledge Media**
- 3. Approval of Agenda**
- 4. Report of the Chair**
- 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/81644096078> or call (669) 900-6833 or email meeting@vmsinc.org to request to speak***
- 6. Department Head Update**
- 7. New Business**
 - a. Review Landscape Service Levels - 2022 Proposed Business Plan
 - b. Review Landscape Reserve Expenditures Plan - 2022 Proposed Business Plan
- 8. Director's Comments**
- 9. Adjournment**



STAFF REPORT

DATE: June 3, 2021
FOR: Board of Directors
SUBJECT: Proposed 2022 Business Plan – Version 1

RECOMMENDATION

Staff recommends that the Board review the proposed 2022 service levels and provide direction for change or revision.

DISCUSSION

On June 3, 2021 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 2022 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 2022 Business Plan, the operating portion of the Landscape budget totals \$5,495,819 for landscape services such as lawn maintenance and shrub bed maintenance. This proposal reflects an increase of \$104,138 or 2% when compared to the current year budget. These programs are funded from the Operating Fund and will require an increase in the assessment of \$1.42 per manor per month as presented.

Landscape planned reserve expenditures total \$1,896,513, an increase of \$361,294 or 24% for scheduled tree maintenance, landscape modernization, improvement and restoration. An increase in planned reserve expenditures may impact the assessment. All reserve components will be evaluated within a 30-year reserves plan and presented for Board consideration at the July 16, 2021 business planning meeting.

In this version of the 2022 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, Financial Services Manager

Reviewed By: Steve Hormuth, Interim Finance Director

Attachments

ATT1 – Landscape Expenditures by Program with Narratives

**THIRD LAGUNA HILLS MUTUAL
Proposed 2022 BUSINESS PLAN
Programs Report**

DESCRIPTION	2018	2019	2020	2021	2022	Assessment
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$ %
OPERATING FUND - LANDSCAPE						
21 LANDSCAPE ADMINISTRATION	\$94,424	\$148,803	\$145,024	\$332,008	\$341,724	\$9,716 3%
22 NURSERY & COMPOSTING	257,078	257,239	237,480	290,340	291,001	661 0%
23 GROUNDS MAINTENANCE	2,808,721	2,910,763	3,035,110	3,173,855	3,211,501	37,647 1%
Shrub-Bed Maintenance				2,035,420	2,139,106	103,686 5%
Turf Maintenance				777,044	736,353	(40,691) (5%)
Miscellaneous Tasks				288,635	261,584	(27,051) (9%)
Garden Villa Maintenance				72,756	74,459	1,703 2%
24 IRRIGATION	937,145	1,043,777	1,051,492	1,053,027	1,040,999	(12,028) (1%)
25 SMALL EQUIPMENT REPAIR	204,148	204,044	206,371	226,338	227,160	822 0%
26 PEST CONTROL	227,888	291,533	313,692	316,113	383,434	67,321 21%
27 TREE MAINTENANCE	(8,746)	(5,498)	1,082	0	0	0 0%
TOTAL	\$4,520,658	\$4,850,661	\$4,990,251	\$5,391,681	\$5,495,819	\$104,138 2%
Line 29 moved to reserves in 2020.						
RESERVE FUND - LANDSCAPE						
53 LANDSCAPE MODERNIZATION	\$49,813	\$797,341	\$837,542	\$487,823	\$823,703	\$335,880 69%
54 IMPROVEMENT & RESTORATION	0	0	0	126,524	129,245	2,721 2%
55 TREE MAINTENANCE	828,245	228,647	830,447	920,872	943,565	22,693 2%
TOTAL REPLACEMENT FUND	\$878,058	\$1,025,988	\$1,667,989	\$1,535,219	\$1,896,513	\$361,294 24%
DISASTER FUND - LANDSCAPE						
61 FIRE RISK MANAGEMENT	\$0	\$31,335	\$106,597	\$180,000	\$180,000	\$0 0%
TOTAL DISASTER FUND	\$0	\$31,335	\$106,597	\$180,000	\$180,000	\$0 0%

Operating Fund

Landscape Administration **\$341,724**

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. Other tasks not directly related to the daily operation of individual work centers are included in this budget.

The 2022 Administration Budget has increased by \$9,716, 3% over the 2021 Budget due to the annual increase in wage rates and restructuring of the department.

Nursery and Composting **\$291,001**

The Nursery work center supports other crews by growing and providing 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 recycling tree and shrub cuttings, using a tub grinder, into the mulch used throughout the community. By recycling the green waste produced by the pruning within the Community, disposal costs are greatly reduced as well as eliminating the expense of purchasing mulch.

The 2022 Nursery and Composting Budget has increased by \$661, 0.2% from the 2021 Budget due to reallocation of hours.

Grounds Maintenance **\$3,211,501**

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 \$2,139,106

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 2022 Shrub-Bed Maintenance Budget has increased by \$103,686, 5% over the 2021 Budget due to the following factors:

- Annual increase in wage rates, including elimination of turnover factor
- Inclusion of in-house costs for small slope maintenance
- Increase in agronomic costs (fertilizer, herbicides, etc.)

Turf Maintenance \$736,353

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 2022 Turf Maintenance Budget has decreased by (\$40,691), (5%) less than the 2021 Budget due to reallocation of hours to shrub bed maintenance.

Miscellaneous Tasks \$261,584

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

The 2022 Miscellaneous Tasks Budget has decreased by (\$27,051), (9%) less than the 2021 Budget due to the department focus on core services, reallocating hours to shrub bed maintenance.

Garden Villa Maintenance \$74,459

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 2022 Garden Villa Maintenance Budget has increased by \$1,703, 2% over the 2021 Budget due to the annual increase in wage rates.

Irrigation **\$1,040,999**

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 2022 Irrigation Maintenance Budget has decreased by (\$12,028), (1%) from the 2021 Budget due to reallocation of hours.

Small Equipment Repair **\$227,160**

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 2022 Small Equipment Repair Budget has increased by \$822, 0.4% over the 2021 Budget.

Pest Control **\$383,434**

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 2022 Pest Control Budget has increased by \$67,321, 21% over the 2021 Budget due to the following factors:

- Annual increase in wage rates
- Addition of an FTE due to an increased need in rodent control labor hours
- Increase in pesticide and rodenticide material costs

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.

Reserve Fund

Landscape Modernization \$823,703

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.

The 2022 Landscape Modernization Budget has increased by \$335,880 or 69% from the 2021 Budget due to an increase in planned turf reduction projects to reduce irrigation water costs.

Improvement and Restoration \$129,245

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 2022 Improvement and Restoration Budget has increased by \$2,722 or 2% from the 2021 Budget due to annual wage increases.

Tree Maintenance \$943,565

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 2022 Tree Maintenance Budget has increased by \$22,693 or 2% from the 2021 Budget due to annual wage increases and materials.

Disaster Fund

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 2022 expenditure is equal to the 2021 amount budgeted.

For 2022, the staff recommends \$180,000 for Fire Risk Management.