



SPECIAL OPEN SESSION

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

Wednesday, May 31, 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 Maintenance and General Services Review
8. Adjournment



STAFF REPORT

DATE: May 31, 2023

FOR: Board of Directors

SUBJECT: Proposed 2024 Business Plan – Version 1 Maintenance and General Services Review

RECOMMENDATION

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

DISCUSSION

On May 31, 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 M&C budget totals \$2,198,668 for general maintenance services such as, plumbing, carpentry and pest control (Attachment 1). This proposal reflects an increase of \$66,877 or 3% when compared to the current year budget. These programs are funded from the Operating Fund and will require an increase in the assessment of \$0.91 per manor per month as presented.

In this version of the 2024 Business Plan, the operating portion of the General Services budget totals \$1,530,940 for general maintenance services such as, janitorial, concrete services, and gutter cleaning (Attachment 1). This proposal reflects a decrease of (\$84,811) or (5%) when compared to the current year budget. These programs are funded from the Operating Fund and will require a decrease in the assessment of (\$1.16) per manor per month as presented.

The planned reserve expenditures for M&C totals \$9,320,742, an increase of \$301,762 or 3% (Attachment 3). A total of 22 reserve components cover large repair, remediation, or replacement programs such as painting, dry rot, and paving. 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 13, 2023 business planning meeting.

The planned reserve expenditures for General Services totals \$120,642, an increase of \$19,539 or 19% (Attachment 3). A total of 3 reserve components covers programs such as prior to paint, paving, and exterior walls. 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.

The M&C planned expenditures from the Disaster Fund totals \$1,050,340, an increase of \$1,871 or 0.2% (Attachment 5).

An additional line item is included for Garden Villa Rec Rooms, proposed with a budget of \$97,507 for 2024, as increase of \$3,865 or 4% when compared to current year budget. This item is a surcharge to those units that are located within a Garden Villa style building.

Prepared By: Jose Campos, Assistant Director of Financial Services

Reviewed By: Steve Hormuth, Director of Financial Services

Attachments

ATTACHMENT 1 – Operating Expenditures by Program

ATTACHMENT 2 – Operating Narratives by Program

ATTACHMENT 3 – Reserve Expenditures by Program

ATTACHMENT 4 – Reserve Narratives by Program

ATTACHMENT 5 – Disaster & Garden Villa Expenditures by Program

ATTACHMENT 6 – Disaster & Garden Villa 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 - MAINTENANCE & CONSTRUCTION							
1 PLUMBING SERVICE	\$828,543	\$716,714	\$691,819	\$744,807	\$786,186	\$41,378	6%
2 CARPENTRY SERVICE	515,640	424,622	466,057	568,563	587,354	18,791	3%
3 PEST CONTROL	87,989	366,892	180,881	360,000	377,116	17,116	5%
4 FIRE PROTECTION	101,400	88,415	142,282	144,347	145,185	838	1%
5 ELECTRICAL SERVICE	107,651	126,478	117,107	115,140	104,443	(10,696)	(9%)
6 APPLIANCE REPAIRS	115,550	84,181	87,868	98,270	115,384	17,114	17%
7 MISCELLANEOUS REPAIRS BY OUTSIDE SERVICES	11,191	39,560	11,079	48,664	30,000	(18,664)	(38%)
8 SOLAR MAINTENANCE	23,981	14,348	23,539	35,000	36,000	1,000	3%
9 STREET LIGHT MAINTENANCE	0	0	0	17,000	17,000	0	0%
10 GUTTER CLEANING	29,988	0	0	0	0	0	0%
11 CURB CUTS	0	0	0	0	0	0	0%
TOTAL	\$1,821,933	\$1,861,209	\$1,720,633	\$2,131,790	\$2,198,668	\$66,877	3%
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	\$963,848	\$979,609	\$969,445	\$949,851	\$902,678	(\$47,173)	(5%)
13 CONCRETE SERVICE	348,028	403,056	317,129	371,540	335,423	(36,118)	(10%)
14 GUTTER CLEANING	123,469	73,777	144,267	161,337	167,224	5,887	4%
15 WELDING	111,697	118,439	106,756	110,964	107,539	(3,425)	(3%)
16 TRAFFIC CONTROL	14,118	20,648	18,999	22,058	18,076	(3,983)	(18%)
TOTAL	\$1,561,161	\$1,595,528	\$1,556,596	\$1,615,751	\$1,530,940	(\$84,811)	(5%)

**THIRD LAGUNA HILLS MUTUAL
2024 OPERATING EXPENDITURES
MAINTENANCE AND CONSTRUCTION**

The General Maintenance Operating section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

1) Plumbing Service

\$786,186

This item provides funding for the variety of plumbing services related to plumbing components that are the responsibility of the Mutual. The main categories of service include addressing various types of stoppages, leak investigation and remedial work related to plumbing leaks (in-wall, under-slab, etc.). Since 2015, plumbing technicians also perform drywall cuts to expedite repairs to in-wall leaks and pipe re-routes. The technicians are certified to handle the removal/abatement of drywall. This will allow, in most cases, a single visit by one department to a manor for the cutout and repair process. Service levels are based on historical averages of hours, materials, and outside services.

Underground leaks are addressed by certified contractors due to CAL OSHA shoring requirements and asbestos cement pipe (Transite) repair and abatement concerns. A contingency amount is included in the budget for such services.

2) Carpentry Service

\$587,354

This line item provides for response to service requests for carpentry and carpentry-related service work on the Mutual's buildings, carports and laundry facilities. Items addressed through Carpentry Services include, but are not limited to the following:

- Exterior and entry door repair
- Repair/replace entry locks
- Door weather stripping replacement
- Board-up windows/shore up sites
- Building cracks and stucco repair
- Acoustic ceiling repair
- Laundry room window repair
- Insect screen install/repair
- Cabinet repair
- Carport structure repair
- Carport cabinet repair
- Garage door repair
- Patio gate repair
- Vinyl and tile floor repairs
- Removal of bird/animal in wall
- Drywall/texture repair
- Mailbox door and lock repair
- Support scaffolding set-up
- Wall/ceiling insulation replacement

Budgeting for this item is essential to continue maintaining the high service level expected and to complete all necessary maintenance concerns requested by residents for the services described above in a timely manner. These repairs are performed by in-house staff and outside contractors.

3) Pest Control

\$377,116

A licensed pest control contractor provides the Mutual with pest control services for termite eradication and bee removal services. The budget is developed based on historical trends and the existence of termites as identified by the Mutual's pest control contractor. A staff inspector and a representative of the contractor conduct inspections in response to all reported evidence of live termites and upon request at the time a manor is resold. Based on the results of those inspections, a list of buildings requiring fumigation is compiled. Whenever possible, localized treatments of the infested areas will be performed for dry wood termites to minimize the fumigation requirements. Subterranean termites are also treated at the localized point of infestation.

The buildings listed for fumigation typically are scheduled for the following fiscal year and worked into the budget. Fumigation costs are based on a pre-determined contract value per building type. The current contract is with Newport Exterminating.

The projected costs are budgeted in five categories, Termite Inspection; Local Pest Control Treatments; Fumigation - Tenting; Fumigation - Landscaping (for plant removal); and Fumigation - Lodging. Although not required by the Davis-Stirling Act, Mutual policy is to provide lodging for two nights while the whole-structure fumigation is in process.

The lodging budget is based on the number of units contained in each of the buildings to be fumigated and a contracted rate in place with a local hotel.

The budget for whole structure tenting is based on a weighted average of each building type with costs applied to those buildings based on a pre-determined contract value per building type.

This approach is used to determine budgetary estimates for the Business Plan, as the full list of actual buildings that will require treatment are often not known until after the preparation of a given year's Business Plan.

4) Fire Protection**\$145,185**

(A) Fire Alarm System Inspections for All Multi-story Buildings (Work Center 904)

This item addresses bi-annual fire alarm system inspections of 81 3-story buildings.

(B) Fire Extinguisher Service (Work Center 904)

This service, provided by an outside vendor, covers the annual inspection, maintenance and repair or replacement of the 1,300 fire extinguishers located throughout Third Laguna Hills Mutual. This service includes: (1) inspection and replacement (as needed) of various components; (2) replacement of powders and gases; (3) hydrostatic testing when required; (4) proper tagging of fire extinguishers to indicate date of service and certification; (5) replacement of irreparable or missing extinguishers and extinguishers that must be replaced in accordance with Fire Authority regulations and (6) repair of extinguisher cabinet glass and other parts.

(C) Sprinkler System Service (Work Center 904)

This item is used to address the inspection and servicing of the fire suppression sprinkler systems in the trash chutes of three-story buildings. Sprinkler system service includes certified contractor quarterly inspection of all components of the system and implementation of identified repairs. All work is per NFPA 14 and California Title 19 fire regulations. Staff included funding based on contract pricing for quarterly inspections and provisions for repairs in 2024.

(D) Standpipe Testing (Work Center 904)

This item is used to address the inspection and repair of the Fire Standpipe Systems (Class I or II standpipe systems) in each of the 53 Garden Villa style buildings. NFPA requires semi-annual inspection of these systems. Additionally, NFPA requires flow testing/certification and fire hose pressure testing/certification by a qualified contractor on a five-year schedule or when repairs or use of the system results in the need for certification. The required five-year testing was last completed in 2019; and funding will be included for this work to be completed in 2024.

For the 2024 Business Plan, staff included funding for the required annual inspections and a contingency for as needed system repairs determined to be necessary during the inspection processes.

(E) Chimney Cleaning (Work Center 910)

Per Board direction, staff included funding for replacement of missing spark arrestors on original chimneys.

(F) Dryer Vent Cleaning (Work Center 910)

This item is used to address the cleaning of original dryer vent ducts in both laundry facilities and manors with original washer/dryer hookups throughout Third Laguna Hills Mutual. The dryer vents in the LH-21 buildings are cleaned every year.

5) Electrical Service**\$104,443**

This item provides funding for the variety of electrical services related to electrical components that are the responsibility of the Mutual, which include the following:

- Repair/replace common area outlets
- Service common area circuit breaker
- Repair underground wiring
- Replace conduit and wiring
- Replace damaged doorbell light
- Replace main breaker
- Repair/replace common area lighting
- Replace common area light bulbs
- Perform miscellaneous service calls

6) Appliance Repairs**\$115,384**

This item addresses repairs to the Mutual's laundry appliances. The Mutual maintains 455 high-efficiency laundry room washing machines. In 2019, the Mutual installed 373 high-efficiency commercial dryers in common area laundry rooms, and added laundry pedestals to most dryers in 3-story buildings. Based on a full dryer replacement, staff only provided a minimum budget to address items not covered under the manufacturer's warranty. Budgeting for this item is based on inventory changes for Maytag washing machines and historical trends.

7) Miscellaneous Repairs by Outside Services**\$30,000**

This funding is used to address items that are typically repaired by outside contractors. This item also includes funding for other repairs that do not fit into one of the categories below.

As these items are emergent in nature, budgets are based on historical averages, trends and on planned program scopes of work.

(A) Broken Windows

Replacement of broken panes of glass in the Mutual's common area makes up the majority of this category. Also included in this item are repairs and replacements to window frames, weather stripping and hardware that are the responsibility of the Mutual.

(B) Phone Line Repairs

This item is used to address repairs associated with the Mutual's responsibility for providing one working phone line to each manor.

(C) Lead Paint Testing

In 2010, new EPA regulations went into effect requiring special procedures and handling when performing Renovation, Repair and Painting (RRP) of building components where lead-based paint is present. The presence of lead in paint must be determined before proceeding with work that qualifies under the regulations. Determination of the presence of lead paint must be performed by a Certified Lead Inspector/Risk Assessor. This budget is included to pay for the costs of lead testing performed by a Certified Lead Inspector/Risk Assessor on miscellaneous projects that will be completed by an outside service. Staff included an estimated provision for such testing and abatement.

(D) Miscellaneous

This item includes funding for other repairs that require outside services, but that do not fit into one of the above categories. A two-year average of miscellaneous costs was used as the basis for this category.

8) Solar Maintenance**\$36,000**

This item provides for the Operation and Maintenance (O&M) services set forth below by an outside contractor in relation to the Third solar energy projects.

Daily:

- Real-time performance monitoring and alert triage
- Product warranty administration (creating/tracking/logging)
- 24/7 customer support

Annually:

- Inverter inspection, maintenance and thermal scans
- DC wiring and electrical equipment inspections, maintenance, thermal scans and performance testing (current at maximum power (IMP) & operating circuit voltage (VOC) on 100% of the strings
- Solar module inspection and thermal scans
- Array racking and component inspection and maintenance
- Inspection, cleaning and maintenance of meters and sensors
- Pyranometer calibration
- Removal of material within arrays and balance of system (BOS)
- Repairs and replacements as required
- Maintenance summary report
- 2x Annual Module cleaning/washing

9) Street Light Maintenance**\$17,000**

Funding for this item was moved from Reserves to Operating for the 2023 fiscal year, to provide as needed maintenance services to the existing street light infrastructure and LED fixtures.

An outside contractor responds to reported street light outages and will perform repairs or replacements to poles and/or fixtures, as required.

10) Gutter Cleaning**\$0**

Funding for this item is included in General Services under the Gutter Cleaning line.

11) Curb Cuts**\$0**

There is no funding projected for this line item.

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

This section covers the inspection, maintenance and repair of breezeways and common areas for multi-story buildings, carports, laundry rooms, concrete, rain gutters, railing and stairs, and traffic control striping and signage. Primarily, these maintenance items are in response to resident service requests, although many items are planned program work.

12) Janitorial Services**\$902,678**

Service levels provided in this category include scheduled janitorial services for breezeways and common areas of multi-story buildings, free-standing laundry buildings, and miscellaneous janitorial services in Mutual common areas and car port cleanings. Budgeting for this category is based on the following established service levels:

Description	Quantity	Times/Year	Hours/Visit
GV Buildings	53	50	3.5
LH-21 Buildings	28	50	2.5
Carpport Cleaning	2,682	3	N/A
Laundry Rooms (stand-alone)	44	16	1.4

Multi Story Building Breezeways: As needed

Miscellaneous (Ticket Response): As needed

The Multi-Story Building Breezeways item includes hours for reactive wash downs, by staff to evaluate whether wash downs are required and will take corrective actions based on those investigations. There are 81 three-story buildings and 254 two-story buildings that may require periodic wash downs within the Mutual. Based on water shortages and increased water costs to offer periodic wash downs, the Mutual in recent years offers this service only on an as-requested basis.

13) Concrete Service**\$335,423**

This line item addresses pro-active and resident requests for repair or replacement of concrete slabs, walkways and driveways. Concrete repairs include crack filling and grinding-down of walkways that have lifted. Replacement of concrete occurs when lifting exceeds the two-inch grinding capability. Repairs to block trash enclosures or laundry room walls are also addressed under this budget item.

14) Gutter Cleaning**\$167,224**

This item provides for the cleaning of building rain gutters to ensure their proper function and drainage. The majority of the work is completed during the fourth quarter of the year.

The budget includes funding for an outside service to clean the gutters of multiple-story buildings once during the fourth quarter of the year. In-house staff will clean gutters of single-story buildings throughout the year on a scheduled and as-requested basis.

The leaf/debris removal program was implemented to remove debris, mostly leaves and pine needles, from the roofs and patio covers prior to the winter season. This preventive measure serves to reduce the potential for water backups.

15) Welding**\$107,539**

Welding services are utilized in the repair/replacement of railings, gates, fences, and the repair/replacement of steel step rails. Balcony welding that is required as the result of dry rot repairs discovered during prior to paint is also provided. This item includes work completed as requested by staff and residents through service requests to Resident Services. Historical averages and trends are used to develop budgetary estimates. A contingency amount for lead testing and abatement, required due to EPA lead handling regulations, is included.

16) Traffic Control**\$18,076**

This line item addresses the installation and maintenance of devices required to facilitate traffic safety and circulation throughout the Community. This includes parking lot and street striping, red and yellow curb painting, and replacement of directional and vehicular control signage. Curb painting is based on a 5-year cycle of approximately 5,000 lineal feet per year.

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

DESCRIPTION	2020	2021	2022	2023	2024	Assessment	
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%
RESERVE FUNDS - MAINTENANCE & CONSTRUCTION							
24 BUILDING NUMBERS	\$0	\$14,088	\$0	\$0	\$0	\$0	0%
25 BUILDING STRUCTURES	1,404,870	2,091,312	1,809,120	2,054,840	2,151,131	96,291	5%
26 ELECTRICAL SYSTEMS	16,690	16,588	0	30,000	30,000	0	0%
27 ENERGY PROJECTS	923	0	0	0	0	0	0%
28 EXTERIOR LIGHTING	760,369	24,840	14,473	12,500	12,500	0	0%
29 FENCING	57,416	73,009	62,837	82,765	79,691	(3,073)	(4%)
30 GARDEN VILLA LOBBY	109,636	111,882	1,418	0	0	0	0%
31 GARDEN VILLA MAILROOM	32,510	300	285	431	562	130	30%
32 GARDEN VILLA RECESSED AREAS	65,016	0	0	0	0	0	0%
33 GARDEN VILLA REC ROOM HEAT PUMP/WATER HEATER	12,473	7,859	2,759	5,245	5,393	149	3%
34 GUTTERS	134,135	(15,844)	29,973	113,127	126,568	13,441	12%
35 MAILBOXES	63,844	37,175	2,743	25,180	27,597	2,418	10%
36 PAINT PROGRAM	1,619,789	1,527,920	1,413,218	1,597,812	1,613,076	15,264	1%
37 PRIOR TO PAINT	915,496	1,024,160	1,042,713	1,167,546	1,223,784	56,237	5%
38 PAVING/CONCRETE	695,094	618,985	423,955	439,421	371,851	(67,570)	(15%)
39 ROOFS	1,429,531	1,341,440	1,403,246	1,468,968	1,684,823	215,855	15%
40 EXTERIOR WALLS	137,928	29,280	29,994	35,000	0	(35,000)	(100%)
41 WASTE LINE REMEDIATION	417,586	530,595	617,558	1,000,000	1,000,000	0	0%
42 WATER LINES - COPPER PIPE REMEDIATION	154,939	367,397	196,116	500,000	500,000	0	0%
43 PLUMBING REPLACEMENT	0	0	0	200,000	200,000	0	0%
44 ELEVATORS	115,890	151,170	89,872	125,000	125,000	0	0%
45 LAUNDRY COUNTERTOP/FLOOR	62,093	40,498	14,977	59,567	59,173	(394)	(1%)
46 LAUNDRY APPLIANCES	46,932	60,836	92,085	101,579	109,593	8,014	8%
TOTAL	\$8,253,160	\$8,053,489	\$7,247,341	\$9,018,981	\$9,320,742	\$301,762	3%

Line 24 Beginning in 2022 funding for this item is included in the Paint Program.

RESERVE FUNDS - GENERAL SERVICES

47 PRIOR TO PAINT	\$1,842	\$10,437	\$10,869	\$12,700	\$14,378	\$1,678	13%
48 PAVING/CONCRETE	65,491	68,284	69,114	64,253	82,114	17,861	28%
49 EXTERIOR WALLS	0	5,600	0	24,150	24,150	0	0%
TOTAL	\$67,333	\$84,321	\$79,983	\$101,103	\$120,642	\$19,539	19%

**THIRD LAGUNA HILLS MUTUAL
2024 RESERVE EXPENDITURES
MAINTENANCE AND CONSTRUCTION**

This section covers the inspection, maintenance and repair of structures including, but not limited to, manor interiors, building exteriors, carports, laundries, balconies, railings and stairs. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

24) Building Numbers

\$0

Third Laguna Hills Mutual is comprised of 1,405 buildings with 6,102 manors. This program was funded to replace building numbers throughout the Mutual to increase their visibility.

Funding for building address sign replacement was moved to the Paint Program budget as staff replaces building, carport and laundry room signs during the annual exterior paint program.

25) Building Structures

\$2,151,131

(A) Building Structures (Maint. Ops., Carpentry & Carport Panel Replacements)

This reserve component is designed to address building structures that are exhibiting deterioration. Staff will eradicate dry rot through a systematic and proactive approach utilizing an aggressive inspection process designed to address all buildings in Third including both architectural and structural components through outside services and in-house staff. This includes but is not limited to balcony replacements, wood balcony railing replacements, ramp replacements, walkway replacements, trellis structure replacements, beam replacements, window replacements, garage door replacements, carport panel replacements, Garden Villa Recreation Room kitchen and restroom flooring replacements, asbestos and lead abatement and testing, associated engineering cost and City building permit application and inspection fees. Replacements are qualified and generated on both a reactive and a proactive basis.

(B) Building Structures Replacements

This reserve component is designed to address building structures that are exhibiting deterioration and will be utilized on a contingency basis. It is assumed that full replacement of this component would never be required. The unit cost is a contingency estimate for a typical building structure repair.

(C) Building Structures Dry Rot

This reserve component is dedicated to eradicating dry rot through a systematic and proactive approach utilizing an aggressive inspection process. This process is designed to address all building types within the Mutual including architectural and structural components.

(D) Parapet Wall Removals

This reserve component is to address moisture intrusion problems on the Villa Paraisa and Casa Grande style buildings by removing and replacing the parapet wall design with a sloped roof.

During the 2022 Business Planning Meeting, the Third Board voted that the budget for this component be deferred, and resumed at a later date. There are 14 buildings that still require parapet wall removal. Once this program starts up again, 5 buildings will be completed each year, over a 3-year period.

(E) Foundations

This reserve component is dedicated to foundation repairs most often due to soil erosion and settlement. Although the unit cost will vary, it is a contingency estimate for typical foundation repairs.

(F) Building Rehab/Dry Rot

This reserve component is designed to address building structural that are exhibiting deterioration and to eradicate dry rot identified by Members through service requests or during the course of other maintenance activities in Third to include minor replacement of wood members, such as fascia boards, shear panel repair, wood stud replacement, stucco repair, T-111/Hardi siding replacement, rafter tail replacements, exterior crown molding replacement, and red wood siding/trim replacement.

As part of the 2024 fiscal budget, staff will proactively assess buildings for drainage deficiencies that could lead to building settlement and will implement the necessary repairs.

(G) Balcony Inspections

Senate Bill 326 states that a statistically significant sample of all of the Mutual's exterior elevated elements is to be inspected once every 9 years. VMS will be contracting with a licensed structural engineer or architect to inspect a percentage of the Mutual's exterior elevated elements, for which the Mutual has maintenance or repair responsibility. The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. A report will be generated from the inspections and shall include detailed information on the condition of each inspected element; expected future performance; remaining useful life; and any repair/replacement recommendations. During the 2022 Business Planning Meeting, the Third Board voted that the budget for inspections related to SB326 be deferred in 2022. The inspections were resumed in 2023.

(H) Damage Restoration

This reserve component is for reconstruction of manors/buildings resulting from rain leaks, plumbing leaks, plumbing stoppages, other moisture intrusion events, fires and other disasters.

During the 2021 Business Planning meeting, the Board decided to move half of the funding from the Disaster Fund to the Reserve/Replacement fund for expenditures that were dedicated to rebuilding damaged units after a moisture intrusion event (i.e. drywall replacement).

Finance performed an analysis of invoices paid in the first quarter of 2020 and discovered that approximately half of the invoices qualified to be reclassified to the Replacement Fund, based on the work completed by the Mutual's outside contractors. A similar analysis has been conducted to determine budgets for future years. Since 2022, costs for damage to Mutual property exceeding \$100K have been submitted to the Mutual's insurance company.

During the 2021 Business Planning meeting, the Board moved half of the funding from the Disaster Fund to the Reserve/Replacement fund for expenditures that were dedicated to rebuild damaged units after a moisture intrusion event, fire or other disaster.

26) Electrical Systems**\$30,000****(A) Electrical Systems – Panel Replacements**

This reserve component is funded to address electrical panel maintenance and includes contingency funding for panel failures and the replacement of electrical components, as necessary.

(B) Electrical Systems – Alternate Heat Source (Heat Pump & Wall Heaters)

Third Mutual is responsible for providing a heat source in the bedroom and living/dining room areas of its manors. At the time of original construction, the provided heat source was in-ceiling radiant heat systems. If an original in-ceiling radiant heat system fails or requires replacement as the result of some maintenance activity, the Mutual must provide a replacement heat source. The Mutual replaces failed heat systems with an appropriate and cost-effective type unit for the room being heated, such as placing a wall heater in the bedroom and a through-the-wall heat pump in the living room and dining room. The type of unit used is contingent on several factors, the most important being the BTU's required to heat the area being heated.

The budget allows for 3 heat pumps and 3 wall heaters to be replaced each year if necessary.

27) Energy Projects**\$0**

During a 2020 Business Planning Meeting, the Board decided that they would fund energy projects as necessary, instead of adding a contingency amount to each fiscal budget.

28) Exterior Lighting **\$12,500**

Funding in this program provides for lighting upgrades throughout the community.

Contingency funding is also included for a walkway lighting consultant as well as any needed repairs to common area lighting performed by in-house staff.

29) Fencing **\$79,691**

Third has approximately 13 miles or 70,000 linear feet of decorative wooden split rail fencing throughout its property. The Mutual uses wooden split rail fencing as an inexpensive way to create decorative boundaries between buildings, as well as define sloped areas.

Staff currently replaces rotted split rail fencing on an as-needed basis. The 2024 budget is based on an increase in material costs.

30) Garden Villa Lobby **\$0**

This reserve component addresses the renovation of the lobby areas of the Mutual's Garden Villa-style buildings, which is performed on a program basis. The lobby ceilings, walls, and floor coverings are inspected annually and those in the poorest condition, receive the highest priority for renovation. Member requests for lobby improvements are also considered during the evaluation process each year.

The final lobby in this program cycle was completed in 2022. The next renovations will occur in 2026.

31) Garden Villa Mailroom **\$562**

This reserve component addresses the renovation of mailrooms in the Mutual's Garden Villa style buildings. The renovation cycle was completed in 2020 and will resume in 2026. The 2024 funding is a contingency for touch-up painting of the mailroom walls.

32) Garden Villa Recessed Areas **\$0**

This reserve component addresses the green synthetic, outdoor carpet replacement of the recessed areas of the Mutual's Garden Villa style buildings, which is performed on a program basis. The scope of work includes water testing, removal of the indoor/outdoor carpet in recessed areas, crack repairs to the concrete slab, application of waterproofing sealant (where applicable), application of waterproof barrier and liner at planter boxes (where applicable), and installation of new carpet. During the 2022 Business Planning Meeting, the Third Board voted that the budget for maintenance to the Garden Villa recessed areas be deferred in 2022 and be resumed at a later date.

33) Garden Villa Rec Room Heat Pump/Water Heater**\$5,393**

(A) Water Heaters

There are 53 Garden Villa Recreation Room water heaters in the Mutual. Replacement of the water heaters is implemented proactively at the end of their 10-year serviceable life.

(B) Heat Pumps

Replacement of the heat pumps is based on an annual inspection with consideration to the unit's expected lifecycle, maintenance and repair history, age and its overall condition, or upon failure.

34) Gutters**\$126,568**

This reserve component is designed to address repairs and replacements of original construction building rain gutter and downspout systems on all of the Mutual's buildings that are exhibiting deterioration, as well as new installations where gutters were not originally located.

(A) Gutter Repairs

The gutter systems are constructed of galvanized metal pieces joined together in ten-foot-long sections or less. Typically, original gutter systems fail at the joints and corrode, which result in leaks. The funding for this program is reactive and based on resident requests.

(B) Gutter Replacement

This reserve item is designed to address the replacement of failing, original rain gutter sections, and downspout systems on all of the Mutual's buildings.

(C) New Gutter Installation

Beginning in 2020, \$50,000 was added to the annual budget for new gutter installations in order to address drainage issues and to prevent foundation erosion in conjunction with buildings on the exterior paint program.

35) Mailboxes**\$27,597**

Third has approximately 6,102 individual mailboxes. The pedestal mailboxes at all the LH-21 buildings have been replaced.

Cluster mailboxes inset on the exterior walls of one- and two-story buildings are deteriorating and are no longer compliant to USPS standards. Each cluster mailbox will house up to 4, 8 or 12 units.

Mailbox clusters will be replaced each year until all are compliant with USPS standards.

36) Paint Program**\$1,613,076**

During the 2021 Business Planning Meeting, the Board elected to change the exterior paint program from a 10-year to a 15-year paint cycle for the 16,495,970 square feet of exterior building surfaces. All exterior components of each building are to be painted every 15 years. The building components painted include the body, (stucco and/or siding) and the trim (fascia boards, beams, overhangs, doors, closed soffits and structural and ornamental metal surfaces).

Deck top coat resurfacing, replacement of reflective address building numbers, lead testing and Lead RRP (Renovation, Repair and Painting) activities are performed in conjunction with the program. Non-wood alternatives are used where possible.

Funding also includes interior and exterior touch-up painting which was moved from Operating to Reserves in 2019.

Planned expenditures are based on the square footage of the buildings scheduled for that fiscal year.

37) Prior to Paint**\$1,223,784**

(A) PTP

The reserve component for prior-to-paint repairs will prepare building surfaces for painting. This work is performed by outside contractors and in-house staff and includes structural and non-structural repairs; mitigation of dry rot; balcony and breezeway decking repairs which are performed every 15 years in conjunction with the exterior paint program.

(B) Top Coat Resurfacing

The elevated balcony and breezeway deck surfaces are inspected and repaired every 7.5 years, which is mid-way between the 15-year exterior paint cycle. This reserve component is designed to provide a waterproof top coat sealant to those elevated surfaces.

Planned expenditures are based on the square footage of the buildings scheduled for that fiscal year.

Funding also includes costs related to asbestos and lead testing with the abatement of dry rotted components.

38) Paving/Concrete**\$371,851**

(A) Parkway Concrete

Each year staff inspects the Mutual sidewalks to receive paving work for potential tripping hazards, and areas are identified for replacement. This helps to eliminate the long waiting periods for concrete repairs that are addressed by the General Services Department. Staff also identifies all damaged drainage gutters in the area and includes their replacement cost in this budget item. This program works in conjunction with the current paving program. During the 2022 Business Planning Meeting, the Third Board voted that the budget for this component be deferred in 2022 and resumed at a later date.

(B) Asphalt Repairs

As part of the Mutual's asphalt repaving program, each year all asphalt pavement in the community is inspected and rated for wear. When the pavement rating justifies replacement, the work is budgeted for the upcoming year. For the purpose of reserve planning, an estimated life of 25 years is used.

(C) Seal Coat

The application of a seal coat over asphalt is necessary to extend the useful life of pavement. Asphalt receives a seal coat 5 years after paving and also on a continuous 7-year cycle thereafter. This type of preventive maintenance is considered the most efficient and cost-effective method of extending the serviceable life of asphalt paving.

(D) Golf Cart Parking & Striping

During the 2018 Business Planning meeting, staff was directed to consider additional opportunities to create golf cart parking in areas where landscaping has declined or is absent, and a pilot program was completed in Gate 14.

The Board directed staff to budget \$50,000 each year to create 20 additional parking spaces with the understanding there may not be available open space to create 20 parking spaces each year.

During the 2022 Business Planning Meeting, the Third Board voted that the budget for this component be cancelled until further notice.

39) Roofs**\$1,684,823**

(A) Roofs Preventive Maintenance

The Built-up Roof (BUR) Maintenance Program is intended to extend the serviceable life of existing BUR roofs by three to five years, for a total serviceable life of 18-20 years. The program emphasizes aggressive repair and maintenance on BUR roofs at 5-year intervals.

The current roofing contract provides for the 5-year preventive maintenance of each roof system at no cost to the Mutual. The 10-year preventive maintenance program for 2024 includes those built-up roofs that were replaced in 2014.

(B) Roofs Built-Up – PVC Cool Roof

The Built-Up Roofing (“BUR”) Replacement Program is designed to identify and replace BUR systems that have reached their serviceable life, with PVC Cool Roofs, which have a serviceable life of 25 years. All roofs 15 years of age and older are visually inspected and a query of all reported rain leaks for the subject buildings is generated.

The roofs are ranked by condition and those with the worst overall performance are slated for replacement. Therefore, not all BURs are replaced upon expiration of their anticipated serviceable life.

(C) Roofs Lightweight Tile (LWT) to Comp Shingle

In 1990, buildings with wood shake roof systems were re-roofed with Lightweight Tile (LWT) to eliminate the potential fire hazard of the wood shake roof. (377 buildings, totaling 1,438,052 square feet).

On May 6, 2019 (during the 2020 Business Planning Meeting), staff was directed to include funding for lightweight tile roof replacements. LWT roofs have required significant maintenance since 2010 and are considered to be failing.

In 2020, the LWT roofs began to be re-roofed with Composition Shingles. Staff recommended a 15-year phased plan starting in 2020 to replace the LWT with Comp Shingles.

40) Exterior Walls

\$0

Barbed wire is no longer a city-approved material for wall security. In 2017, the City of Laguna Woods passed a resolution to include Shepherd’s Crook as an acceptable replacement to the existing barbed wire. Beginning in 2020, expenditures included the cost of clearing and grubbing.

The Village is required by the Condition Use Permit (CUP) to complete at least 900 lineal feet per year. At the Board’s request funding for this work be removed until further notice.

41) Waste Line Remediation

\$1,000,000

In 2006, the Board established a reserve line item for waste lines. The program provides for the evaluation of waste lines and the establishment and implementation of a strategy for replacement. Lining the underground and under slab pipe is possible with a liner and epoxy resin product. The program was expanded to include interior pipes in 2017.

Staff uses a combination of a reactive and proactive approach for the repair of waste lines. Reactively staff addresses backups as they arise and proactively all lines in the adjacent units are epoxy lined.

42) Water Lines – Copper Pipe Remediation**\$500,000**

In 2006, the Board established a reserve line item for copper water lines. This budget item funds the epoxy lining of failed copper water supply lines in the Mutual. Buildings are selected as candidates for epoxy-lining based on a leak criterion, and the frequency of leaks in a given building. Staff tracks leaks associated with the copper lines, and criteria-based calculations are made to identify the qualified buildings.

The program is reactive as well as proactive. When a manor meets the epoxy-lining criteria, the entire building where the manor is located is epoxy-lined.

Staff is currently using the approved leak rate ratio of two leaks in a three-year period or manors with one leak equating to 1/3 of the total number of manors in a building to qualify a building for remediation.

43) Plumbing Replacement**\$200,000**

Pressure Regulators: The Board voted to allocate \$200,000 per year for pressure regulator installation/replacements for the (General) Plumbing Replacement Reserve Funds (RPF) beginning in 2023. Plumbing staff will install pressure regulators to reduce the high pressure found at manors measuring over 80psi at Third Mutual buildings. The cost of the pressure regulator depends on size, ranging from 3/4" to 2", and will be installed/replaced on an as-needed basis.

44) Elevators**\$125,000**

The Elevator Replacement Fund provides funding for component replacement and interior cab upgrades to the 82 passenger elevators in the Mutual. Elevator flooring replacement expenditures are a contingency and will only be replaced as needed.

45) Laundry Countertop/Floor Replacement**\$59,173****(A) Countertops**

The laundry facilities in Third are comprised of 81 three-story buildings with three laundry rooms each and 44 freestanding laundry rooms. The three-story building laundry rooms have one folding table that will be replaced with a wall mounted countertop. The free-standing laundry rooms have four wall mounted countertops and are treated as one component for reserve purposes. The current replacement policy is reactive and countertops are replaced upon failure or non-reparability.

Estimated Life = 20 Years. Planned expenditures are based on the historical replacement quantities, anticipated useful life, and current estimated cost, plus inflation.

(B) Flooring

There are three laundry facilities, one on each floor, of Third 81 three-story buildings for a total of 243. Each of these laundry facilities has sheet vinyl floor covering. The Laundry Room Flooring Program allows the existing vinyl flooring to be professionally removed by an abatement contractor, staff then applies an epoxy floor coating over the entire surface.

Estimated Life = 25 years. Planned expenditures are based on the historical replacement quantities, anticipated life, and current estimated costs, plus inflation.

46) Laundry Appliances**\$109,593****(A) Water Heaters**

There are 125 laundry room water heaters in the Mutual. The Mutual's policy is to replace all water heaters in their 10th year of life. Planned expenditures are based on the anticipated useful life and current estimated cost of materials and labor plus inflation.

(B) Dryers

The Board approved the replacement of all existing residential dryers with commercial, coin operated machines. The level of the machines was raised by placing them on pedestals for easier use. Per Board directive, the number of dryers in stand-alone laundry facilities was reduced to 2 units. This was achieved when all dryers were replaced in 2019.

(C) Washers

There are 455 washers in the Mutual's laundry facilities. The current replacement policy is reactive and washers are currently replaced upon failure or non-reparability.

Per Board directive, the number of washers in the laundry facilities was to be reduced over time by removing faulty washers, and not replacing them in low-utilization locations.

**THIRD LAGUNA HILLS MUTUAL
2024 RESERVE EXPENDITURES
GENERAL SERVICES**

This section covers the inspection, maintenance and repair of metal work (prior to paint), paving and concrete, and repair to common area and perimeter walls. Primarily these maintenance items are in response to resident service requests, although many items are planned program work.

47) Prior to Paint **\$14,378**

The Mutual has a 15-year full exterior paint program. This budget item includes a contingency for railing, stairway metal work, balcony railing, and other welding repairs on the buildings scheduled for the 2024 exterior paint program.

48) Paving/Concrete **\$82,114**

Funding provided in this section is used to fund general asphalt repair work, excavation related to mainline repair, and crack filling work that is completed in conjunction with Maintenance and Construction's planned slurry seal program.

49) Exterior Walls **\$24,150**

This is a contingency for both perimeter and common wall replacements.

Funding is provided in this item to address common area walls, as well as the Mutual's perimeter walls. A contingency amount is included to address the repair or replacement of damaged common walls. This program assumes that an average of 1% of the walls would require repair every year.

(A) Common Area

This budget line item was transferred from the Maintenance & Construction Department in 2020 and provides contingency funding for repairs to the common interior walls in the Mutual. This program addresses the need to provide common wall repair or replacement throughout the community.

(B) Perimeter

Third Laguna Hills Mutual utilizes perimeter walls to provide physical security. The majorities of the walls were built over 35 years ago, and is typically made of concrete block. In addition to providing security to the community, this program replaces walls due to damage or deterioration.

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

DESCRIPTION	2020	2021	2022	2023	2024	Assessment		
	ACTUALS	ACTUALS	ACTUALS	BUDGET	BUDGET	Increase/(Decrease) \$	%	
DISASTER FUND - MAINTENANCE & CONSTRUCTION								
53	MOISTURE INTRUSION - RAIN LEAKS	\$707,469	\$253,951	\$242,184	\$260,000	\$220,000	(\$40,000)	(15%)
54	MOISTURE INTRUSION - PLUMBING LEAKS	1,254,082	614,090	183,156	500,000	650,000	150,000	30%
55	MOISTURE INTRUSION - PLUMBING STOPPAGES	151,227	118,104	141,150	75,000	80,000	5,000	7%
56	MOISTURE INTRUSION - MISCELLANEOUS	146,221	14,507	49,599	14,000	50,000	36,000	257%
57	DAMAGE RESTORATION SERVICES	217,829	162,802	165,336	199,470	50,340	(149,129)	(75%)
TOTAL		\$2,476,828	\$1,163,454	\$781,424	\$1,048,470	\$1,050,340	\$1,871	0%
GARDEN VILLA REC ROOM FUND - MAINTENANCE & CONSTRUCTION								
60	GARDEN VILLA RECREATION ROOMS	\$71,247	\$70,118	\$82,796	\$93,642	\$97,507	\$3,865	4%
TOTAL		\$71,247	\$70,118	\$82,796	\$93,642	\$97,507	\$3,865	4%

**THIRD LAGUNA HILLS MUTUAL
2024 DISASTER EXPENDITURES
MAINTENANCE AND CONSTRUCTION**

This was one of the first funds established for the Mutual to reserve for contingencies and uninsured damages. The purpose of this fund is to provide for emergency expenditures or catastrophic damages not covered by insurance, including insurance policy deductible amounts. Also, possibly for write-offs of uncollectible accounts according to original definition of the General Operating Fund. In the 2009 Business Plan, this fund was renamed from the General Operating Fund to the Disaster Fund to better convey its purpose. This fund is not required by Civil Code and is therefore excluded from reserve plan calculations.

53) Moisture Intrusion – Rain Leaks \$220,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to roof leaks, deteriorated roof membranes, roof flashing/connections, windows, stucco walls, atrium back-ups, gutter systems, rain flooding, skylights (non-alteration), and vents, that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

54) Moisture Intrusion – Plumbing Leaks \$650,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to plumbing leaks from the under-slab, in-wall, supply line, and drain line, that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

55) Moisture Intrusion – Plumbing Stoppages \$80,000

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of manors due to plumbing stoppages from main lines, internal lines, toilets, sink and basins that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

56) Moisture Intrusion – Miscellaneous**\$50,000**

This line item funds restoration (dry down, environmental testing, abatement & misc. repairs) of units with miscellaneous moisture intrusion from tub/shower enclosures, cracked tile, missing grout, humidity, irrigation, loose sink/countertop connections, common area washing machines, foundations, window condensation, and mold, that may cause damage to the Mutual's asset and require repairs. If replacements are needed, those items will be funded from the Replacement/Reserve fund.

Moisture Intrusion staff coordinate repairs and restoration with in-house staff and outside contractors to minimize the inconvenience to members.

57) Damage Restoration Services**\$50,340**

This line item funds the emergency repairs due to damage from structure fires and vehicle accidents.

If replacements are needed, those items will be funded from the Replacement/Reserve fund. Funding levels for this category are based on historic averages.

Part of this expenditure is reimbursed to the Mutual through hearings that review the circumstances of the moisture intrusion event in order to determine if the member should be held responsible for costs associated with the restoration.

**THIRD LAGUNA HILLS MUTUAL
2024 GARDEN VILLA REC ROOM EXPENDITURES
MAINTENANCE AND CONSTRUCTION**

60) Garden Villa Recreation Rooms

\$97,507

The Replacement Reserve-Villa Furnishings Fund was established in 1975 for the replacement of furnishings in the Villa buildings. Several policy changes were made through the years regarding the fund name and usage. On September 19, 1995, the Board of Directors adopted Resolution M3-95-82 approving a fund name of Garden Villa Recreation Room Fund.

The purpose of this fund is to provide for all expenditures in the recreation rooms of Garden Villa buildings (repairs, replacements and preventive maintenance), other than janitorial services.

On June 16, 2009 the Board directed that water heater and heat pump components previously paid from this fund will be paid from the Replacement Fund.