

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THIRD LAGUNA HILLS MUTUAL
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION
2010 BUSINESS PLANNING MEETING – VERSION 1
June 24, 2009**

The Board of Directors met on Wednesday, June 24, 2009 at 1:30 P.M. in the Community Center Board Room at 24351 El Toro Road, Laguna Woods, California.

Members Present: Carol Moore, Stanley Feldstein, Kathryn Freshley, Isabel Muennichow, John Paulus, Larry Souza (left at 4:00 P.M.), Mary Robertson, Carol Skydell

Members Absent: Don Lippert, Dominic Burrasca

Others Present: Janet Whitcomb–Laguna Woods Globe

Staff Present: Milt Johns, Janet Price, Betty Parker, Jerry Storage, Jim Dyer, Marcel Bradley, Katy Howe, Kurt Rahn, Jerry Rathje, and Dan Yost

CALL TO ORDER

Carol Moore, President of the Board, declared that the meeting had been properly noticed, stated that a quorum was present, and called the meeting to order at 1:30 P.M.

ACKNOWLEDGEMENT OF PRESS

The Press was acknowledged.

MEMBER COMMENTS

Dick Palmer (3031-O) mentioned the CCA meeting on June 25th to discuss conservation.

REVIEW PROPOSED 2010 BUSINESS PLAN

Janet Price, Finance and Administration Director, presented the proposed 2010 Business Plan – Version 1.

ASSUMPTIONS

Ms. Price presented a list of Policies, Practices, Directives & Assumptions used for developing the proposed 2009 Business Plan. The assumptions include 3% for inflation and 3% for investment interest rate.

Discussion ensued regarding the projected inflationary factor. Ms. Price explained that it is early to predict a figure for next year and that these assumptions will be reviewed again throughout the process. For interest earnings, staff will ensure that the projected rate is no more than 2% over the published Federal Reserve discount rate. Staff agreed to provide an estimate of the impact of a 1% change in the assumed CPI at the Version 2 meeting.

OPERATING BUDGET

Ms. Price indicated that GRF reduced reserve contributions by \$5.00 per manor per month (PMPM).

Ms. Price noted that, although water reflects higher rates proposed by El Toro Water District, consumption has not been reduced to reflect lower usage due to anticipated conservation efforts. This will be included in Version 2 of the 2010 Business Plan.

Comment [JP1]: Use language similar to that in other meeting minutes.

Used language in GRF Version 1 minutes – (DY)

The large increase in General Maintenance related to Exterior Paint was questioned. Jim Dyer, Maintenance Operations Manager, explained the types of building scheduled for painting in 2010 differs from those on the previous years' paint schedules. The 2010 painting program consists of 81 buildings, including 25 Garden Villa buildings plus the garages that were last painted 10 years ago. The 2010 schedule also includes decks requiring top coat application, whereas there were no such decks in the 2009 schedule.

There was discussion of delaying some painting in order to level the expenditures somewhat. Mr. Dyer recommended completing all Garden Villa building exteriors. He explained that some of the non-3-story buildings that were last painted 9 to 10 years could be deferred but noted they were painted an 8 year product and visual inspections showed cracking and peeling on these buildings. Removing buildings painted in 2001 would reduce the proposed budget to \$1,572,000 for 52 buildings.

A consensus was reached to leave the budget as proposed at this time.

Ms. Moore asked if the water budget was reduced to account for the accelerated replacement of laundry washers in 2010. Ms. Price explained the overall impact would be minimal.

Discussion ensued regarding increased allocation by General Management to Third due to support for the increased number and duration of board meetings. Staff responded to questions and comments regarding the basis and documentation for the allocations as well as ways Third could economize.

Dr. Paulus proposed a reduction in relandscaping/retrofit to \$500,000 from \$937,162. Kurt Rahn, Landscape and Recreation Director, explained that 30% of the program would be required to address remaining high maintenance plantings.

Mr. Feldstein commented on the number of cycles for shrub-bed maintenance that would maintain appearance and suggested 2 are required, not 3 to 4.

A motion was made by Dr. Paulus and seconded to reduce the landscaping/retrofit program to \$500,000.

Mr. Souza left at 4:00 P.M.

A motion to amend was made by Ms. Freshley and seconded to reduce the landscaping/retrofit program to Version A levels, approximately \$263,530. By a vote of 3-2-1 (Muennichow and Robertson opposed and Paulus abstained) the motion passed.

Mr. Feldstein asked about increases in Landscape Administration for each service level. Ms. Price explained changes in allocations from Version A to Version 1 that impacted each landscape work center.

RESERVE CONTRIBUTIONS

Ms. Price explained how the Replacement Reserves 30-Year Funding Plan was developed and how funding levels are determined to prevent large fluctuations for reserve contributions in future years.

Discussion ensued regarding moving the planned expenditures for exterior lighting up to 2010. Ms. Price commented that the change would not affect 2010 assessments.

It was noted that the recent Board directive to change the funding source for Garden Villa Rec. Room heat pump and water heater replacements will be updated in Version 2 to be paid from the Replacement Fund, a reserve contributed to by all members.

A motion was made by Dr. Paulus, seconded, and passed by a vote of 6-0-0 to include in the 30-year reserve expenditures plan the installation of pedestals on front-loading washers to make them more accessible.

A motion was made by Dr. Paulus, seconded, and passed by a vote of 6-0-0 to increase the Garden Villa Rec. Room Fund contribution from \$3.25 PMPM to \$4.00 PMPM.

Ms. Price summarized that Version 2 will reflect a reduction in water consumption, the landscape/retrofit program, and GRF reserve contributions. Also, a projection of surplus will be made available.

COMMITTEE MEMBER COMMENTS

The Chair announced that all business had been addressed and therefore cancelled the Meeting B scheduled for July 1, 2009 at 9:00 A.M. The next business planning meeting of the Third Board will be July 24, 2009 at 9:00 A.M. to review Version 2.

ADJOURNMENT

The meeting was adjourned at 5:10 P.M.

Isabel Muennichow, Secretary