

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF THIRD LAGUNA HILLS MUTUAL
A CALIFORNIA NON-PROFIT MUTUAL BENEFIT CORPORATION
2012 BUSINESS PLANNING MEETING – VERSION 2
July 22, 2011**

The Board of Directors met on Friday, July 22, 2011 at 9:00 A.M. in the Community Center Board Room at 24351 El Toro Road, Laguna Woods, California.

Members Present: Carol Moore, John Paulus, Lucy Shimon, Carol Skydell, Kathryn Freshley, Dominic Burrasca, Dick Palmer, Isabel Muennichow, Rae Tso, Denny Welch, and Sy Wellikson

Members Absent: None

Others Present: Barbara Copley - United

Staff Present: Jerry Storage, Betty Parker, Marcel Bradley, Jerry Rathje, Kelly Arata, Jose Campos, 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 9:10 A.M.

ACKNOWLEDGEMENT OF PRESS

Lois Rothschild from the Laguna Woods Globe was acknowledged as present.

MEMBER COMMENTS

Constance Matzenbacher (2401-3D) commented on the organizational structure and levels of management.

REVIEW PROPOSED 2012 BUSINESS PLAN

Betty Parker, Financial Services Director, presented the proposed 2012 Business Plan – Version 2, noting the changes from Version 1. Discussion ensued and clarification was given regarding a staffing change, which reduced MSO General Management by \$1.00 per manor per month and increased GRF Operating by \$0.50 per manor per month.

Director Welch made a motion to add back in the General Management positions that were removed since the Version 1 meeting. Director Muennichow seconded the motion.

The Board discussed the cost savings ad hoc committee decision to remove the General Management positions and whether the actions of the committee were valid.

By a vote of 4-6-0 the motion failed (Muennichow, Tso, Wellikson, and Welch in favor).

The board discussed the decrease in the water budget from \$3.5 million in Version 1 to \$3.3 million in Version 2.

Director Welch made a motion to increase the budget for water to \$3.4 million. The motion failed for a lack of a second.

Director Freshley discussed lowering the budget for Property Insurance based on current actuals. Ms. Parker informed the Board that rates are expected to increase at renewal in October.

Director Freshley made a motion to decrease the Property Insurance budget to \$570,000 based on 2011 actuals through May.

Director Welch requested Scott Dunham, Risk Manager, explain the methodology behind the budget for insurance. Mr. Dunham explained the reasons for the increase in the proposed 2012 budget for Property Insurance.

By consensus, the Board agreed to leave Property Insurance at the proposed level.

Director Moore stated the Board needs to make a decision if they are going to pursue FHA approval.

Ms. Parker mentioned that Version 3 will include a small increase in the Management Fee to reflect the recently published June CPI figure.

The Board discussed Professional Fees, questioning the increase. Ms. Parker explained the increase was due to audit fees

Director Freshley made a motion to reduce the budget for Professional Fees to \$50,000. Director Shimon seconded the motion and by a vote of 7-3-0 the motion passed (Directors Tso, Muennichow and Welch opposed).

Director Freshley discussed the current status of uncollectable accounts.

Director Freshley made a motion to reduce Uncollectable Accounts to \$80,000. Director Shimon seconded the motion. Discussion ensued relating to the small claims process. The motion passed by a vote of 7-3-0 (Directors Welch, Wellikson, Tso opposed).

Director Paulus commented on the number of times the garages are cleaned in the Garden Villas.

Director Wellikson made a motion to reduce the cleanings in the Garden Villa garages from three to two times per year. Director Tso seconded the motion which passed unanimously.

Discussion ensued regarding changes in Financial Services.

Director Freshley made a motion to lower the budget for Financial Services to \$510,000. The motion was seconded by Director Skydell. Ms. Parker explained the nature of Mutual Shared Operating expenses and allocations. Director Skydell withdrew her second.

The Board discussed the possibility of setting a higher late fee, such as \$50 or 10%, to help offset administrative costs of delinquency processing and collection procedures. Director Tso asked about the number of late fees collected annually. Ms. Parker noted the amount of late fees collected in 2010 was \$37,000. The Board agreed to discuss this item at a later Finance Committee meeting.

Director Freshley made a motion to decrease the MSO Insurance line item to \$350,000. Director Skydell seconded the motion.

Mr. Dunham mentioned the increases in insurance were due to loss experience and increases in D&O insurance. Mr. Dunham stated that he is completing negotiations at this time and will have an updated figure for Version 3.

The motion failed by a vote of 5-6-0 (Directors Paulus, Freshley, Burrasca, Palmer, and Skydell in favor with Director Moore voting against to break the tie).

Jerry Rathje, Landscape Manager, discussed the change in the Landscape budget from \$5.9 million in Version 1 to \$5.75 million in Version 2 and answered questions from the Board. Director Muennichow inquired if the service levels for landscape will change as a result of the budget reduction. Jerry Rathje stated that service levels were not expected to change but he could not promise that if further reductions were made, service levels would remain the same.

Director Freshley made a motion to reduce the Landscape budget to \$5.25 million. Director Burrasca seconded the motion. The motion failed by a vote of 4-6-0 (Directors Freshley, Burrasca, Shimon, and Skydell in favor).

Director Freshley made a motion to reduce the Landscape budget to \$5.5 million. Director Skydell seconded the motion and was passed by a vote of 6-5-0 (Directors Paulus, Muennichow, Palmer, Welch, and Wellikson opposed with Director Moore voting in favor to break the tie).

COMMITTEE MEMBER COMMENTS

No comments were made.

ADJOURNMENT

The meeting was adjourned at 12:40 P.M.

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Carol Skydell, Secretary