

# WALNUT CREEK MUTUAL NO. TWENTY-NINE

## ANNUAL MEETING MINUTES OF THE MEMBERS MONDAY, MARCH 20<sup>th</sup>, 2023, AT 9:30 A.M. ZOOM MEETING

### Call to Order

The member meeting was called to order at 9:32 a.m.

### Roll Call

**Directors Present:** Richard Giesnner – President (*Incumbent*)  
Beth Gannon – Vice President  
Mike McLaughlin – Treasurer (*Incumbent*)  
Tanc Agius – Secretary  
Sheila MacDonnell - Director

**Also Present:** Paul Donner, Director of Operations; Rick West, Building Maintenance Manager; John Tawastsjerna, Landscape Manager; and Lucy Limon, Board Services Coordinator.

### Certification of Meeting

*Lucy Limon, Assistant Secretary certified that a Call for Candidates was published in the October 19<sup>th</sup>, 2022, October 26<sup>th</sup>, 2022, and November 2nd, 2022, editions of the Rossmoor News. The Mutuals' Board Office received three board nominations from the membership. A secret ballot was mailed to all Mutual 29 members on January 20<sup>th</sup>, 2023. The ballots were tabulated at an open meeting on Friday, March 17<sup>th</sup> at 2pm via zoom.*

*In accordance with Corporations Code § 7511(b), a notice of the Annual Meeting was mailed to the membership on March 6<sup>th</sup>, 2023, and emailed to all members.*

### Tabulation Results for Director Election

A secret ballot in the matter of a Director Election was mailed on January 20<sup>th</sup>, 2023, for a vote of the membership. Ballots were opened and tabulated during the Ballot Count Meeting on Friday, March 17<sup>th</sup>, 2023, at 2:00 p.m. via a Zoom meeting.

**The following is a report prepared by the Inspector of Elections, Evan Spinrod:**

**TOTAL BALLOTS RECEIVED: 60**

**TOTAL INVALID BALLOTS: 1**

**TOTAL VALID BALLOTS: 59**

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**EACH CANDIDATE RECEIVED THE FOLLOWING NUMBER OF VOTES:**

**RICHARD GIESSNER: 54**

**DAVID HICKEY: 47**

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**DON WAYNE: 9**

**THE QUORUM REQUIREMENT ON THE DIRECTOR ELECTION IS 25% OF THE MEMBERSHIP OR 27 BALLOTS. A SIMPLE MAJORITY OF THE TOTAL RETURNED VALID BALLOTS DETERMINE THE WINNER OF THE ELECTION.**

**RICHARD GIESSNER and DAVID HICKEY received the greatest number of votes and therefore, were elected to another three-year term ending in 2026 for the open seats on the Mutual No. Twenty-Nine Board of Directors.**

## Transitions

- a. We lost Harriet Coleman & Ron Ondrejka
- b. Olga Palmer is a new member.
- c. A fourth rental unit has been added. Amy Ferretti and her dog, Cooper, are the lessees.

## Reports of Officers and Committees

### a. **President's Report – Richard Giessner:**

A new year has begun. There is a new color in our landscape along with snow on our mountain vista. I encourage everyone to go outdoors. Say goodbye to winter and hello to spring.

We will be having a busy year. The following committee reports will outline what buildings will be repaired, our landscape upgrades and community events.

As many of you know some coyotes have been making the rounds at our mutual. Judy and I see one or two walking east to west in our backyard several times a week. A pet was attacked in February. So, I need to remind our residents of some rules that are being ignored. Do not feed your pets outside. Do not leave food out for any wild animals. On my walks around our perimeter, I have seen pieces of bread, vegetables and meat on back patios, tables and the lawns. This needs to stop immediately.

Some incorrect information was left at our doors recently. I'd like to refute some of the statements. I am well aware of how unused reserve money rolls over to the next year. Detailed information on our Landscape budget was made available. The landscape portion of your coupon is less now than in 2010. 2010 coupon was \$544.00, the landscape portion was \$69.50 or 12.7%. 2023 coupon is \$1070.00, the landscape portion is \$91.00 or 8.5%.

The board will be selecting a bid to update our governing documents. This time we will have legal counsel assisting us so as to avoid the mistakes that were previously made.

The longevity of our community is not about keeping maintenance issues up to date,

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as zero- based budgeting would do. It's about doing the maintenance before the issues materialize. Our current board is aware that the decisions we make now will affect the cost of maintenance in decades to come. When an assessment becomes necessary it's because something wasn't done or done correctly 10 or 20 years ago. The board's responsibility is not confined to the length of our time in the office but to the longevity of our community.

**b. Landscape Report – Wini Biehl & John Tawastjerna:**

Wini gave the following report:

We are planning renovation and grass removal of rear area 3120/3136. Also plant replacement of front entrance area during our spring MOD days, March 28 thru April 11. We have met with the residents and discussed the proposal. We want to continue the plan of mulching 1/3 of mutual each year as a good landscape practice and are in the process of assessing other needs.

**c. Financial Report – Mike McLaughlin:**

The Mutual ended the year in sound financial shape. Our Fund Balances for both the operating and reserve budgets are sufficient to meet the projected needs of the Mutual for this year.

In 2022 Mutual completed the replacement of the shingled portion of all the roofs. This was a multi-year project costing over \$700,000. We have also mostly completed our grass replacement project, spending about \$150,000 over the years.

As a result of the grass replacement, we spent significantly less than was budgeted for water for the third consecutive year, despite significant rate increases in these years. These grass reduction projects are saving at least \$10,000 each year and going forward.

One issue that may affect Mutual is the weakness in the MOD accounting system that was exposed by the Covid pandemic. MOD has determined that the accounting system is inadequate to meet the needs of GRF and the mutuals. We have had delays in receiving financial data that we need to manage the budget. Fortunately, we have not discovered any major errors affecting us. I credit Richard for staying on top of contracts, so Mutual has not had the problems of some others. Because of the MOD system limitations, the year-end numbers are “provisional” . Our 2021 financial audit was not completed until August of 2022. We expect the 2022 audit to be similarly late. This could be an issue if the audit finds material problems that would be difficult to correct that late in the year.

However, I believe the December financial report does reflect our actual balances to the best of my knowledge.

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The 2022 final Mutual Fund balances for the operating budget is \$230,219. The reserve fund balance is \$286,595. The total fund balance is \$516,814. This compares with the 2021 year-end Operating Fund balance of \$162,418, and the reserve balance of \$203,209. The total fund balance was \$365,627. In other words, the Mutuals funds increased in 2022 by just over \$150,000.

There are several reasons for these increases. The reasons are different for each fund. The increase in operating cash is mostly because of the roughly \$58,000 GRF and MOD dividends. We also had savings in utilities and repair costs that I mentioned earlier.

The reserve fund increase is partly due to about \$50,000 in expenses budgeted for balcony repairs that were not spent. Because all the Mutuals are required to make these repairs, the contractors are filling their schedules. We also waited to see what costs other Mutual are seeing, as well as hidden costs. These 2022 balcony repair funds will be carried over to 2023.

In addition, the reserve fund received over \$20,000 from the operating fund that was a repayment previously borrowed pay for insurance. There were also savings in water and sewer repair funds with fewer sewer and water main breaks than in previous years. These funds carry over as well.

Mutual spent \$888,501 in operating costs in 2022. The largest expense was the Golden Rain Foundation of \$392,000. This amount is assessed annually by the GRF board. For the first time, the second largest expense was insurance at \$131,000. The third largest was Utilities, which traditionally has been the second largest expense, costing \$126,000. We spent \$110,000 on landscape maintenance.

There are three components of landscape maintenance. The first is our contract with Terra for routine maintenance. Second is our contracted days of MOD labor. This provides the labor to address the goals of our annual landscaping plan. In 2022 this included the labor of grass reduction. The budget for both these components is contractual. They therefore were spent as budgeted. The third component is tree maintenance and removal, and pest control. This last expense was over three times the budget, due to significantly more problems with rats and other pests.

The Mutual spent a total of \$249,435 in reserves in 2022. The single largest expense was \$167,000 for the last phase of the shingled roof replacements. We spent \$62,000 on replacing grass with plants that require less water and installing drip irrigation to replace wasteful sprinklers. Over \$20,000 of these expenses were paid out of savings from the 2021 landscape reserve budget. We spent over \$7,000 on repairs to sidewalks, sewer and water line breaks. Fortunately, we had fewer breaks than in previous years.

\$516,000 in fund total balances may seem like a lot. The Operating balance is \$230,000. The Reserve balance is \$286,000. However, these amounts are significant

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in a number of ways. First, and perhaps most importantly, this operating cash has allowed our Mutual to pay the insurance premium of \$212,000 in January without borrowing from reserves. Most other mutuals needed to borrow it. We are scheduled to spend almost \$400,000 in reserve expenses this year, so we would need to delay these important projects if we borrowed from Reserves.

By law, the Mutual must complete a reserve study annually. We use the Helsing group, as do most other mutuals as it stands, the latest Helsing projection of our ending cash balance in 2028 is \$43,688. Our costliest reserve-funded project lies ahead of us, and we need to assure us we can pay for it.

Does the Board have any questions about the 2022 budget outcome?

### **March 2023 Quarterly Report**

Unfortunately, we have not received any financial reports for 2023. We have tracked our expenditures, however. We have had no unexpected costs to date.

We have completed the replacement of the two Durolast roofs that were leaking last year. We have also begun replacement of the three other Durolast roofs the inspection revealed were at risk.

We are working with MOD to develop a contract for the replacement of three to five additional Durolast roofs. This will complete the first phase of our four-year project to replace all the flat Durolast roofs. We pointed out before that all these roofs have exceeded their warranted life and are over 20 years old. If we replace them over four years, the average age of each roof will be 22 years. We anticipate we will spend the \$182,000 budgeted for this first phase.

We have gotten two bids for the balcony repairs we must complete this year to comply with the balcony bill. The lowest of these bids is \$106,000, with an additional roughly \$10,000 in permit and inspection fees. We budgeted a total of \$93,000 in the 2023 budget, and have a carry-over of about \$50,000 from 2022, as mentioned previously.

Lastly, want to address how the Mutual budget is constructed. The procedure was developed by MOD a long time ago and has not changed during the six years I have been on the board.

MOD staff use the July financial report as a basis for projecting the operating expenses that the Mutual Board manages, for the year beginning next January. First, MOD staff double this amount. Then it is tweaked to address periodic issues such as water usage, that vary throughout the year.

But this is only a smaller of the total budget. The largest chunk of the operating budget is the GRF assessment. \$329.92 of the monthly coupon, or 33% of the

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Operating budget enables the operations of the Golden Rain Foundation, including the cable contract. This amount is determined by the GRF board. The Board learns this amount at the same time as residents.

Insurance is the second largest operating cost. This year the insurance budgeted cost is \$211,898. This is \$166.59 of the monthly coupon, or 16% of our operating costs. This amount is also negotiated by MOD staff. This amount has been settled later and later each year. This year it was not finalized at the time our budget was approved.

We pay a monthly management fee to MOD to fund their administrative costs. This is \$64.35 per month of the coupon. Some of our other operating services are also contracted. This includes our landscaping contract with Terra. This was renewed in January of last year for five years with a 2% annual increase.

All in all, most of our expenditures are either set by others or contracted services.

Zero-based budgeting (ZBB) has been suggested as a better alternative to the current method used by the Board. I researched this alternative to determine if my previous concerns about using ZBB exclusively were correct.

Actually, the Board is using zero-based budgeting for much of the budget it controls. The approach that Richard introduced that shepherds our maintenance projects, rather than depending on MOD exclusively, is a good example.

ZBB has gained popularity among some businesses that want to control their costs. ZBB is not used by most companies, however. Several requirements of ZBB would be difficult for the Board to manage. First, ZBB is very time-consuming. With a volunteer board of mostly retirees, this would be a challenge. Second, there should be control of all aspects of the expenditure process. This isn't realistic, given that MOD handles all our accounting, and especially now when MOD is struggling with its accounting duties. Also, ZBB is not recommended when an entity has significant contracts that govern cash outflows, such as labor contracts. The Mutual has contracts with MOD and for landscaping, and the GRF assessment is essentially a contract. ZBB is also not recommended for entities with long-term multi-year projects, such as the replacement of major components like roofs. In these cases, use of ZBB increases the likelihood that there will be insufficient funding set aside.

The basic tenet of ZBB is to accurately predict profit and to maintain control over costs. The Mutual does not sell any widgets, so our income is predictable. I believe the Board manages the part of the budget it controls in a manner that is consistent with ZBB.

**d. Building Maintenance Report – Richard Geissner & Rick West**

Rick West gave the following report on Building Maintenance:

**INFORMATION ITEMS: WORK SCHEDULED, IN PROGRESS OR COMPLETE**

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1. Phase I - 2022 DuroLast Roofing Project. This project is to replace all of the flat portions of the building roofs. Phase I included Buildings #3152 and #3160. Two additional buildings have been resealed so that they will remain watertight until they have had their DuroLast replaced. These are Building #2608 and #2648. The Project is scheduled to be completed in 6 phases and will be completed in 2027. The 2022 budget for Phase I was \$50,000.00.

**Contractor: Fiala Roofing – 2022 Cost \$39,218.00. The 2023 budget for Phase II is \$182,720.00. Contractor: Fiala Roofing – 2023 Cost \$59,313.00. Scheduled for summer 2023.**

2. Phase I -SB326 Raised Component Inspections. Contractor: FWC Structural Engineering.

Phase I Cost \$15,656.00. 2022 & Phase II scheduled for 2023 cost \$16,450.00. Phase I Balcony Inspections have been completed.

**Bids Presented to the Board For review. Low base bidder - GBG for \$105,972.81.**

3. Replacement of existing post between 2716 and 2720 due to dry rot. Contractor: MOD.  
**Cost NTE \$1,800 Project Completed.**

4. February Building and Carport Gutter and Downspout Cleaning. Contractor: Outdoor Keepers.

**Cost \$6,500. Work completed. Next cleaning is scheduled for November 2023.**

**e. Trash Committee Report – Tanc Aguis:**

Tanc Aguis provided the following report:

Thanks to many of our neighbors, "Trashing" is now becoming a science rather than an art in Mutual 29. Since the last check, we have received NO fines from the Republic.

However, there is still room for improvement as it appears that there is ongoing confusion about what should or should not go into the BLUE recycle bins. All items placed in the BLUE bins should be clean and loose and NOT disposed of in plastic bags.

Plastic supermarket and garbage bags do NOT belong in the Blue recycle bins; they belong in the BLACK landfill bins.

All food scraps should be wrapped in newspaper or compostable bags and placed in GREEN bins.

If in any doubt, please read the Recycle Do's & Don'ts Posters attached to the outside of the door leading into the trash disposal areas.

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Small cardboard boxes need to be broken down and flattened before placing in the BLUE bins. Large cardboard boxes also need to be broken and flattened and they need to be taken to the MOD Recycle Yard on Rockview Drive.

If you have Care Givers or House Cleaners, please pass this information along to them.

f. **Emergency Preparedness Report – Susan Codeglia:  
Richard Giessner reported for Susan Codeglia**



We recently endured a power outage, so I'd like to offer some helpful resources. For anyone who relies on electricity to power their medical devices, i.e., oxygen, refrigerator for insulin, CPAP, etc., PG&E has a program called **DDAR** (Disability Disaster Access & Resources), which provides you with a free battery pack. To qualify, you must meet all three of these requirements:

1. Live in a Tier 2 or 3 wildfire area (we do) as highlighted by the CPUC map ([CPUC High Fire Threat District \(HFTD\) \(arcgis.com\)](#)); or have experienced a Public Safety Power Shut-off (PSPS) event.
2. Currently be enrolled in PG&E's Medical Baseline program.
3. Use an electronic medical device as highlighted in your Medical Baseline certification.

You can call PG&E's customer service number for more info: **800-743-5000**.

Other tips:

- Please make sure you have plenty of battery lanterns and flashlights - there are numerous styles for both, including solar. I just bought a little solar lantern that stays charged while it sits in my window, and there are lots of affordable solar flashlights and solar lanterns available on Amazon.
- Buy a portable/rechargeable power bank for your smart phone and keep it charged. This way you can recharge your smart phone during a power outage. Amazon has some nice power banks for \$20.



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- I filled a couple of small Tupperware containers with water and kept them in my freezer for a power outage. If the power is out for more than four hours, I can pull one out of my freezer and put it inside my fridge to keep my food from spoiling.
- **Candles are a HUGE fire risk - do not use them!** Per FEMA - an estimated 23,600 fires in residences in the United States are caused by candles annually and result in 1,525 injuries, 165 fatalities, and \$390 million in direct property loss.

**f. Communications Committee Report – Sheila MacDonell:**

Sheila reported that there will be a social gathering on April 5<sup>th</sup> in Norton Park, weather permitted Residents are encouraged to bring something to drink a bite to share.

There will be other social events, all these events are weather permitting:

- May 17<sup>th</sup> – Ice Cream Social
- July 19<sup>th</sup> – Concert at the park
- Social Event – Date Tentative

### **Resident's Forum**

Residents were afforded the opportunity to express their general concerns, make comments, and ask questions. Topics discussed in open forum included zbb, budget for landscape, three walkthroughs, recent blackouts.

### **Appointment of Lucy Limon as Chairperson Pro Tem for the Organizational Meeting**

Moved, Seconded, Carried 5-0

### **Announcements**

- a. Quarterly Meeting, Monday, June 19<sup>th</sup> at 9:30am, location TBD.
- b. Immediately following the Annual meeting there will be an Organizational Meeting.

### **Adjournment**

The meeting adjourned at 10:30 am.

### **Secretary's Certificate**

I hereby certify that the foregoing is a true and correct copy of the minutes of the Annual Meeting.

Lucy Limon

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**Assistant Secretary**