

WALNUT CREEK MUTUAL SEVENTY
MINUTES
ELEVENTH ANNUAL MEETING OF THE MEMBERSHIP
FRIDAY, JUNE 17, 2022
ZOOM

OPENING

President Lichtenstein opened the meeting at 10:05 a.m. and welcomed everyone to the Eleventh Annual Meeting of the Membership.

INTRODUCTIONS:

Ms. Lichtenstein introduced herself and then made introductions as follows: Board members include David Kirkpatrick, Jeff Cheung, and Janet Maleski. Wally Brohaugh was excused. She also introduced the GRF staff present as follows: Paul Donner – Director of Mutual Operations, Rick West – Building Maintenance Manager, and Joel Lesser – Chief Financial Officer and Anne Paone – Board Services Coordinator.

PROOF OF NOTICE OF MEETING

Ms. Paone certified that notice of the eleventh annual membership meeting appeared in the *Rossmoor News* on February 9th and February 16th. A notice was mailed on May 24th, 2022 by first class mail to each membership household in accordance with Section 4.4(a) of the Bylaws of Walnut Creek Mutual Seventy.

REPORTS OF DIRECTORS

President: Ms. Lichtenstein reported the following.

Create a fiscally sustainable management structure, Jeff Cheung, our treasurer will go into greater detail but we have made significant progress in the financial health of our mutual, specifically as it relates to operating and reserve funding.

Ensure best management practices for buildings and grounds at a standard that upholds property values and creates a sense of community, Beyond the required maintenance, the board along with the building and landscape committees are working with mutual operations to create a more robust reporting program. Our mutual has also begun to work collaboratively with other mutual to share best management practices.

Look forward to the future and prepare long range plans for maintenance to reduce impacts from unknown issues, Unwelcome surprises continue to surface throughout the mutual. We continue to track these to gain a better perspective on costs and include those projections in the budget.

Challenge current assumptions about energy and water use to incorporate better sustainability measures, The board through the communications committee continues to provide informational pieces in our quarterly newsletter regarding water reduction. In addition, Landscape Reps have taken on a greater role in reporting irrigation issues.

Foster greater communication from the board to the residents. The communications committee had done a great job creating a quarterly newsletter. We look forward to more fun and informative offerings.

Continue to investigate risk mitigation measures to reduce insurance rate impacts

and create a safer community The landscape committee is ninety-percent complete with fire abatement tree removal and has worked closely with maintenance to maintain low fuel boundaries around the mutual. In addition, the board had a separate meeting with our insurance representative to explore any additional enhancements.

Encourage greater community engagement through social venues. The communications committee has scheduled its first social event for June 29 at Gateway and we hope you can all attend.

On a final note, I want to acknowledge that the last few years have been challenging and that we are far from business as usual. We understand that it seems to take too long for some things to get completed but please understand that everyone is working together to overcome multiple issues and is truly doing their best. The board wants to thank you for your patience.

Vice President: No report.

Secretary: Ms. Maleski reported that Sue Harvey had done a wonderful job with the newsletter. There will be a social event on June 29th.

COMMITTEE REPORTS

LANDSCAPE COMMITTEE REPORT

Paula Krauss named the representatives on the committee and thanked them for their work. They have worked hard on fire mitigation. During MOD workdays, repairs and plantings will be done. In the summer months, everything is maintained. She gave a shout-out to Steve Ormond.

BUILDING COMMITTEE REPORT

Frank Cost reported the following:

We and MOD have been active the past few months on improving communications and establishing procedures that will make sharing information easier, which will help MOD and the Mutual by

- Standardizing the Contractor bidding and evaluation process
- Establish a historic costs database that is comprehensive and assist in the MOD's and the Mutual's budget process
- Standardize and align the Mutual's and MOD's budget items with Helsing's reports definitions.

At the committee level we are developing the following:

- Tracking projects by funds and category of work
- SB326 tracking form
- We are tracking the additional work due to dry rotor and termite infestation associated with the replacement of windows and doors
- Building committee procedures to obtain and distribute information efficiently

We are beginning a series of Entry Walk-Throughs to compile lists of potential issues that will help us in our budgeting efforts and lessen unanticipated projects – Surprises.

The Building Committee continues to need additional members with either engineering, architectural, or construction experience. If you know someone or are yourself interested, please contact me, Frank Cost, at cost_frank@yahoo.com for additional information.

Mr. West reported that the elevators recently were tested for load bearing. All passed. The state mandates this test every 5 years. They are currently bidding the exterior and interior electrical panels. They are owned by the Mutual unless it is an alteration. They are doing Excel coatings on balconies. They are also looking at paving and doing the entries. Work is being done for SB326. The structural engineer is working on phase 2 now.

COMMUNICATIONS COMMITTEE

Ms. Maleski provided the Board with the following report.

Annual Report June, 2022

I. Formation of Standing Committee

Board member Janet Maleski proposed the formation of a new standing committee called the Communication Committee. The committee formation and structure were approved at the November 18, 2021 Executive Board meeting.

II. Organization of Committee

Chair/Board Liaison: Janet Maleski

Members: Christine Barclay Donna Brian Sue Harvey Natalie Davis

Goals:

- a. To help facilitate an improved channel of communication between Board members and residents.
- b. To advise the Board about resident issues and inform residents about activities of the Board using various kinds of communication methods such as surveys and Newsletters.
- c. To preserve the privacy of residents by following the policies established by the Board.

III. Privacy Policy

To assist in meeting the obligation of governing Walnut Creek Mutual No. 70 the policy was approved at the October 21 Board Meeting.

The Board of Directors has determined that it is necessary to establish and adopt a policy for communications within the Mutual in accordance with Civil Code section 4900 et seq. (the "Common Interest Development Open Meeting Act"). It is the intent of the Board that this Policy will apply to communications between all homeowner Members of the Mutual and management, current and future Board members, and vendors/maintenance crews until it is duly rescinded, modified, or amended by a majority of the Board of Directors.

The purposes of this Policy are to: establish the process for Owners to communicate with the Mutual, the Board of Directors, management (MOD) and vendors; establish minimum standards for responding to Owner inquiries; establish effective and timely communication between the Mutual and

Owners; facilitate electronic communications when possible; ensure that communications between Directors comply with the Open Meeting Act; and establish guidelines for website and social media use by the Mutual and its Directors.

The capitalized terms in this Policy shall have the meaning set forth in the CC&Rs, unless otherwise clearly indicated.

Residents were encouraged to make use of M 70 website listed under Rossmoor "mutuals": M70@Rossmoor.com

IV. Permission to use resident Email

A letter was designed to send to all residents explaining the need to obtain written permission from residents before using email to communicate Mutual 70 information to them.

1. 172 forms were sent out by mail and about 162 were returned. About Ten residents were either in the process of changing ownership or there was no information available about them. Approximately 152 residents gave their permission to use their email for Board communication purposes. Ten residents no longer use email and requested communication by mail or hand delivery.
2. A data base was developed with the help of the solar committee.

V. Activities

1. Communication Survey

The committee designed a short survey that was sent to all residents. The questions were focused on how the residents felt about interactions with the Board and what they would like to see in the future. The response was good and the results were presented at a Board meeting. The Board responded to some of the suggestions made in the survey and their responses were sent to all residents by email.

2. M 70 Newsletter

The committee organized and designed a Newsletter and sent out the first issue to all residents in January 2022 by email. Those residents who do not have email received theirs by hand delivery. Sue Harvey, a committee member volunteered to take the responsibility as editor of the newsletter. Various members of the committee wrote articles along with Board members including a President's forum. The newsletter has been well received with comments stating how helpful the articles have been. The committee plans to issue the newsletter 4 times/year in January, April, July, and October.

3. Other M 70 Communications

- The communication system was used to send financial information to residents from the treasurer

- The system was used to send urgent information concerning smoke detectors in May.

VI. Other Activities

1. Social Gathering

The committee decided to respond to many requests for a social gathering and proposed and planned an opportunity to get together and meet neighbors from their own entry and other M70 entries. The event is planned for the evening of June 29 at Peacock Patio Plaza. The event will be the first held since about 2010. Invitations were sent by email and residents were requested to bring snacks to share and their own beverages. It was planned to be a modest affair with very little money needed from M 70 funds or residents.

VII. Activities planned for 2023

The committee plans to continue with the newsletter, possibly other social gatherings and any additional assignments from the Board as residents have said they like being more informed about mutual activities.

FINANCE COMMITTEE

Ms. Lichtenstein introduced Jeff Cheung to give his Treasurer's Report. She asked that everyone please hold their general questions & comments until the end of the presentation.

Mr. Cheung reported the April financials showed the ending balance in the operating fund was \$267,532. The ending balance in the reserve fund was \$1,279,244.

He reported that in the recent past (2015-2019), the Mutual had an annual operating deficit for 5 years. That trend has been reversed and the Mutual had to borrow from the reserve fund to pay for the insurance. It gets paid upfront in January.

Mutual 70 now has a strategic plan.

- Objective: To be considered *healthy and to protect our home values*, we need to develop & implement a 5-year strategic plan to address financial improvements in both Operating & Reserve Funds
- Need stated Goals & Metrics
- Measure results...take additional actions where needed
- Strategic Plan presented at October 2019 Town Hall Meeting

M70 Financial Goals...How we are doing.

Operating Fund Goals:

- Fiscal soundness requires no operating losses in any one year ✓
- Eliminate Current Deficit Ending Fund Balance caused by higher-than expected expenses ✓
- Repay Current Year Reserve Fund Borrowings to cover our cash shortfall from prior years ✓
- Repay 2018 RF Borrowing per repayment our repayment plan ✓
- Build Up Working Capital (Cash on Hand)-MOD's *standard* for well-funded and performing Mutuals, defined by:
 - 2 months Working Capital (Operating Expenses or ✓
 - Cash on Hand to pay for Insurance Premiums ✓

Reserve Fund Goals:

- Achieve a favorable Helsing Audit Opinion ✓
- Have sufficient income and cash to address projects ✓

2022-23 Budget Objectives

- *Recognize we have an aging infrastructure...our units were built in 1980.*
- Balancing needs:
 - Meet growing expenses and infrastructure improvements / repairs,
 - Continuing to strengthen the financial sustainability of M70,
 - While considering the consequential impact of coupon increase on M70 Owners.
- Identify, prioritize, and fund Strategic Infrastructure Projects.
- Balancing monthly coupon increases against option of Special Assessments

2022-23 Budget Comments-Operating Fund

Continue to make strides in building up our working capital & improving the financial strength of the OF

Facing Increased Operating Expenses in Building + Elevator Maintenance + Insurance + Utility (PGE & Water) categories

We did not need to borrow from RF for 2022 Property Insurance Premium (\$371,724 paid in Feb) but will need to in 2023 due to increasing insurance costs

Remaining 2018 RF Borrowing (\$85,000) to be completely paid per our strategic plan and or possibly with proceeds from GRF PPP Loan Forgiveness Funds

Our Phase One 10 Year Reserve Funding Plan (2022-2031)

- Our Current Year Phase One 10-year RF Project Plan shows us *adequately funded* to handle our projects without significantly stressing the year over year RF coupon component increase.
- **HOWEVER**, the challenges of items below stresses this adequacy:
 - Surprises each year plus
 - Unforeseen Projects plus
 - Costs Over Runs + Dry Rot + Short Term Inflation, plus
 - Costs Carry Overs and
 - Projects that need to be accelerated due to safety issues which are of concern
 - Increasing cash to support OF borrowings due to increasing insurance Costs

Initial Thoughts on How to Address

- Need the enhanced Building Committee processes, policies to go into effect and strategic integration and phasing of project such as:
 - Performing termite inspections along with SB326 Deck Inspections & Repairs
 - Quantifying range for surprises and cost overruns & costs carryover
 - Establishing contingencies for strategic and or safety projects
- Need the more enhanced and strategic financial information flow from Building Committee to Finance Committee to determine adequate cash levels to support not only Reserve Fund projects but also Operating Fund borrowings for upfront insurance premium payments
- More enhanced adjustments to monthly financial statements to reflect seasonality of expenses vs straight line budget approach
- *Deferring major projects should not be an option...our infrastructure is too old*
- And...should not let Operating Fund health deteriorate.

Planning Comments

Coupons: Rossmoor-wide

- 2022 Largest dollar increase in a Mutual's coupon: \$200 per month
- M70 dollar increase rank: 31st largest out of 41 Mutuals....we strive to balance financial goals of both M70 and impact on M70 Owners....Board lives here too.

Challenges for all Mutuals:

- Dramatically increasing insurance costs and utility costs causing stress on Operating Fund Expenses & Operating Fund bottom line and stress on Cash to fund 2023 Insurance Premiums (upfront) resulting in borrowings from Reserve Fund.
- Mitigating Dry Rot
- Many Mutuals working on strategies with complying and funding costs of new deck inspection regulation.

M70 Board will be addressing these challenges within the framework of the 5-year plan we placed into action plus making strategic adjustments

SUMMARY COMMENTS

Operating Fund: Reversed our negative trends and improved our cash position from the 2015-2019 time period

Reserve Fund: Continued to maintain our positive Reserve Fund

Study Opinion in terms of our ability to fund our projects over the next 30 years

Enhancing & Improving our Building Committee policies and processes

Enhancing & Improving our budgetary and financial analysis

Overall: Have strengthened our financial sustainability and will continue to do so while planning for future large RF projects.

Finance Committee: Thank you to Roger Svoboda & Welcome Michael Ying

Residents may find the complete presentation on the Mutual 70 website.

MEMBERS' FORUM

Resident asked about electrical boxes. Ms. Lichtenstein reported that money has been set aside.

Resident thanked the Board for their service and asked if there is a safety concern, who should be contacted? Ms. Lichtenstein stated he should start with the work order desk.

Resident suggested using a consultant for painting the buildings because they may be able to defer and get extra life out of them. Ms. Lichtenstein stated that there would be bigger costs in the long run. It would also be harder to track.

Ms. Lichtenstein reported that if there was an earthquake that destroyed the building, she will need to check with the insurance broker regarding coverage.

Mr. Cheung reported that the Mutual does not have a separate earthquake rider.

Mr. Donner stated that the property policy will not cover Earthquakes. The Mutual would have to rely on FEMA or other outside agencies.

Ms. Lichtenstein said the Board can look into this issue.

Ms. Lichtenstein thanked the committees, MOD and GRF for their contributions.

ELECTION RESULTS

Ms. Lichtenstein reported that Jeff Cheung and Wally Brohaugh were the only candidates to come forward. They will serve a 2-year term.

APPOINTMENT

The Board moved to appoint Anne Paone as Chair Pro Tem for the Organizational Meeting to immediate follow the adjournment of the Annual Meeting.

ADJOURNMENT

Having no further business, the Eleventh Annual Membership Meeting adjourned at 11:13 a.m. to an Organizational Meeting to elect officers of the corporation.



Anne Paone, Assistant Secretary
Walnut Creek Mutual Seventy