

**M70 Town Hall Meeting  
Presentation  
(with Talking Points)  
November 12, 2021**

Thank you for joining us today and for your flexibility in attending via zoom and not in person. I'd like to introduce our Board Members:

My name is Herma Lichtenstein, board president with me are;  
Jeff Cheung, Treasurer  
Janet Maelski, Secretary and Communications Committee  
Wally Brohaugh, Building Committee  
Dave Kirkpatrick, heads up our Documents and Solar Committee

The board would also like to acknowledge the hard work by our Committee Members and EPO Coordinators. We're trying several new things this year, including getting our email communications up and running and we couldn't have gotten this organized without them.

This is also true of MOD staff, especially;  
Rick West, building  
Steve Ormand landscape  
Jo Ann Cooper who works to put our annual budgets together  
and Anne Paone, who manages to keep the board out of trouble.

Special Guest:

We also have with us, Paul Donner, Director MOD & Joel Lesser, the CFO for GRF. Joel has only recently joined GRF and has already done some pretty amazing things. Joel will be available to answer any budget questions.

# Herma Lichtenstein-President

- **Opening Remarks**
  - Introductions: Board Members, Committee Members and EPO Coordinators
  - Special Guest: Paul Donner, MOD & Joel Lesser, CFO, GRF
  - M70 Strategic Goals
  - Jeff Cheung, Treasurer's Report & 2022 Budget & Coupon
  - Paul & Joel Comments
  - General Questions & Comments

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**Herma...Let's walk through and please hold your questions till the end. Many of your questions should be answered as we go through the presentation....and we will have plenty of time for Q & A at the end with the MOD staff and our board to address concerns and answer questions related to our budget.**

**Our goal is to have a common understanding of where we are today, our goals over the next 5 years and how to achieve our goals.**

## Today's Presentation

- Will be emailed to M70 Owners who have given Mutual their permission AFTER NOVEMBER 18<sup>TH</sup> Board Meeting.
- *Copy of this presentation can be found on-line at Rossmoor.com, For Residents Tab, Mutuals Tab then M70 then look under Miscellaneous-Town Hall Presentation by November 19<sup>th</sup>.*
- Will we mail out to those who did not give email permissions.

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Herma...After Today's Presentation

The entire power point will be emailed to M70 Owners who have given the Mutual their permission.

A Copy of this presentation can also be found on-line at

Rossmoor.com, For Residents Tab, Mutuals Tab then M70 then look under Miscellaneous-Town Hall Presentation by November 19th.

The power point will also be mailed out to those who did not give email permissions.

## M70 Board Goals

In an effort to focus the boards energies for the greatest benefit of the mutual the following is an outline of goals for the current board;

- Create a fiscally sustainable management structure,
- Ensure best management practices for buildings and grounds at a standard that upholds property values and creates a sense of community,
- Look forward to the future and prepare long range plans for maintenance to reduce impacts from unknown issues,
- Challenge current assumptions about energy and water use to incorporate better sustainability measures,
- Foster greater communication from the board to the residents.
- Continue to investigate risk mitigation measures to reduce insurance rate impacts and create a safer community and
- Encourage greater community engagement through social venues.

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### Strategic Goals

*Before Jeff gets started, I'd like to briefly go over our strategic goals;*

#### **Create a fiscally sustainable management structure,**

I'm married to a spreadsheet geek. He taught me long ago if you can't measure it you can't manage it. Jeff's presentation is an example of this as well as the collaborative effort MOD and GRF staff.

#### **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 researching ways to minimize long term costs with one time upgrades. One of these projects includes completing the installation of new LED bollard lights to reduce energy costs and create an overall cohesive appearance.

#### **Look forward to the future and prepare long range plans for maintenance to reduce impacts from unknown issues,**

Several unwelcome surprises came up this year, including three significant dry rot and

termite repair projects. In conjunction with the balcony inspections, the board decided to begin a proactive termite and dry rot inspections of buildings. The work will be in synch with the phased painting projects.

**Challenge current assumptions about energy and water use to incorporate better sustainability measures,**

For example; new irrigation controllers were installed earlier this year that are significantly more efficient. This will help mitigate the rise in water prices due to the ongoing drought conditions.

**Foster greater communication from the board to the residents.**

The board has established a communications committee specifically to provide information to residents in a timely basis. The recent approval of an email policy will facilitate a cost effective and efficient way to provide this information. In addition Janet Maleski and her committee are working on a newsletter for our mutual and hope to send out the first edition in the new year.

**Continue to investigate risk mitigation measures to reduce insurance rate impacts and create a safer community**

An outcome of this is the reduction on insurance for our mutual this year. It came to light at a presentation by the insurance brokers that we had not had a current valuation of our property done for quite some time. We requested an update and because of the proactive work on fire abatement and building construction we were able to see significant savings.

**Encourage greater community engagement through social venues.**

We hope to have one mutual wide social event in the upcoming year and several volunteers are working on planning for this...more to come.

***And now I'll turn it over to Jeff and Joel for the presentation.***

## **Treasurer Report-Agenda**

- In our 2019 Town Hall Meeting we covered some of the basics of our coupon and presented the Mutual's 5 Year Strategic Plan.
- Today...we will review some of the basics and do a deeper dive into our monthly coupon components: Understanding the Operating Fund & Reserve Fund
- 2021 Projected Year End Results & 2022 Budget & Coupon
- Paul Donner & Joel Lesser Comments
- Questions & Answers

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**We covered some of the basics in our 2019 Town Hall Presentation which is still on line at M70 site under "miscellaneous" . There you will also find our 2020 & 2021 Annual Meeting Presentations.**

**Today, I will go a little deeper...into our Operating Fund & Reserve Fund**

## M70 Coupon Components



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Our Basic Monthly Coupon Major Components

## 2021 M70 Monthly Coupon

Money from your coupon is divided into three areas of expenses

Golden Rain Foundation (GRF) includes Comcast	\$291
Operating Fund	\$568
Reserve Fund	\$200
Total Coupon	\$1,059

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**GRF: the buildings: Event Center, Gateway Bldgs., Hillside, Pools, Golf course, fitness center, Bus service, Securitas, etc. Great article in Nov 3<sup>rd</sup> edition of Rossmoor News on make up of the GRF Coupon.**

**WE use a lot of terms and I will explain them as we go along so we all have a common understanding of them and how they work. Homeowners Associations have different accounting/financial terms. We will concentrate on some of these terms and I will walk you through how they apply to our situation**

**First set of terms OF & RF...but first an example which may help**



## **Think About Your Prior Home Budgets, Your Income and Net Worth**

### **Day to Day Expenses**

- Household & Property Insurance
- Utilities
  - Water
  - Trash Pick-up
  - PG&E
- Yard Maintenance
- Cleaning Services
- Property Taxes

### **Major Expenses**

- New Roof & Gutters
- New Windows
- Replace water heater, furnace or air conditioner
- New Garage Door
- Painting the House
- Repairing your driveway

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**So in the Homeowner Association World instead of day to day expenses we use the term OF Expenses and Major Exp we use the term of RF Expenses**

**How we budget for and manage these two areas is governed by California State Law...**

**State Law (Davis Stirling Act) Requires all HOAs to Budget in the following way, and the money for each fund must be kept separate!**

**Operating Fund\***

- Day to Day building maintenance & minor repairs
- Landscaping Maintenance
- Utilities: PG&E, Water, Trash
- Insurance
- GRF & MOD Fee
- Working Capital-Cash to pay for next year's insurance & operating expenses

\*Funds/income supplied by the Operating Fund portion of your total Monthly Coupon.

**Reserve Fund\***

- Major Building Repairs/Replacement
- Garage Doors
- Landscaping Rehab/Renovations
- Roofs & Roof Tiles
- Asphalt Replacement
- Replacement Gutters/Downspouts
- Painting
- Stucco/ Wood
- Patio & Balcony Decks

\*Funds/income are supplied by the Reserve Fund portion of your total Monthly Coupon.

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**We must establish a “Fund” for our Day to Day Exp which we call our Operating Fund and a fund for our major Expenses called the Reserve Fund and We must budget for each**

**The RF is a long term budget which covers 30 years and we are required to look at all of our building structures, building components like decks, patios, stairs, elevators, our landscaping, roadways etc..**

**We must hire a specialized reserve fund study company to come in every year to look at our plans to cover repairs and replacements of these items as well as our financial resources to cover these expenses.**

**This is a called a reserve study and is part of the Mutual’s required Annual Disclosure that you get in the mail. The reserve auditor will issue an opinion on the adequacy of our planning and our financial resources. Yes/Yes Marginally/No....we want a “Yes” Opinion because that will impact the resale value of our units.**

## Operating Fund & Reserve Fund Summary

### State Law (Davis Stirling Act)

- Requires us to have two separate funds. The funds cannot be intermingled
- Each fund must provide enough income and cash to pay for the legally defined expenses in each separate fund.
- *Our success as a homeowners' association is measured annually by the performance of both funds.*

## 2022 Budget Objectives

- ***Recognize we have an aging infrastructure...our mutual was 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**

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**Our aging infrastructure requires us to plan more carefully to accommodate our ongoing maintenance /repair / improvement needs...We have 39 Buildings +Carports+Trash Enclosures.**

**Story of Special Assessments..and calls I have received from potential new owners regarding how carefully we plan for future expenses. They always ask if we have had special assessments or are planning one. They want to know the financial strength of the mutual and if we are carefully managing and planning for major reserve fund projects without having to use special assessments.**

## How We Measure Our Financial Health?

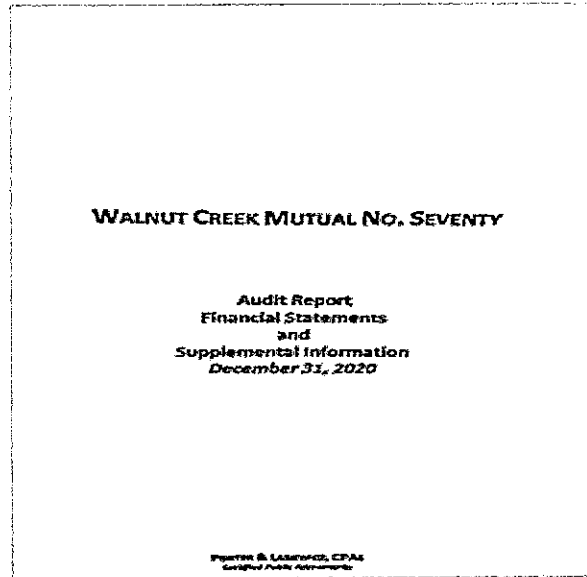
- *Year's End Cash Position for each fund:* Cash left in the **Operating Fund** and in the **Reserve Fund**
  - Working Capital: Cash on hand in the Operating Fund throughout the year for expenses
- Year's End Operating Summary for Each Fund:
  - *Excess:* Our Income exceeds our expenses
  - *Deficit:* Our Income is not sufficient to meet our expenses
- Ending Fund Balance in both the Operating Fund and the Reserve Fund defines each fund's Equity/Net Worth at the end of the year.
- Reserve Study Opinion of financial adequacy of the Reserve Fund to meet ongoing reserve expenses: "Yes, Marginally Yes or No"
- Monthly Board Meetings-Directors review and discuss these items monthly...please join us.

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We discuss each of these measures monthly at our Board Meetings...and please come to our board meetings to hear how we are doing.

Also you receive annually two documents from the M70. Our Annual Financial Statement and our Annual Disclosure Statement...both are required by law.

## Each Year You Receive M70 Audited Financial Statements



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You will find many of the key metrics I mentioned in the previous slide...

# Annual California Disclosure Notice

Walnut Creek Mutual No. 70

California Disclosure Notes

The following items are required by Sections 3302 and 3370 of the California Civil Code to be included in the annual budget distributed to all homeowners.

## Assessment and Reserve Funding Disclosure Summary

For Fiscal Year Ending: 12/31/2025

The Association's Reserve Contribution for 2022 is: \$672,864

This is an average per unit per month of: \$326.00

- 1) The current regular assessment per ownership interest is: \$1,344.00 per Month.  
Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached summary.
- 2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Year Due	Total Amount Per Ownership Interest	Purpose
None	None	None

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached report.

- 3) Based on the most recent Reserve Study and other information available to the Board of Directors, will currently projected Reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Answer: Yes

The answer to this question is dependent upon predictions of future events that are estimates that cannot be forecast with precision. These predictions include assumptions concerning construction costs, replacement costs, inflation, and interest over the next 30 years that by their very nature cannot be accurately determined over that time period. In addition, it assumes that future Boards will both adequately maintain the property and make future increases in assessments as predicted in the Reserve Study upon which these disclosures are made.

- 4) If the answer to #3 is "No", what additional assessments or other contributions to Reserves would be necessary to ensure that sufficient Reserve Funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Year Due	Total Amount Per Unit	Purpose
None	None	None

Note Question 2, 3 & 4 of California Disclosure Notice. Question 3 is the most critical...it's the Reserve Fund Study firm's opinion of the financial adequacy of our reserve fund financials to cover the required expenses over a 30 year period.

Let's go into Operating Fund components and metrics