

**LAKE MISSION VIEJO ASSOCIATION
BOARD OF DIRECTORS MEETING
December 14, 2010**

MEETING: Upon notice duly given and received, this meeting of the Lake Mission Viejo Association Board of Directors was held at the Lake Administration Building. The meeting was called to order by Fred Mellenbruch at 7: 05 PM.

Board Members Present:

Fred Mellenbruch, President
Alan Virdinis, Vice President
Diane Lincoln, Vice President
Sid Wittenberg, Secretary
Dale Tarkington, Treasurer

Staff Members Present:

Kevin Frabotta, General Manager
Dave Kerr, Administrative Manager
Bryant Watilo, Operations Manager
Janice Chandler, Human Resources Manager
Norma Risher, Billing Clerk

Others Present: J. Sperber, M. Ziegler, M. Bender, G. Virdinis, t, J. Chadburn, G. Millikan, K. Abele, W. Broadhag, R. Simenz, , D. Gingold, J. Venegas, K. Kriz, T. Musolino, A. Waugh, T. Hoadwonic, M. Terusa, A. Kotnik, A Cook, K. Pennington and S. Byron.

Minutes: Motion duly made by Diane Lincoln and seconded by Sid Wittenberg to approve the minutes of the November 2010 Board Meeting Vote Carried (5-0-0).

Members Forum: None

Delegates Forum: None

Special Presentations: None

Director's Report: None

Treasurer's Report: Treasurer Dale Tarkington stated that the Lake Mission Viejo Association financial statement through November 30, 2010 shows:

Actual revenue of	\$ 6,054,908	2
Gross Income of	5,983,924	3

Actual Operating Expenses of	5,348,063	5
Capital Expenditures	0	5
Net Income	635,862	5
Budgeted Net Income	(43,850)	5
Total Investments	7,126,303	1
Total Operating Cash on Hand	145,949	1
Interest Income	75,387	2

- Accruals (not including payroll) equal \$18,300 for the month.
- Legal expenses are up year to date due to legal charges for past due accounts – current assessment period. Offset reflected in Revenue Other – up by \$114,223 year to date.
- Administrative Bank Charges are up 16% year to date. This is due to a combination of fee increases that we were unaware of at budget time last year and additional services being used through the online bill payment service.
- In the last 12 months we have written off \$110,065 in bad debts.

Committee Reports: None

Manager's Reports:

GENERAL MANAGER'S REPORT

FINANCIAL / GENERAL:

November financials are included in your packets. A few highlights:

- Operating Revenue for November was 2% over budget and is up 3% year to date. Highlights include:
 - Boat Rental revenue was up 8% over budget for the month.
 - Facility usage fees were up 24% over budget for the month.
 - Retail Merchandise Sales were up 12% over budget for the month.
 - Interest income is down, under budget by 64% for the month and under 41% for the year.

- Operating Expenses for November were under budget by 3% and under budget 8% for the year to date.

Highlights include:

- Total payroll for November was under budget by 6.57%.
 - Water Quality & Lab Testing was over budget for the month and year, due to our increase from annual testing to quarterly testing. Our 2011 budget has been revised to reflect the more frequent testing.
 - Rental Fleet Maintenance was over budget for the month by \$4,050, but remains under for the year by 11%.
- Overall, the eleven month YTD results show an operating surplus resulting from the combination of a 3% increase in revenues and an 8% decrease in expenses.
 - Our 2010 fiscal year is trending to end with an approximate \$600,000 Operating Surplus. Considerations for allocation will be discussed under New Business.
 - We have finalized our proposals for insurance renewal on Property, General Liability, Worker's Compensation, Marine/Docks, D&O coverage and Vehicles. This information is in your packets and will be discussed under New Business.

HR / LABOR:

- The Payroll and Quit Reports are included in your packets. No major trends to report.
- Employee benefits enrollment meetings were held this past week.
- We have begun the conversion to our new payroll system with Paycom. All data will be converted to complete the 2010 year with Apple One and begin 2011's first pay period with Paycom.
- Our annual Employee Holiday party was held at Dave and Buster's on December 8th with record employee attendance.

LIFEGUARDS:

- The Lifeguard statistics for November are included in your packets. No major incidents to report. The heaviest activity has been fishing rules warnings.

LAKE BIOLOGY:

- In the month of November, we did not purchase any water from SMWD and pumped 17.5 acre feet from our well. We have not purchased any Lake fill water since September. With 1.12 inches of rain in November, we will finish this year without purchasing any additional lake fill water.

- We have stocked 13,000 pounds of trout since opening day, all from MT. Lassen Trout Farms in Northern California.
- Our next two trout stockings on December 15th and 29th will be from Chaulk Mound Trout Farms in Nebraska. A fish importation permit has been issued by the Department of Fish and Game for this delivery.
- We have received our final Dam Report from URS Engineering. The 78 page report has been sent to the State Division of Safety of Dams. In summary of the weekly readings of surface monuments, drains and other monuments, the report concludes: 'data does not appear to indicate the development of unusual conditions at the Lake Mission Viejo Dam.'

Administrative Manager's Report

BILLING/MEMBERSHIP DEPARTMENT

- As of 12/01/10 staff has deposited over \$2,649,814.00 in assessment payments most of which is for the 7/01-12/31/10 assessment period.
- Assessment bills for the 01/01-06/30/11 billing period were mailed to members on or about 12/01. We expect approximately \$1,000,000 in payments to arrive prior to the end of year.
- As of 12/01/10, approximately 751 files are at the collections attorney's office vs. 12/01/09 when there were 850 files in collections. Each of these accounts is in arrears for previous assessment periods. Approximately half are delinquent for just the 1/01-6/30/10 assessment period.
- Membership counselors processed 2 new voluntary memberships during 11/10.

ACCOUNTING DEPARTMENT

- CD and money market yields continue to be very low. We reinvested \$198,000 on 11/23 @ .45% for one year, \$400,000 on 12/01 @ .05% for 90 days, and \$399,000 on 12/01 @ .25% for one year. We have 44 investments totaling \$6,083,371.52 currently in our portfolio with an average interest rate of 1.108%.
- Enclosed in your packet is a copy of the current investment portfolio at Comerica Securities.
- Laura will have both October and November financial statements in your packets for the 12/10 meeting. She is back from maternity leave and will be closing out the accounting year as we say good bye to 2010.

FINANCIAL (Revenue · Cost · Reserve · Audit)

- We expect a surplus in revenue over expenses as of 12/31/10. Kevin will provide a recommendation for allocation of the excess revenue at the 12/13/10 meeting.

MEMBER / COMMUNITY RELATIONS

- Winter issue of the Noticia mailed to members by 12/01. Holiday events, recent Board actions and a bio feature on our new board member (Dale Tarkington) were highlights.
- Clubhouse events continue to book with 61 total events booked thus far for 2010 vs. 64 total for 2009.
- Clubhouse events held through 11/30/10 at 57 events vs. 58 events held through 11/30/09.
- Clubhouse housed the Holiday Boutique with 19 vendors participating in the event. Sales were robust for some and the traffic was much better than in previous years.
- Fishing Club Season off to a good start with initial meeting held on 12/01 and Dec. tournament held on 12/04 with 56 participants. Most anglers weighed in limits of trout.

BIOLOGY / LAKE INFORMATION

Subject:	Current Lake Information
Lake Elevation	700.34 (ft, asl)
Surface Water Temp.	60 (F)
Secchi Visibility	34 (ft.)

WEBSITE

- Website statistics for 11/10 show 24,417 visits down 11% from 11/09.

Operations Manager's Report

Lake Operations

- We held our eagerly awaited Trout Fishing Opener on November 20th, and with 9,000 lbs of Mt. Lassen raised trout stocked in the lake. The action was fast and furious for both boat and shore anglers. We since have added another 4,500 lbs on 12-1 and have seen numerous limits being caught by our members.
- Our Casta del Sol fisherman have held 2 of their popular tournaments in the past month, the 1st being held on 11-22, and the 2nd being held on 12-10, and both were a big hit.
- Our LMVA fishing club held its 1st tournament of the season on 12-4 and we are proud to report a huge turnout of 56 members/anglers signed up for the chance to win one of the coveted Fishing Club prizes.

Projects/Initiatives

- We recently completed our annual SMWD backflow testing on our domestic water system and passed with 1 minor repair to one of our 14 valve assemblies.
- We have now completed changing out all the interior lighting in the entire facility and are eagerly awaiting our 1st SCE bills to see how much of a savings we have achieved.
- We recently completed our quarterly HVAC maintenance inspection and have no major repairs to report.
- We recently completed changing out the last of the Administration Bldg's windows and doors and now have moved on to the stucco, drywall and paint phase of the project.

- We recently had the flat roof at the snack bar/ restroom building re-roofed due to water leakage. This roof was over 15 yrs old and was 5 yrs past its warranted life span. The roof was replaced with a torch down rolled composition roof which carries a 20 yr manufactures warranty. We received bids from 2 roofing contractors and awarded the contract to the low bidder for a cost of \$2,714.00, with funds coming from Operations Acct. # 5087 Structure Maintenance.

Special Events

- We held our annual LMVA Parade of Lights and Christmas Show on 12-4, and although Santa arrived via a LMVA lifeguard boat and not a reindeer driven sleigh our littlest members didn't seem to mind and wore out Santa's lap telling him of their Christmas wishes. We would also like to thank our wonderful Yacht Club for all their hard work and creativity in once again leading the way for our Parade of Lights show.

Old Business: None

New Business:

Operating Surplus Distribution:

General Manager Kevin Frabotta stated that Board action is required to allocate the 2010 Operating Surplus prior to our year-end financial close. Considerations include:

Add \$50,000.00 to Bad Debt which will bring our balance back up to approximately \$350,000.

Add \$100,000 to Contingency Account 2047 which will bring the account to \$300,000 - \$350,000. (Current year starting balance was \$300,000.) 2010 yearend balance will be approximately \$240,000.

Add \$250,000 to our Long Term Replacement Reserve Account #2046 which is currently funded at 103.57%, not requiring any additional contribution. We spoke with our Reserve Analyst and CPA consultants. They recommended addition of a new category to the reserves "Component Renovations". This will be used for replacement of such things as windows, roofs and other major components of the existing buildings.

Allocate any remaining balance to Account 2045 Future Expansion which should be in the neighborhood of \$175,000 to \$200,000.

Diane Lincoln made a motion to allocate \$50,000 to Bad Debt, \$100,00 to Contingency Account 2047, \$250,000 to Long Term Replacement, Account 2046 and the remaining balance to be allocated to Capital Expansion Account 2045.

Motion: Diane Lincoln, Second: Sid Wittenberg

Alan Virdinis asked about the reason for a generic allocation to the Reserve Account. Fred Mellenbruch stated that having a more generic contribution to the Reserves will allow more flexibility in replacement of various items such windows and roofs.

Vote Carried 5-0-0

Insurance Contract Approvals:

General Manager Kevin Frabotta presented insurance renewal contracts for 2011. Our broker provided two bids for our insurance package which covers all our insurance lines with the exception of employee benefits insurance. Proposals were received from both Fireman's Fund and Resort Guard with both offering a savings over 2010 premiums. Fireman's Fund, our current carrier is offering a 3.18% savings and Resort Guard is offering an 8.71% savings in premiums. Mr. Frabotta stated that Resort Guard is associated with the AIG companies. Chartis, (the Worker's Compensation carrier) is also a subsidiary of AIG. Fred Mellenbruch stated that there was a recommendation from staff to enter into contract with Resort Guard for our liability insurance package and Chartis for Worker's Compensation coverage for 2011. Diane Lincoln made a motion to award the insurance as proposed to Resort Guard and Chartis.

Motion: Diane Lincoln Second: Dale Tarkington

Vote Carried 5-0-0

Approval of Landscape Contract:

Operations Bryant Watilo presented a bid from O'Connell Landscape to provide landscape services for 2011. Mr. Watilo stated "O'Connell has been our landscape contractor for the past 17 years and is willing to hold their pricing to the same as 2010. This offers LMV the best opportunity to get quality service for a reasonable price." Mr. Watilo recommended awarding the landscape contract to O'Connell landscape for a cost not to exceed \$14,980.00 per month with expense to come from Landscape Account 5080.

Alan Virdinis made a motion to award the contract as proposed.

Motion: Alan Virdinis, Second Diane Lincoln

Ms. Lincoln asked Mr. Watilo if O'Connell landscape's bid included the slope area at East Beach. Mr. Watilo stated that O'Connell's bid did include cleanup and maintenance of the slope area at East Beach.

Vote Carried 5-0-0

Computer Equipment Purchases:

Administrative Manager presented two bids for purchase of 4 computer workstations to replace aging machines within the LMV computer network. Mr. Kerr recommended purchase of the Dell computer workstations from PC Connection for a cost not to exceed \$3,400.00 to come from Capital Expenditure Account 6000. Diane Lincoln made a motion to approve the expense as proposed.

Motion: Diane Lincoln Second: Dale Tarkington.

Diane Lincoln asked where the workstations were going to be deployed within the network. Mr. Kerr stated that the new machines would be deployed in Human Resources, and provide backup workstations as we are out of extra machines. Sid Wittenberg asked about the change to Windows 7 will create a demand on storage. Mr. Kerr stated that the new configuration would not over tax our storage capacity. Mr. Mellenbruch asked about the Office 2010 software configured as the home edition. Mr. Kerr stated that Office Home Edition covers all our needs. Vote Carried 5-0-0.

Administrative Manager Dave Kerr presented a bid for two Dell Power Edge 410 64 bit network servers, one configured with Windows 2008 Server and one to be configured with Novell Suse Linux Operating Systems. These two servers will replace our current Windows Server and the second would replace our backup server. Mr. Kerr stated that in addition 4 hot swappable hard drives are included in this bid to allow a backup drive for each of the Power Edge servers in the network. Mr. Kerr recommended purchase of the two servers and the 4 hard drives directly from Dell Corporation for a cost of \$9,100 with the expense to come from Capital Expenditure Account 6000. Mr. Wittenberg asked about alternative equipment from another manufacturer. Dale Tarkington stated that once you go with one specific server it is best to stay with the same type of equipment. Diane Lincoln asked about staying with Linux as our main operating system for most of our servers. Computer consultant John Venegas explained the advantages of Linux vs. Windows for most of our applications. Alan Virdinis asked about backup for our information. John Venegas explained the use of the hot swappable disk drives for offsite storage. Sid Wittenberg made a motion to approve the expenditure as proposed.

Motion Sid Wittenberg, Second Alan Virdinis.

Vote Carried 5-0-0.

Termite Fumigation Approval:

Operations Manager Bryant Watilo presented an in depth 84 page termite inspection document regarding the LMV buildings. Mr. Watilo recommended awarding a contract to Orange County Pest Control for fumigation of each building and repair to, or replacement of damaged wood for an amount not to exceed \$16,695.00 with funds coming from Contingency Account 2047. Diane Lincoln made a motion to approve the contract as proposed.

Motion: Diane Lincoln, Second: Alan Virdinis.

Ms. Lincoln asked if in the future this type of expense could come from the new reserve category approved earlier. A brief discussion ensued with the opinion being that replacement of wood beams could be expensed from the reserves.

Vote Carried 5-0-0.

Replacement of Vending Roll-up Door:

Operations Manager Bryant Watilo presented a bid to replace the vending machine roll-up door, stating that the existing door is original equipment from 1978 and repair of the door is no longer an option. Mr. Watilo recommended purchase of a new vending door and motor from Vortex for a cost not to exceed \$2931.15 with expense to come from Contingency Account 2047. Dale Tarkington made a motion to approve the contract as proposed.

Motion: Dale Tarkington, Second: Diane Lincoln.

Sid Wittenberg asked if this was an item that could be placed in the Reserve. Kevin Frabotta stated that the door was an operational expense.

Vote Carried 5-0-0.

Clubhouse Counter Top Replacement:

Operations Manager Bryant Watilo presented three bids to replace the Clubhouse counter-tops with granite. Mr. Watilo stated that the existing laminate counter-tops are chipped and in disrepair. Mr. Wittenberg asked why the recommendation was for the most expensive alternative. Mr. Watilo stated that the color of the granite was the reason for the recommendation. Mr. Wittenberg asked about alternative products to granite. Mr. Watilo stated that there are other alternatives such as Caesar Stone however there are fewer color options. Mr. Tarkington stated that granite is preferable to composite materials in regard to heat absorption. Mr. Viridinis stated that the economic condition of the industry and current prices of granite are to our advantage. Mr. Watilo recommended awarding a contract to Robert Fernandez Construction for a cost not to exceed \$3,639.00 with expense to come from Contingency Account 2047. Alan Viridinis made a motion to approve the contract as proposed.

Motion: Alan Viridinis, Second: Dale Tarkington

Vote Carried 5-0-0

Membership Furniture Purchase:

General Manager Kevin Frabotta presented a request for purchase of furniture to complete the remodel of the membership office by providing a reception area with furniture that matches the existing office. Mr. Frabotta stated that staff has contacted the contractor who built all the current office furniture. Mr. Frabotta requested funds be made available for an amount not to exceed \$5,000 with expense to come from Contingency Account 2047. Diane Lincoln made a motion to approve the expense as proposed.

Motion: Diane Lincoln Second: Sid Wittenberg.

Vote Carried 5-0-0.

Acoustic Ceiling Removal

Operations Manager Bryant Watilo presented a proposal to remove the remaining acoustic ceiling in the administrative offices, skim coat the ceiling to give it a level surface and texture to match the rest of the building Mr. Watilo recommended the contract be awarded to White Dove

Painting and Maintenance for an amount not to exceed \$2,450.00 with expense to come from Contingency Account 2047. Diane Lincoln made a motion to approve the contract as proposed.

Motion: Diane Lincoln, Second: Dale Tarkington.

Ms. Lincoln asked about the insulation in the walls of the administration building and if this project would be compatible with the acoustic ceiling removal. Mr. Watilo stated that the projects are completely separate.

Vote Carried 5-0-0.

Adjournment: There being no further business, this meeting of the Lake Mission Viejo Association was adjourned at 7:50 PM.

Attest: _____, Secretary