

**HACIENDA CARMEL COMMUNITY ASSOCIATION**  
**MINUTES OF THE REGULAR MEETING OF THE**  
**BOARD OF DIRECTORS**  
**Thursday, March 25, 2021**  
**Casa Fiesta**

**PRESENT:**

Mr. Rex Young, President & Director  
Ms. Linda Mullally, Vice President & Director  
Mr. Art Sutton, Treasurer & Director  
Mr. Tom Marshall, Corporate Secretary & Director  
Ms. Fran Baca, Director  
Mr. David Delwiche, Director  
Ms. Judi Lehman, Director  
Ms. Connie Winners, Director  
Mr. Sam Womer, Director  
Mr. Robert Hedberg, General Manager  
Ms. Jeanne Mileti, Recording Secretary

33 members attended the open meeting in Casa Fiesta.

1. **CALL TO ORDER:** Following comments from six members regarding agenda items, the open meeting was called to order at 10:19 a.m. by Rex Young, President.
  
2. **APPROVAL OF MINUTES:** Ms. Winners made a motion to approve minutes of the February 25<sup>th</sup>, March 3<sup>rd</sup>, and March 11<sup>th</sup> meetings. Ms. Baca had a correction to the minutes of March 3<sup>rd</sup>. On page 3, third paragraph from the bottom, she would like the line “We also lost a lot more in Guest House income than we anticipated” stricken. Her intent was to note we had a \$117,000 increase in flood insurance, with a surplus in the budget of only \$41,000. That is a difference of \$76,000. Her comment was, if last year’s budget is right on then she is expecting a deficit of \$76,000. She questioned where that money (to cover the deficit) will come from this year.

Mr. Young requested the minutes be voted upon separately and Ms. Winners withdrew her motion. She then made a motion to approve the February 25<sup>th</sup> meeting. Ms. Lehman seconded the motion which carried unanimously.

Ms. Winners made a motion to approve the March 3<sup>rd</sup> meeting minutes, with the correction made by Ms. Baca. Ms. Mullally seconded the motion which carried unanimously.

Ms. Winners made a motion to approve the March 11<sup>th</sup> meeting minutes, which was seconded by Ms. Lehman. Ms. Baca objected to the word “astronomically” on Page 2, second paragraph. She would like the Dining Room discussions to have more measured speech. Following discussion by the Board, with input from management, which stated they had said, “running the dining room in-house would cost three to four times more,” Ms. Winners amended her motion to strike the word “astronomically.” The motion carried with one director (who was not at the meeting) abstaining.

3. **PRESIDENT’S REPORT** The Board met in Executive Session at 8:30 a.m. Mr. Young reported that in executive session the Board discussed contracts, discipline, delinquencies, legal, and personnel. Normally there is not a lot to share from these discussions.

The First workshop [with the Finance Committee in attendance] was attended by four members, eight directors, and three additional Finance Committee members. It was held on March 3<sup>rd</sup>. Part one of the meeting was finalizing our governing documents. A question regarding the wording about non-owner occupancy was clarified via a conference call attended by the President, Vice President, General Manager, and our attorney, as well as the verbiage to be used regarding the Board term transition. We expect to have the documents back from our attorney, yet this month and we are planning to hold a Town Hall meeting to present them on May 1, 2021.

Part two [of the March 3<sup>rd</sup> meeting] was spent reviewing the first draft of our budget. Let me explain how a budget comes together. First, we gather all financial information needed to project expenses for the coming year, such as the reserve study, projections for utility increases, information regarding insurance, comparisons of past years’ budget trends, etc. Then we examine all sources of income including HOA fees, earned interest, rental income, and other types of miscellaneous income. Once we have reviewed this information, we begin to create a working draft of the budget by adjusting the expenses and income until they balance.

Key challenges we are facing: Insurance – Property and Liability insurance – Our broker advised us to expect an increase in our package policy which includes our property, liability, and umbrella insurance. This policy expires in May 2021. It appears the increase will be about 10%. The current policy cost us \$191,272. Last year the policy cost us \$186,872. Flood insurance – Our broker also advised us to expect a significant increase in this insurance. This policy expires in November 2021. The current policy cost us \$304,432. Last year it was \$196,559.

Worker’s Compensation – This policy is expected to increase based on brokerage information. This policy expires in December 2021. Amount of increase has yet to be determined. It’s based on a formula regarding employee injury statistics.

Utilities – PG&E is our primary concern. We have seven PG&E accounts. Our largest account activity was reviewed for the past 6 months. This account covers gas and electric usage for all our residential buildings. Delivery charges is the issue. We have no control over these delivery charges, and they do not fall within the control of the PUC (Public Utilities Commission). In the last 6 months our expenses for this one account have been as follows: Usage - \$44,797. Delivery - \$146,229. Total billing - \$191,026.

Waste (Garbage) – Waste Management is our vendor. Currently they pick up our trash compactor about once a month and it costs us about \$700-\$800 each time. They have advised us they now want to pick it up every week or they will charge us \$15 per day if they don’t. They also intend to fine us \$50 per occurrence (per can) for any garbage found in recycling bins, as well as miscellaneous fines for overfilling our trash compactor and recycling bins.

**PRESIDENT’S REPORT, continued**

Reserve Fund – These funds are kept in a separate bank account and are only used for replacing the community’s components, not for regular repairs. Once funds are designated as Reserve funds, their use is severely restricted. Civil Code 5510 (b) and 5515 provide that Reserve funds can only be used for the restoration, replacement, or maintenance of major components which the association is obligated to maintain and for which the Reserve fund was established.

This fund is the result of a professional company doing a Reserve analysis which is designed to keep the common area assets in marketable condition. It is not a budget but rather an analysis to ensure the common areas are maintained in a way that will maintain the property values for all owners. This fund has been steadily decreasing. Last year we reduced contributions from \$39,000 per month to \$33,000 per month with Board consensus that we would have to increase in future years to recover the percent funded. This is a key component that lenders look at for mortgage loans or refinancing.’

The second workshop was held on March 11<sup>th</sup>. Eight members, eight directors (and three Finance Committee members) attended. The second draft review included changes that were recommended at the previous budget workshop held on March 3<sup>rd</sup>. The expenses for the Reserve Fund, waste disposal, and the ‘other insurance’ categories were increased based upon input from our vendors.

Following our meeting on March 3<sup>rd</sup> we were also notified that we could see another substantial increase in our insurance after another year of losses nationwide, including catastrophic wildfires in California.

At this second workshop we went line by line discussing any possible changes to income as well as an analysis was done on departmental expenses over several years and the normal increases in cost. We were able to make reduction adjustments in Grounds, Maintenance, and the Guest House. Dining Room expenses were increased only because of allocated costs for utilities. And considering the letter from our broker it was decided to increase our package insurance of property, liability, and umbrella by 10%, instead of 5%.

Mr. Young noted he appreciates all the letters received by the Board, but sometimes we are repeating ourselves. Today there are nine letters. One of them was dated February 23<sup>rd</sup>. The rest are dated March 23<sup>rd</sup>, 24<sup>th</sup>, and 25<sup>th</sup>. The oldest letter came from Alexandra James expressing her opinion regarding the Board’s effort in the budget development. The others were from Carolyn Hart, with several questions, which he will attempt to answer here. Also, a letter from Mary Beth White, regarding expenses and income. There was a letter from Ben and Alta Newcomer supporting Hacienda Carmel Management and the Dining Room. One from Pat Ostrom, supporting the continuance of the Dining Room, “closing the Dining Room is completely unsatisfactory.” There was a letter from Bob & Hannah Priestley stating a maintenance fee increase is fiscally responsible due to insurance increases, our ageing sewer system replacement costs, etc., and that the Dining Room is an amenity that, if closed, would be a significant loss to the value of every single unit. There was a letter from Patricia Little Auguston, expressing concern over payroll expenses. Another letter from Bill and Cathy Solms supported the Priestley’s letter in favor of an increase in maintenance fees. And a letter from Gabrielle Walters supporting the maintenance fee increase.

**PRESIDENTS REPORT**, continued

Mr. Young elaborated on a few of the letters: Carolyn Hart wrote that she has been told an increase is due to insurance and utilities expenses. Mr. Young replied that regarding insurance, in the past three years insurance costs have gone from \$425,000 to \$517,000 to \$638,000 and we are now forecasting \$716,000 for 2021-2022.

During the most recent adjustments our insurance broker researched 30 companies regarding the property insurance, 18 companies regarding the flood insurance, and our worker's compensation insurance is based on injury statistics. Regarding utilities, our solar Phase I has been a benefit to our electricity consumption. Unfortunately, our PG&E gas and electricity delivery charges remain the biggest obstacle. A review of our largest PG&E account, the one that covers our residential buildings, for over the past 6 months has shown that we paid about \$146,000 in delivery charges for about \$45,000 worth of gas and electricity procurement. That equates to about \$191,000 in billings for about \$45,000 of product.

What about a special assessment? Per California Civil Code our budget must reflect that operating expenses are covered by overall income.

Regarding Ms. Hart's other questions, the proposed budget will cover the same services and amenities as they do now. The solar panels are producing a savings – five years ago the annual electricity for the three main buildings was \$36,000 and in 2020 it was \$14,639. (Those savings will increase once we fully own the system in 2022.)

The Reserve account funds the restoration, replacement, and maintenance for items the association is obligated to maintain. It is a key item that lenders look at regarding mortgage applications.

Hacienda Carmel did not participate in the Payroll Protection Plan. Hacienda Carmel did not furlough any staff. And Hacienda Carmel's staff did receive wage adjustments within the current budget.

Mary Beth White wrote regarding high expenses, particularly in the Grounds and General & Administrative. Mr. Young explained that the Grounds department budget includes departmental payroll and payroll taxes, an allocated portion of worker's compensation insurance, department benefits, well pump electricity, uniforms, department supplies, motor vehicles expense, and department repairs and maintenance.

The General and Administrative department budget includes not only management and clerical, but also housekeeping, security, front desk personnel, and the shuttle van driver. It covers payroll and payroll taxes for all of these employees, an allocated portion of worker compensation insurance, department benefits, all other insurance (fire, liability, flood, business insurances, etc.), corporation and use taxes, licenses & permits, auditing and tax preparation, legal expense, interest paid on the solar lease, bad debt expense, other professional fees, depreciation on association assets, the 401k contribution (for all employees), fire alarm system contractual, waste disposal, motor vehicle expense, activities and promotional, education and training, laundry, solar lease obligation, telephone system services, electricity, power purchase electricity (solar), gas, water, cable TV and internet, departmental repairs and maintenance, departmental supplies, office expense/supplies/printing, copier expense, and contingency.

**PRESIDENTS REPORT**, continued

Regarding raises and bonuses, the budget includes an across-the-board 1.3% COLA and sufficient funds for a payout program for excess accrued vacation time while we reconstruct employee time off into a PTO (paid time off) program. There are no provisions for bonuses. We have been focusing on a more sustainable picture regarding time off.

About the dining room and zero income, our dining room is operated under a management contract with Carmel Valley Cooking and Catering. The budget increase in that department consists solely of an allocated expense for utilities. With the money we pay the Chef, he pays his staff, the taxes, he pays for food, supplies, linens, etc.

Regarding the projected surplus in this year's budget, our projected annual surplus from this year's budget was not achieved. Primarily due to a \$117,000 increase cost of our flood insurance.

Regarding our solar energy investment. For a little measurement of our solar energy success, Mr. Young reiterated that five years ago the electric bill for the three common buildings was about \$36,000. An analysis of this last full year, where Solar Phase I has been operative, the cumulative electricity charges for 2020, including the service charges, was \$14,639.

This information should answer the questions that were posed in the letters received this month. If someone has a viable solution, they would like the Board to review, let the Board know. A complete copy of the budget will be posted on the Bulletin Board in Casa Central and a copy is available upon request.

The President announced the nominees for the next election: In alphabetical order: Bill Bennett, Donna Bessant, Jane Bowles, Jackie Graham, Marcia Hardy, Elizabeth Husby, Joan Murray, and Bill Quinn. (Joellen Bruce withdrew her name). Mr. Young urged all members to read the statements of the candidates and to attend the candidate's forum on Friday, April 23<sup>rd</sup> at 2 p.m. He thanked Michael Zarefsky for coordinating the nominations. (The candidate's statements will be available in the wall rack before the candidate's forum, as per the new election rules in the California Civil Code.)

**4. OCCUPANCY APPLICATIONS:** The General Manager recommended approval of the following applicants who meet the requirements for occupancy:

Robert & Elizabeth Tarozzi	Authorized Occupants – Purchased #261
Doug & Lois Zane	Authorized Occupants – Purchased #118
Lynne Silver	Authorized Occupant – Purchased #90
Janet Crosby	Authorized Occupant – Purchased #68
Richard Gilliam	Authorized Occupant – Purchased #102

The General Manager has spoken with all applicants and verified their qualifications for occupancy. Ms. Mullally made a motion to approve the applicants for occupancy. Ms. Baca seconded the motion which carried unanimously.

5. **GENERAL MANAGER’S REPORT: Robert Hedberg, General Manager**

- **Sales/Rental Activity:** Mr. Hedberg reported that there are currently three units listed for sale, one of which is in contract, pending sale. Fiscal year-to-date (since May 1, 2020) there have been twenty-three sales.

The number of units rented remains at thirty-nine – there have been no new requests to rent a unit.

- **Miscellaneous Projects:** The Maintenance department completed the entry tile in Guest House rooms 309, 310, & 311. Rooms 307 & 308 still need to be done when the schedule permits. Grounds has been working on tree trimming. The Hacienda website remains under development and we hope to have it up and going within the next month.

Those that received their first dose of the COVID-19 vaccine will be coming back on March 29<sup>th</sup> for the second dose.

We received the last of the 4041 forms, which confirm occupancy. The Corporate Secretary, Tom Marshall, reviewed and verified all of the forms.

Last month the Board approved the rollover of a CD through Charles Schwab. The new CD is for a two-year period and has an interest rate of .15%.

- **Waste Management Fines:** Last week the Association received nine letters from Waste Management, regarding warnings and fines for the recycled trash – these are the blue bins. The letters were generated about violations noted on the March 4<sup>th</sup> pick up only, and each showed a photo of the violation. Five of the letters were warnings that there would be future fines for contamination of the recycle (plastic bags, unclean containers, etc.) and four of the letters were fines which totaled \$280. The fines were for the cans being over filled. (The lid was slightly open because the can was overfilled.) Mr. Young urged everyone to tear down boxes before putting them in the bins, as they take up a lot of room if you don’t flatten them out. This leads to overfilling which is a \$71 fine.
- **Handout on Flushing Wipes:** Mr. Hedberg noted that the Association recently put out a flyer about the importance of not flushing “flushable” wipes, paper towels, etc. The Governing Documents sections cited were 9.2 and 9.3 and should have been sections 9.9 and 9.10. He hopes all our residents will be conscience of flushing wipes and will let their guests, housekeepers, and caregivers know as well. Ms. Mullally asked if we had priced a camera for the drain lines. The General Manager noted that a decent camera for drain work can be purchased for about \$800 to \$1,000.
- **Education and Information:** Mr. Hedberg noted that it is so important for members of the Association to read the Board minutes each month. Throughout the year insurance premiums and other financial issues are discussed as these policies renew and decisions are made by the Board. One of the letters to the Board this month stated we took \$100,000 from the Reserve Fund this last year to pay the insurance premiums. Mr. Hedberg explained that this was a loan from Reserves. The California Civil Code allows an Association to borrow from their Reserve Fund, but the amount must be paid back, in

**GENERAL MANAGER’S REPORT**, continued

full, within one year. We have been paying the fund back \$10,000 per month, with the final payment being made this month. He also noted that one of the reasons the Gardening Department has a bigger budget than the Maintenance Department is the number of employees. There are seven employees in Gardening and only three in Maintenance. Also, the General and Administrative “department” includes all the association’s expenses that do not fall under one of the other cost centers. All the utilities and insurance that covers all the residential buildings, the permits and licenses needed to do business, the price of all amenities (pool, van, activities, etc., etc.), everything it takes to run Hacienda Carmel. Mr. Sutton added that the comments that were made indicating we should postpone replacements in the Reserve Fund to save money are not accurate. Postponing replacements is just kicking the can down the road - we still must fund them.

**6. TREASURER’S REPORT: Art Sutton, Treasurer**

- **Reserve Fund Expenditures:** Mr. Sutton reviewed The February Reserve expenses which included \$2,046.99 to Reate Design, for the balance due on the bistro shutters; \$2,164.22 to Home Depot, for tile and grout in the Guest House upgrades; \$568.00 to A & R Gutters, for gutters on #120; and \$1,840.38 to Zorro.com for a new cordless drain cleaner, which is safer and easier to transport. Total expenditures for February were \$6,619.59. Ms. Mullally made a motion to approve the February 2021 Reserve Fund expenditures. Ms. Winners seconded the motion which carried unanimously.
- **Document Review:** The Treasurer reported that, as required by the Civil Code, he and the Board President reviewed the general ledger; payable and receivable ledgers; bank reconciliations for all seven account; and unopened bank statements for the month of February 2021. They found everything in good order. Ms. Mullally made a motion to ratify the inspection. Ms. Winners seconded the motion which carried unanimously.

**7. COMMITTEE REPORTS:** The following committees had reports:

- **Finance Committee:** Jackie Graham, Committee Chair, reported that the committee met on March 18<sup>th</sup>. They recommend approval of the financial statements for February 2021. Ms. Winners made a motion to approve the February 2021 statements, subject to audit. Mr. Sutton seconded the motion which carried unanimously. The budget will be discussed in today’s meeting under “New Business.”
- **Buildings and Grounds:** Donna Bessant, Committee Chair, reported that the committee met on March 10<sup>th</sup>. There were four requests from members for changes: Unit 54 requested approval to remove the existing furnace system and replace it with four Envi heaters; Unit 118 requested approval to replace the existing front door with a new fiberglass front door, replace the existing patio sliding doors with new dual pane doors, replace the bathroom and kitchen windows, and install new pavers on the patio; Unit 228 requested approval to install a new screen door, All three of these requests fell under the

**COMMITTEE REPORTS, Building and Grounds, continued**

purview of the Architectural Rules and were approved by the committee. There was one request that is being sent to the Board of Directors as a variance – unit 42 requested permission to install a new energy efficient air conditioner on the patio. The Board discussed the request and expressed concern about the noise level of the equipment. Ms. Bessant noted it is just 40 decibels. It is an end unit on the berm and the committee members agreed it would not be an issue. Ms. Winners made a motion to approve the variance for unit 42. Ms. Lehman seconded the motion which carried unanimously.

Ms. Bessant reported that last month she mentioned the committee was beginning a discussion of a proposal for the west end RV storage area. A draft policy is now being composed and the committee will discuss it again in April. There is a chance she will have a draft to present to the Board at their April meeting.

There were three interesting suggestions made to the Buildings and Grounds Committee. The first was the suggestion that Hacienda Carmel purchase and install a metal shed to house bicycles. Residents could rent a rack in the shed to store their bikes. The committee discussed the suggestion but felt it was not in the community's best interest at this time.

Another suggestion asked that the stairways along the berm that lead off into different parts of the property, be labeled with subtle numbers or letters. The committee will discuss this further and reach a recommendation at the April meeting.

The third suggestion was a request by a resident who would like to memorialize his wife's passing by planting a tree. He would like to take down a Norfolk pine and put up a flowering crabapple tree. This request was tabled as the committee members would like an opportunity to look at the pine tree and talk about it again in April.

- **Library/Book Shoppe:** Mr. Womer gave the report prepared by Anne Clark. "Your HCCA Library remains open for your reading pleasure – but don't forget that hand sanitizers are located throughout the Lobby. Carl Hiaasen's newest book titles "Squeeze Me" is missing in action. Please return to the Book Bin so others who are waiting to read his latest best seller can enjoy.

"Great News! Your Book Shoppe's Big Book Sale is scheduled for Friday, April 9 from 12 noon to 4 p.m., and Saturday, April 10 from 10 a.m. to 3 p.m. All books priced to sell! Hardback books are priced at one dollar. Some special hardback books are especially reduced. It's never too early to begin your holiday and gift shopping!"

- **Garden Club:** Pat Ostrom reported that there are lots of lemons ripening on the trees. persimmons and French plums are budding, along with the apple trees. Two new trees have been added to the orchard: a Washington orange and a Eureka lemon. New members are joining the Garden Club, and members are working in their new and/or old boxes. The Hacienda Garden Club Council will begin a new term after March 31<sup>st</sup>. We bid farewell to the dedicated service of Marie Eason, Treasurer, and Norm Nelson, Facilities Equipment and Maintenance in the garden. We thank all who have worked with us, and greet the new council at our quarterly general membership meeting this Saturday, March 27<sup>th</sup>, in Casa Fiesta at 4 p.m. We invite the Board to attend.



COMMITTEE REPORTS, continued

- **Events & Entertainment:** Judi Lehman reported that the E&E team is patiently waiting for activities to return. That will happen as soon as we get the go-ahead from the County. In the meantime, they are working with the Putt Putt to do a larger event on April 25<sup>th</sup>, which would include additional games. Hopefully, it will be a beautiful day and we can all be outside – and maybe we will be able to put together a picnic as well.

Also being discussed is a full-community memorial, which would be for any of the people we were not able to memorialize due to the pandemic.

Everybody's anxious for Bingo! Everyone will be notified as soon as it is possible to resume the game. Please keep checking the glass case by the coffee station for information.

8. **NEW BUSINESS:**

- **Operating Fund Budget for Fiscal Year 2021-2022:** Jackie Graham, Finance Committee Chair, noted that the proposed budget showing an 8.5% increase is a draft. It is the fourth draft, incorporating changes made already by the Board, in coordination with the Finance Committee. The Finance Committee does not work independently – they work with the Board and management and have been through every piece of the budget, both income and expense. The Finance Committee consists of Jackie Graham, Gus Underdown, Mark Sconyers, and Art Sutton, and is attended by Connie Winners, Ex officio; Rex Young, Board President; and one other Board member on a revolving basis, as well as by management.

Ms. Graham noted there were comments made at the last workshop that they were not looking at everything, but they have looked at each item extensively. This draft includes fully funding the Reserves, as recommended by our Reserve Analyst. Why is this done? To maintain the property values for all owners of Hacienda Carmel – this includes the Board and Finance Committee members. Ms. Graham explained that if the draft #4 budget is approved here today, it will make a difference of \$52 to \$94 per unit/per month.

Revenues were down, primarily due to the closure of the Guest House; it was down over \$72,000 year to date. We have estimated a 30% usage for the new fiscal year because we are still not completely opened. Expenses are up, as has been explained in our workshops and at the Board meeting today. Primarily these increases occur in insurance, utilities, waste management, and other prices that we cannot control.

Ms. Graham explained that last year the Reserve funding was lowered to offset the increases in expenses and the drop in income due to COVID. It was discussed at that time that this can only be done temporarily and needs to be increased with the next budget because, if we don't keep our Reserves up people trying to purchase and owners who wish to re-finance will probably not pass muster with the banks. It is important to keep things as risk-free as possible, while still trying to meet our expenses. Each year management works with our reserve analysts to fine tune the study and expenditures are projected according to the life expectancy of each asset. It is important to keep the

**NEW BUSINESS, Budget, continued**

Reserve Fund healthy, and repair and replace the assets when it is necessary, because it affects everyone's property values. Ms. Graham turned the microphone back over to the President of the Board who, in turn, asked for discussion amongst the Board members.

Ms. Winners reviewed the history of maintenance fees at Hacienda Carmel, and the downward trend of the percent funded in the Reserve Fund. The average maintenance fee increase between 1997 and 2007 was 4.61% per year. Between 2008 and 2019 the average maintenance fee increase dropped to 1.63% per year. So, the average for a stretch of 30 years was 2.74% per year. The Reserve percent funded for 2019 was 42.4%, and this has dropped in 2021 to 34.7% funded. She noted that since she bought here, her property taxes have almost doubled. Expenses do not go down. The services we enjoy here come at a price. Maintenance of an ageing infrastructure does as well. She thanked all those involved in the budget this year for all their hard work.

Ms. Mullally noted that this is draft #4 of the budget, which indicates that there have been quite a few adjustments made. Unfortunately, we hear the same song and dance every year, mainly by the same members. When you live in an insulated community you tend to forget what the real world is like. These are the same challenges you would be facing if you were in your own single-family home. Some of the other adult communities offer their services ala-carte, charging extra for services we all enjoy. We cannot emphasize enough that there are certain expenses that are beyond our control, and we need to make choices about what services are important to the membership here. Our property values are going up and that is everyone's individual nest egg.

Mr. Marshall noted that the maintenance fee history shows many years that Hacienda did not have a maintenance fee increase at all. Perhaps if they had been more consistent back then, with a modest increase each year, we would not be facing these larger increases now.

Ms. Baca noted she has a philosophy about Hacienda Carmel. She has been here since 2014 and knew coming in that we had on-site management and staff. She knew the employees had health benefits, paid vacations, and a 401k plan. She was proud to tell people she was moving to a community that treated its employees this way. Because she did not want to retire and enjoy things when she was not paying fairly for them.

Payroll is this Association's biggest expense. But if you don't buy in to the philosophy that this Association is built on – that's a decision that you have to make. If you do have this philosophy, and you tell us that cost cuts need to be centered around payroll, she cannot agree with you. She believes we owe our employees two things: A livable wage, and good health insurance. She has been on the Board for one year and has looked at the payroll records. In her opinion we don't have even one employee who is overpaid, but we do have some who are underpaid. And she does not know how to fix this, because we just don't have the money to fix it right now.

Ms. Baca noted we have been through four drafts of the budget and have worked hard on it. If we end up with an increase of 8.5% the Board and Finance Committee members

**NEW BUSINESS, Budget, continued**

have to pay that too. Does she like the increase of 8.5%, or last year's increase? No, but she understands it. So, if you have bought into the Hacienda Carmel way of life, and the structure on which we're built, she invites you to tell her specifically where we can cut costs. She can't see where to cut.

There is one change to the payroll on the budget that Ms. Baca would like to see. Departmental payroll amounts show "actual plus 2%." She would like to recommend that be corrected to read "actual plus 1.3%" (the cost-of-living increase to be given to all employees). The remainder, .7%, is money that has been set aside to work on our Paid Time Off (PTO), because there is a committee that has been formed to look at employee benefits. And the way they propose that we can tighten up is to coordinate our benefits into a PTO policy, and to bring down the maximum hours of accrued vacation to a lower level. So, those dollars that we have put aside would pay for the hours of accrued vacation in excess of 200. So that, if we were to pass this, effective May 1 of 2021, the Association would never owe an employee more than 240 hours of accrued vacation, which is reasonable.

Ms. Mullally agreed with the Hacienda philosophy that Ms. Baca described. She wanted to add a comment about the Dining Room. We should be so happy that the Chef feels he can earn a living here. We should not be so focused upon what money he makes through running the restaurant, because it is really none of our business.

Ms. Lehman is glad the clarification on payroll increases will be made. She feels still that there is an opportunity to cut back on the 401k. She understands that the membership has a deep appreciation for the staff, but there is also a time when we have to have a reckoning as to what is affordable and she would like this to be a continued topic of conversation, even if this budget is approved. She noted this budget has a \$20,000 contingency. She knows budgets usually have contingencies, but it seemed that if we could defer that for a year, she would like to see that adjustment made. She would also like to see something a little more sustainable in income – where we can review and raise the RV parking. She explained that a lot of the conversation that came up in regard to the Dining Room had to do with the renewal of the contract and how it is being structured. [The Dining Room contract is due for renewal in May of 2022.] She would like to see some future conversation with the new Board coming in that we require a small payment from the vendors using the Hair Salon and the Doctor's office. It may not be a lot, but it is the perception that we can find places to save money or cut from time to time. She also feels that there's an opportunity in the new contract for the Dining Room because we do a lot of tabulations on the tickets that are billed to our members and we provide the utilities. She also believes he has an opportunity in his contract to have catering going out of our kitchen, but she does not know the extent of it, or if it has impact on our utilities. These are items she wishes to raise as a continuing obligation for further discussion.

**NEW BUSINESS, Budget, continued**

Mr. Sutton noted that at a time when we are having back-to-back large increases it looks frivolous to put \$20,000 into a budget with no particular use for it. We have been told to expect increases in insurance deductibles. If we were to have a claim here, that amount would be gone before we can blink. The bottom line is we have been notified by our insurer to expect increases, and this helps offset those increases somewhat. Doing anything less would not be prudent

Ms. Baca noted we have a choice on the contingency. We can take it out of there and the total expenses would be \$20,000 less. But then we would have a \$20,000 surplus. If you take \$20,000 and divide it by 300 units, you are talking about \$62 (a year) each. If we take out the contingency, we may feel better, but it's still 8.5%, because \$20,000 doesn't have that much of an impact.

Mr. Hedberg offered a perspective from Management's point of view: When it comes to expenses, it is our primary job to manage this budget for this Association throughout the year. The Board approves it, but it is management's job to carry it out and make sure what is in the budget is taken care of. We pay close attention to our day-to-day expenses. We aren't buying a bunch of frivolous things that are not needed. When a purchase is requested, it is given careful consideration. A good example is the recent purchase of a backpack snake (with a battery pack) for the drains. The consideration given is that it is an item often used and helps improve safety, because with it the staff does not have to lug the 80 lb. snake up a ladder onto the roof anymore.

As far as the Dining Room goes, the General Manager noted he has over 30 years' experience working with operations that involve food and beverage. From a world-class operation in Pebble Beach, to the General Manager of a country club, which is extremely parallel to a homeowner's association. The one constant in these types of restaurants is that when you have limited clientele, there is no way to make a profit. There seems to be so much heartburn over \$66,000 a year paid as a management fee to an excellent chef, to provide excellent food, at very reasonable prices. Were we to hire a chef it would cost at least \$75,000 just for their salary. Tack on to that another 25% for benefits. You are almost at \$100,000 – just for the chef. Add to that servers, kitchen help, etc., food, linens, etc. This Association has a great deal here that other organizations don't.

Mr. Young cited figures from two other homeowner's associations: In last year's budget one of them budgeted to lose \$148,407.99 for their dining room operation. For their 2021 budget, they are budgeting to lose \$165,695. When you talk about what we get for our services – would you like your meal delivered? They charge \$6 per meal to deliver, if you want 2 meals delivered it's \$9. Want someone to set up for your party? It will cost you \$36 per hour. Need servers for your party, \$42 per person + 18% gratuity. You need to call someone to your unit for maintenance? \$80 per hour. Service charge for losing the key to your unit? \$20 an hour, 15 minute minimum. Want to replace your heater filter? That will only cost you \$30. Mr. Young noted that we really do have a nice deal here at Hacienda Carmel – think about it.

**NEW BUSINESS, Budget, continued**

Mr. Womer noted that many of the letters the Board receives are very childish in nature. The attitude seems to be that it is the duty of the Board to make the maintenance fees at Hacienda Carmel affordable to them, even if they must strip services to do so. This is these members' own financial reality. The decisions that are made here are made through a lot of hard work by the Board, Finance, and Management to keep the place healthy, to maintain property values, and to keep Hacienda Carmel the kind of place that members enjoy living. There is no magical way to shrink the cost of living. The budget is the best that can be done with the challenges we are facing, and Board members have to pay the increase too.

Ms. Mullally made a motion to approve the proposed 4<sup>th</sup> draft of the 2021-2022 budget with an 8.5% increase, with the clarification that the employee pay increases are 1.3%, (the increase in cost of living this year). Ms. Baca seconded the motion which carried with 8 directors voting in favor, Ms. Lehman opposing. [Ms. Lehman requested her name be included in the minutes as the opposing vote.]

- **Letter from Director Tom Marshall:** Mr. Young announced that he received a letter from Director Tom Marshall, resigning from the Board as of adjournment of the Board meeting today. Mr. Young read the letter which stated, "Furthermore, as a past Board President, I wish to strongly encourage this Board to give their full consideration to my suggestion for the appointed replacement to serve the remainder of my elected term. That person is Mary Pat Adams, an individual with whom I have worked as a member of the Garden Club governing council, and based upon that experience, a person who I feel is very well qualified to serve on the Board."

Mr. Young thanked Tom Marshall for his efforts to stay with the Board as long as he has and thanked him for his participation.

**9. COMMENT PERIOD FOR MEMBERS:**

- Bill Bennet, unit 227, thanked the Board for biting the bullet on a very difficult budget year, although he feels the economy may become a further challenge. He also offered a bounty on raccoons (tongue-in-cheek) because they are getting into the garbage cans. He suggested weights on the can lids.
- Marcia Hardy, unit 47, felt backflow prevention devices on the sewer lines would help and suggested budgeting for them. She also thanked the Board for their transparency and comments on the budget.
- Mary Lou Donegan, unit 291, stated she understands this is a community organization and the decisions are made by the community. She suggested we have a \$5,000 buy-in on new units, which will offset the increase.

It was explained that a buy-in is not legal per the California Civil Code. The existing \$1,000 transfer fee is legal, as it can be justified.

**COMMENT PERIOD FOR MEMBERS**, continued

- Pat Ostrom, unit 286, thanked the Board for their diligent work on the budget. She brought attention to her letter in support of the Dining Room and continuance of Chef Bill as a contracted provider.
- Jane Bowles, unit 260, thanked the Board, Finance Committee, and staff for hard work. She feels complaints are more like suggestions of what can be done. She would like more forums so that members have a voice. She loves living here and likes it when her concerns are recognized.

- 10. ADJOURNMENT:** The meeting was adjourned at 12:20 p.m. The next regular meeting of the Board will be held on Thursday, April 22, at 10:00 a.m. The Board will meet at 8:30 a.m. in the Durr Room, prior to the open meeting in Casa Fiesta.