

Lake Forest Glen Homeowners Association

Special HOA Board Meeting

6:30 pm August 26, 2024 (in office & via teleconference)

Board Members Present: Mark Pierpoint, President, Alan Nelson, Vice President, Jason Kary, Treasurer, and Stephanie Caronna, Secretary, and Directors: Doug O’Neal, Barbara Schoen, Jim Cochrane, Linda Meckel

Board Members Absent: Kevin Morrison, Director

HOA Staff: Keith Larsen

Homeowners Present: Emily Sullivan Unit #77; Victor Revenko Unit #5; Mike Capitolo #24; Peter Schamoni #224; Debbie Milani Unit #90; Matt Gallagher; Gayle Athanacio Unit #110; Jessica Taff Unit #70 ; Jeff Sealy Unit #209; Bill Schoen Unit #105; Paul Keith Unit #129; Mike Twigg Unit #35; John & Kelly Benedict Sheehan #113; Andy Howard Unit #116; Stuart Knightley #193; David Janney #132; James Belka Unit #8; Ed Staniforth Unit #61; Ruthie and Steve Tolleson #197; Peter Howard Unit #116; Andrzej Teplicki Unit #62; Melissa Mountain Unit #167; Brooke and Tom Nagle #103; Mary Fleming Unit #149; Katy Ryan #85; Sheryl Larsen Unit #234; Robert Cantrell Unit #33; Frank and Julie Perachiotti Unit #138; Paolo and Chester Lancellotti Unit #155; Brenda Gill Unit #163; Dawn Luke Unit #183; Patty Ferguson Unit #123; Tom Hugunin Unit #28; Matt Geis Unit #114; Jeff Warnes Unit #51; Robert Fox Unit #12; Michael Capitolo #24; Robert and Toddy Cantrell Unit #33; Emily Sullivan #77; John Sheehan/Kelli Sheehan #113; Carol Wheaton #152; Jason and Lisa Allen #141; Stephanie Riley #87; Patricia Vannie #221; Tricia and Larry Scarcia #2; Chris Contos #216; Tom and Linda Schwertfeger #32; Kullada Pichakron #199; Doug Guastaferra #118; Scott Mullen Unit #26; Tom Vasey Unit #231; Eric Bartelink Unit #16; Linda Petrakis and Michelle Cannon #126; Roxy Hargrove Unit # 142; Garry Maisel Unit #209

Call to Order: The Special board meeting was called to order by M. Pierpoint at 6:30 pm. Quorum established.

	Summary of Discussion Points	Actions/Next steps
Insurance Renewal Options	J. Kary presented the document that was shared with homeowners prior to the meeting and outlines the current status of the HOA's insurance renewal and options. (See attached.)	After board and homeowner discussion regarding the increase in insurance costs and funding options, M. Pierpoint made a motion to proceed with insurance funding Option #1, which includes: 1) Renewal of the HOA's lines of insurance for a total of ~\$475,000 in premium, which includes a reduction in property insurance coverage from \$85M to \$40M.

- 2) A 29% increase in dues from \$485 to \$627 per month effective January 1, 2025.
- 3) An approximately \$475,000 borrowing from HOA reserves to pay the 2024-2025 insurance premium due September 1, 2024.
- 4) A 12-month reserve repayment plan to repay the ~\$475,000 borrowed from reserves by the end of August 2025.
- 5) The suspension of budgeted reserve contributions during the borrowing repayment period.

D. O'Neal seconded the motion, which was then approved unanimously by the Board.

- Homeowner approval is required for dues increase of greater than 20%. Per the HOA CCRs Section 4.8, approval is defined as a majority of a quorum of membership. With 234 units in the HOA, a quorum is constituted of 118 units, of which a majority equates to 60 units.
- Homeowner approval must be obtained via secret ballot. The Board will conduct a secret ballot of the membership to approve a dues increase of 29% via physical mailing before the end of September.
- If the dues increase is not approved by homeowners, then the Board will increase dues by 20% effective January 1, 2025, and institute a special assessment of 5% of the HOA's gross projected 2025 expenses (~\$375 per unit, ~\$88,000 total), which are the maximum amounts permitted without homeowner approval. An additional maximum increase in dues will likely follow in 2026 as in this scenario the HOA will not collect sufficient dues to cover projected expenses and will have to take additional extraordinary measures.
- The HOA will update the relevant documents (Handbook, etc.) and the website to reflect the latest insurance coverage, cost and related information.

Summary of Board and Homeowner (HO) questions/responses:

- When HO approval is needed, a majority of the quorum is required to approve per the CC&Rs. 118 votes are needed for a quorum and 51% of the quorum is needed for approval, or 60 units.
- Proposal made to form an Insurance Committee to explore options and alternatives for the 2025 insurance renewal.
- The HOA is choosing not to enact an Emergency Special Assessment as this is not a one-time repair or maintenance item; it is not clear that insurance would fall into this category.
- In its annual homeowners' mailings in November 2022 and November 2023, the HOA recommended that homeowners have \$250,000 in dwelling coverage for this units.
- In light of this year's renewal, the inability to obtain a similar level of coverage at a reasonable cost, and the subsequent reduction in HOA property insurance coverage from \$85M to \$40M, the Board is again strongly recommending that homeowners carry \$250,000 of dwelling coverage on their H06 policy as it is typically more cost-effective for homeowners with existing insurance to increase their coverage vs. seeking a new policy.
- For homeowners who need a new policy or are unable to get adequate coverage through their existing insurance provider, indicative quotes were provided in the presentation, which include a combination of California FAIR plan and Difference in Conditions policies to provide comprehensive property insurance.
- The board recommends that Homeowners familiarize themselves with the details of the insurance considerations and obligations of both the HOA and homeowners as outlined in the HOA CC&Rs.
- Defensible space: Would improvements in our defensible space result in lower insurance costs? While this is considered a best practice and should be done, insurance providers are not currently providing any reduction in premium due to defensible space actions. It is important to note that insurance providers are more likely to refuse to underwrite and insure HOAs and properties that do not invest in and create an appropriate defensible space in their communities and neighborhoods.
- The Board is recommending Option #1 (see presentation) but if approval from HOs is not received, the Board will move forward with Option #3 which does not require HO approval.
- Is there an option for a multi-year property insurance policy that would provide a better rate; or, a fixed rate for multiple years with no increases?
 - Underwriters do not offer multi-year property or liability insurance contracts or policies; however, the proposed Insurance Committee could certainly explore options for our other lines of insurance.
- Can you lower the reserve fund under \$2M?
 - The HOA's current reserve balance is ~\$2M. Reserve contributions are part of our prudent financial planning to fund future material capital projects, such as new roofing and painting, over time versus with one-time special assessments. The current reserve planning and budgeted contributions are designed to provide a balance of ~\$4M in advance of our next large expenditure of the same amount, which is the roof replacement project targeted to begin in 2030. While this insurance funding proposal includes borrowing from reserves, we are required by CA state law to repay any reserve borrowing within one year. During this

repayment period we are suspending any additional contributions to reserves. The HOA updates its reserve study annually and reassesses its future reserve needs during the annual budget review in June and July each year.

- If there were a total loss, would the HOA coverage be split evenly between the units and then it's up to the HO to cover the difference? Would homeowners who don't have \$250,000 in dwelling coverage have to bear a higher portion of the replacement cost or is there an expectation that others are subsidizing them? How will this work?
 - The Board will discuss further whether to require vs. simply recommend HO's procure \$250,000 in dwelling coverage, which would apply regardless of condo configuration (2BD, 3BD or 4 BD, # of bathrooms, etc.). Per the CC&Rs, a homeowner vote is not needed for the board to take this action and make the \$250,000 in dwelling coverage a homeowner requirement. The Board also acknowledges that it would create a significant administrative burden on the HOA to annually collect copies of all 234 units insurance coverage and ensure compliance of all homeowners.
- Would a neighborhood Firewise certification help reduce our insurance costs?
 - Similar to defensible space, it would be viewed positively by property insurance underwriters and increase our likelihood of receiving coverage; however, it would not likely result in a reduction in cost. In the past, the Board has asked for volunteers from the community to lead a project to certify Lake Forest Glen HOA as a Firewise community; however, at this time, no homeowners have stepped forward to lead this effort for the HOA. <https://www.nfpa.org/education-and-research/wildfire/firewise-usa>
- Doesn't a \$250,000 HO6 policy only cover "walls in" / "studs in" by definition? It does not cover the rebuilding of the structure (roof, siding, walls, etc). Units without this policy would just have exposed studs and hard plumbing / wiring which remain unseen by other homeowners.
 - Correct.

M. Pierpoint made a motion to end the meeting. D. O'Neal seconded. Meeting adjourned at 7:54 pm.