



# SURFSIDE III NEWSLETTER



February 2008

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## FROM THE BOARD OF DIRECTORS

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### **Dues Increase of \$10 to \$400/month Effective January 2008**

Effective with the dues for January, 2008, our regular monthly dues have increased \$10 to \$400/month. This increase was reflected on your December 19, 2007 statement. Please remember that in addition to these dues, there is a monthly special assessment amount of \$200.00 that is due each month except for July and August. In addition in August the annual special assessment amount of \$2000 is due. All special assessment payments will be complete when you make your final payment of \$200 for June of 2011.

Initial announcements of this dues increase along with financial details from our treasurer appeared in our December 2007 and January 2008 newsletters. Please see these newsletters for more detail. Remember that if you no longer have hard copy, they are posted on our website. Our apologies for those that missed the announcements in the previous newsletters and were either surprised by the \$400 billing or paid only \$390 for January. There will be no late fee for those that paid \$390 and you will be able to make up the difference with your February dues.

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### **State of the Association**

This report details the current state of the Surfside III Condominium Association. It is broken down into the following sections:

- Key Goals and Progress
- 2007 Achievements
- Capital Reserves
- Operational Plan for 2008

Overall, we are making steady and consistent progress toward the key goals of recapitalization, budget stabilization, and adequate capital reserves.

Key to accomplishing these objectives is completing the special assessment repairs. While the special assessment project is a five year/60 month pay out, it is projected that we will complete 80-90% of the project by the mid point or 30 month mark of the project. This will be accomplished by using a \$3,000,000 bank loan to fund the repairs ahead of our cash flow. The loan has been approved by First Bank, but not the Board. We are negotiating the terms and loan contract. Under the assumption the Board approves the loan agreement we will accelerate the repairs to complete 80-90% of the repairs by the end of 2008.

A conservative estimate shows the cost benefit of this approach will save \$283,250, even with the interest expense. More aggressive estimates put the number around 611,000, depending on construction cost increases over the next three years. The savings comes from not having to make emergency drain/water line repairs and unit restorations. Also, by doing the repairs in 2008 we save on projected construction cost increases in future years.

**Key Goals:**

The vision of the association since November 2005 has been to do the following:

**Recapitalize the association and restore common elements:** Last year we placed \$350,000 in the capital reserve account. In 2008 we are budgeted to put \$471,000 in capital reserves. This money won't sit there. \$250,000 will be used to augment the special assessment funds. \$100,000 will be used to commence building envelope repairs. \$50,000 will be spent on repairing and renovating two bathrooms in the clubhouse.

**Stabilize the operational budget:** Since 2004 the monthly dues has gone from \$280.00 per month to \$400.00, an increase of 42.8%, or an average of 8.56% per year. The key to controlling our operating expenses is the elimination of wasteful expenses. The biggest of these is the plumbing repairs. By replacing the drain lines, restoring the water lines and fixing the elevators we will cut about \$250,000 in operating expenses. These funds will be transferred to the capital replacement budget, or other worthy projects.

**Fund capital replacement projects with capital reserve funds going forward:** The current special assessment is the last one for Surfside III. A ten year capital replacement plan has been approved by the Board. This plan provides a funding level and a strategy that will result in the replacement of all major assets between 2009-2018. This is described in more detail later on.

### **2007 Achievements:**

Our cash flow improved. We put \$350,000 into capital reserves in 2007. We are able to maintain 1-2 months worth of monthly dues in the checking account.

Accounts receivable (owners that owe dues, including special assessment) is about the same as last year, \$101,000.

Four elevators have been renovated. Remaining four are in progress and will be completed by the end of February.

The fresh water line epoxy process has been completed in the townhouses. The condos were started on January 2.

Condo drain line replacement started January 2, 2008.

On site management was brought in-house. Lordon now handles the administrative and financial management. Surfside employees handle the on-site issues.

A part-time office assistant was hired. Office hours now extend until 8 PM on Wednesdays.

Two new maintenance assistants were hired.

BBQ grills have been replaced.

The beach shower has been rebuilt and moved away from the canal to comply with environmental regulations.

Office computers were replaced.

Front gate access system has been upgraded.

Clubhouse building envelope repairs and roof replacement is underway.

A new security camera system was approved and is in the planning stage.

Renovation of the clubhouse exercise room and bathrooms has been approved, and is being planned.

### **Capital Reserves:**

In August 2007 the Board approved a ten year capital replacement plan to do the following:

Funds to augment special assessment funded projects \$1,250,000.

Building envelopes/structure \$1,000,000.

Clubhouse bathrooms \$100,000.

Structural repairs bldg 7 preliminary work and engineering estimated at \$50,000.

Painting \$430,000  
Stucco Color Coat \$230,000  
Paving \$340,000  
Roofs \$1,850,000  
Miscellaneous Non Structural (utility room doors, clubhouse items) \$217,000  
Mold Remediation \$500,000  
Railings \$60,000  
Total ~\$6,000,000 based on 2005 -2007 contractor quotes.

To accomplish these repairs/replacements we will increase funding over the next several years by shifting funds from plumbing repairs. This will be possible as we replace the condominium drain lines and epoxy the fresh water lines and systematically reduce the number of water events and stop gap repair expenses.

Capital reserve funding levels 2007-2016.

2007 – 350,000  
2008 – 471,000  
2009 - 2016 – 500,000 (estimated)

Our strategy is as follows:

Replace capital items with a material that has a useful life of at least 30 years.

Fund and stage the replacements based on a maintenance schedule not based on time line averages.

Complete another capital reserve study in 2008 based on actual contractor quotes not construction industry averages.

#### **Operational Plan for 2008:**

Below is a list of operational objectives for 2008.

Establish an effective email communications tool that could be used for adhoc or regular communications. Use this tool to replace the newsletter for those owners who have email addresses.

Migrate the association web site to a contract web hosting service.

Prepare a detailed job description for the on-site property manager.

Find operational savings. Target line items for cost reduction; Legal, Utilities; Insurance.

Eliminate useless or non-functioning committees. Set parameters and priorities for others. Set timelines to complete assignments.

Establish an effective risk management program. Establish an effective Risk Management Committee or hire risk management consultant to recommend and implement effective risk management program with the objective of reducing insurance costs and loss potential.

Reduce expenses by bulk purchasing. Examine purchasing process to determine if we can save \$ on maintenance supplies, consumables and services by bulk purchasing or flat fee contracts for such items as cell phones, office phones, copier maintenance etc.

Examine wage and benefits program and determine if improvements could be made to retain excellent staff.

Hire summer help to maintain service levels during vacation periods.

Complete all drain line replacements in buildings 2 through 7.

Complete water line epoxy in condo buildings 2 through 7.

Commence building envelope work on townhouses.

Renovate two bathrooms in clubhouse.

Complete exercise room renovation.

Repair clubhouse-building envelope and replace roof.

For the next three years we will concentrate on fixing building systems, structures and envelopes. Cosmetic work such as painting will not be done until these other repairs are substantially completed and will not be likely until 2010 or 2011.

While we have made good progress toward our goals, we still have a long road ahead.

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### **After Hour Emergencies**

For after hour emergencies call (800)729-5673 and dial 5. It may take a minute or two but the after hour answering service will answer and handle your situation. The Board would appreciate your feedback on this service should you have to use it. Please e-mail Ira Green at [ira.green@uclalumni.net](mailto:ira.green@uclalumni.net).

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### **From The Presidents Desk**

Recently, several Board members met with some of the CC&Rs committee members to discuss strategy and how to move forward in light of the Board's decision to dismiss the association's petition to approve the CC&Rs with less than the 75% requirement. The Board will discuss and approve an alternate approach at the next meeting on January 23.

The Board owes the CC&Rs Committee an apology. We were wrong in not communicating with them and not involving them in our decision to dismiss the petition. Sometimes the Board gets into a robotic routine in churning through 30-50 agenda items for each open and executive meeting. Board and committee members are all volunteers, and we must remember to appreciate and support each other.

On behalf of the Board, I hope the committee will accept this apology and understand that our actions were well intended, if not properly communicated.

**Bill Betts**

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### **Agendas Posted Now As Required By New Laws**

Pursuant to Civil Code Section 1363.05 (i), which was effective on January 1, 2008, Surfside III must post an agenda with specific items at the same time it provides a notice of a Board meeting. This notice and agenda must be posted least four days before the board meeting. While homeowners may bring up any subject that can be discussed, these items may not be voted upon except in limited circumstances. The board may not discuss or vote on any item not on the agenda unless one of the statutory exceptions applies. One exception would be items not known in advance and deemed an emergency by a majority of the entire board present at the meeting. A second exception would be upon 2/3 of the directors present at the meeting determine that there is an "immediate need to take action." As such, a definitive agenda will be posted in the glass case by the office in the clubhouse and also on the website by the end of the day on the Friday before each Wednesday board meeting. Should you want an item to be added to the agenda please e-mail it to our Secretary, Karl Twyman at [karl.twyman@surfsideiii.com](mailto:karl.twyman@surfsideiii.com). He will have to have your input on the Thursday preceding our Wednesday meeting.

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### **Asbestos Testing**

In connection with our continuing reconstruction project, Stonemark Construction engaged Forbess Consulting Group to perform asbestos testing of the acoustical ceilings of selected units in all eight three-story buildings at Surfside III on December 4, 2007. In an effort to control costs, only one residential unit in each building was tested. Positive asbestos levels were detected in Buildings 1, 2, 3 and 4. Testing in Buildings 5, 6, 7 and 8 revealed no asbestos. The survey report is posted on our website in the newsletter section.

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## 2008 Calendar

Please review the 2008 calendar on the website. Please note that it contains the deadline date for the submission of nominations to the Board as well as the date of the annual meeting.

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## Annual Board Of Directors Election

The link "Annual Board Of Directors Regulation" under governing documents has been updated. It is now actually an MS word document. This was done so that the nomination form could be kept updated and easily printed out for use by any owner. Please review this section. Let me know if you have any questions about the Summary, which does not replace the official elections rules which follow it, but is an official concept of operations. Send your comments to [ira.green@surfsideiii.com](mailto:ira.green@surfsideiii.com). After your review, the Board will move to accept these documents.

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## From The Secretary

Response to accusations of association incompetence and low market value of the condos  
(laughter at ½ million \$ asking price) heard at recent meetings

Builder accused of bad practices:

Asbestos usage was restricted by the Toxic Substance Control Act of 1976, the year our condos were built. Contracts in place, however, were allowed to remain, so asbestos was used in the construction of Surfside III, especially above kitchens.

Note: Years ago, I personally witnessed the aftermath of a kitchen fire that would have burned down building 1 had asbestos fire retardant not been in the ceiling.

Water piping in Surfside III met the city standards of 1976. Since then, complaints generated largely by door-to-door salesmen hawking water filters resulted in many formal water complaints to the city. The city responded by adding chemicals which created an 'aggressive' fresh water supply. This water deteriorated our piping over the last fifteen years. However, residents are happy with current water quality, ergo no change is anticipated.

A recent study declared the damage to the exterior stucco surfaces was caused by painting which was voted into action by the association. New railings and roofing, because of costs, are inferior to the original materials used by the builder.

Except for sealing and flashing complaints -- and these stood up for thirty years -- any suit against the builder would have been unsuccessful at any time brought.

Complaints of maintenance performance by the Association:

Water line problems in the complex were first discovered in the mid-nineties, and our then sitting board did something about them. I found records of re-piping building 1 and turned them over to Stonemark. Since then, the problems, and costs, snowballed.

Mold, which has been with us since the first cities were built along the Tigris and Euphrates Rivers in Iraq ten thousand years ago, was discovered a decade ago to be suddenly a nuisance to our health and environment. Not heard of or anticipated before, mold remediation during the last decade dug deep into association funds.

Add to this mix the spat of recent lawsuits, and you have a chilling picture of our latest president stepping into a financial situation worse than anything since Lee Iacocca joined Chrysler. The difference is that Lee was PAID.

Bottom line is that nobody is to blame for our financial situation. Unforeseeable events brought us to today's assessments. The good news is that we are all pitching in and correcting the problems, and when we get thru them:

OUR SOLID FOUNDATIONS AND REJUVENATED APPEARANCE SHALL STAND BEHIND FUTURE ASKING PRICES OF \$500,000 FOR OUR UNITS.

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## Trees & Cameras

The Board has been asked a number of times why we can not add the capital funds that are being used for the surveillance camera project to the removal and trimming of trees budget. The current removal and tree trimming budget is \$12000. The answer is complicated because our bank account is not just one fund that we can use any way we want. In order to protect us from financial impropriety, all money as it comes in is identified for purpose. There are accounting rules that we are required to follow. Money that comes in for the Special Assessment can and must not be used for anything else but for what that special assessment was approved. In addition other money is identified for capital expense and then other money for operational expense. While previously \$385,000 has been borrowed from the capital money to cover operational expenses, this is a liability that must be addressed and we can not continue to increase this amount. The Board does agree in principle with the Landscape Committee that another \$20,000 or \$30,000 added to their budget would allow us to possibly avoid broken branches. But these are operating funds and the camera purchase is capital funds. Unfortunately, we may only be able to accomplish the avoidance of broken branches by removing all the eucalyptus trees. But of course then there are the coral trees. This year we increased the operational budget by adding \$10 a month to our dues. The Board really did not want to make that number \$15 a month in order to increase the tree removal/pruning budget to \$30540. Instead we are doing what is most urgent for the \$12,000 budgeted and actually spending \$15,000. This is the proposal that the Board accepted as announced in the Landscape committee report below. Remember, if you want to provide your insight to any of our decisions, our e-mail addresses are on the website.

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## Special Assessments, Death And Dying

By Adrian Adams, Esq. From the e-Davis Sterling Newsletter

**QUESTION:** The board recently informed everyone that we are facing a large special assessment to reroof and waterproof our buildings. (At Surfside III it was to replace the drain lines, to coat the water lines, and to rebuild our elevators.) I don't believe them. What can I do to stop the assessment?

**ANSWER:** In her 1969 book, On Death and Dying, Swiss-born psychiatrist Elizabeth Kubler-Ross outlined the five stages of grief of someone who is dying. Over the years I've witnessed owners going through the same stages when they face large special assessments. Following are the stages:

- **Denial.** "They don't know what they're talking about." "The contractor is just looking for work." "The repairs are not necessary." "The board must be getting a kickback." "Let's recall the board."
- **Anger.** "Who can we sue for this disaster?" "Management was incompetent." "Let's recall the board and sue somebody."
- **Bargaining.** "Can we defer the repairs?" "Can't we just patch the roof (until I sell my unit)?" "Are there cheaper alternatives?" "Will insurance pay for the repairs?" "The board is being unreasonable; let's circulate a recall petition."
- **Depression.** "I can't bear the costs." "This will force me to sell my unit." "I can't put my family through this." "How do we recall the board?"
- **Acceptance.** "I'm ready, I don't want to struggle anymore."

**Recalls.** Unfortunately, some associations don't make it to "Acceptance." Instead, a small group of owners will lead a

charge to recall the board and stop the repairs. Sitting directors will often throw up their hands and resign or be recalled. The new board then shuts down all work and fires everyone in sight. This usually leads to litigation from owners who are suffering from water intrusion and mold. Finally, after costly litigation, the association is forced to make the repairs originally proposed; only now they have legal fees and the repairs are more expensive.

**Recommendation:** Make the repairs. It's cheaper in the long run.

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## COMMITTEE BRIEFS

For more committee information visit <http://www.surfsideiii.com/docs/committee/committee.htm>  
Please contact the committee chair to volunteer.

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**Landscape Committee** - Chair: Dan Kessner, [dkessner@csun.edu](mailto:dkessner@csun.edu)

At the last Board meeting, guided by the Board's earlier input concerning the 2008 budget, the Landscape Committee recommended that the proposal submitted by Treescapes for tree maintenance for 2008 be accepted and implemented. The Board concurred, and details are currently being worked out. You may finally expect to see many of our trees trimmed in the coming weeks.

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## FROM THE EDITOR

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Please send all newsletter submissions to me at [dkessner@csun.edu](mailto:dkessner@csun.edu). Please avoid any special formatting and use Arial 10-point font if you have it. The deadline for submissions is the 10th of the month for the following month's issue.

Thanks, Dan Kessner, Editor

Also, many owners have expressed interest in seeing current Surfside III real estate listings. Sondra Briggs has offered her considerable expertise and experience in this area. You may contact her directly at: [sondrabriggs@kw.com](mailto:sondrabriggs@kw.com).

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## CONTACT INFORMATION

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### MAINTENANCE/RESIDENT SUPPORT (PHONE NUMBERS AND E-MAILS BELOW):

Contact Jennifer Critchfield; for e-mails always copy Donalea Bauer

Include your phone number(s) and/or e-mail for response before end of next business day. If you get her voice mail, but would like to speak with her directly, hit zero and talk to the operator.

If more urgent, call Donalea Bauer.

#### **Surfside III Direct Contact:**

Surfside III COA  
600 Sunfish Way  
Port Hueneme, CA 93041  
<http://www.surfsideiii.com>  
[manager@surfsideiii.com](mailto:manager@surfsideiii.com)

#### **Management Company:**

Lordon Property Management  
1275 Center Court Drive  
Covina, CA 91724  
Phone: 800-729-5673  
For after-hours emergencies, dial 5

#### **Donalea Bauer, Vice President, community manager**

Email: [donaleabauer@lordonmanagement.com](mailto:donaleabauer@lordonmanagement.com)  
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#### **Jennifer M. Critchfield, assistant community manager**

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Phone: 800-729-5673 x 3380

#### **Our Board:**

Bill Betts - President [bill.betts@surfsideiii.com](mailto:bill.betts@surfsideiii.com)  
Ira Green - Vice-president [ira.green@surfsidediii.com](mailto:ira.green@surfsidediii.com)  
Ira Rubinson - Treasurer [ira.rubinson@surfsideiii.com](mailto:ira.rubinson@surfsideiii.com)  
Karl Twyman - Secretary [karl.twyman@surfsideiii.com](mailto:karl.twyman@surfsideiii.com)

| Joe Dehorty - Director [joe.dehorty@surfsideiii.com](mailto:joe.dehorty@surfsideiii.com)

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**LORDON MANAGEMENT: OTHER DEPARTMENT EXTENSIONS**

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All escrow issues: Chelia, ext. 3339; [crubalcava@lordonmanagement.com](mailto:crubalcava@lordonmanagement.com)  
All insurance, lien, and other legal matters: Patty, ext. 3337; [patty@lordonmanagement.com](mailto:patty@lordonmanagement.com)  
Your account, billing address, etc: Cara, ext. 3319; [cwoellhof@lordonmanagement.com](mailto:cwoellhof@lordonmanagement.com)