



November 2009

SURFSIDE III NEWSLETTER

Daniel Kessner - Editor



FROM THE BOARD OF DIRECTORS

Next Open Board of Directors' Meeting Now On Saturday, November 7th

In order to achieve a quorum for the next Board meeting, we have had to schedule the meeting one week earlier than normal. The meeting will be held on Saturday, November 7th.

State of the Association

At the annual meeting, the Board gave a report to the membership on the state of the association based on the three key objectives. Below is the report.

Objective #1: Recapitalize the association and restore common elements

To recapitalize without a special assessment the association will use long term financing. A \$4.0 million line of credit has been approved by Community Association Bank.

The \$4.0 million line of credit will act as cash ahead of our capital reserve cash flow and will allow us to complete large scale capital repairs now and pay for them over time. Principal and interest payments will be stable for at least five years.

Recapitalization will also be achieved by lowering operating expenses and diverting those funds to capital reserves. More than \$200,000 in operating expenses will be saved next year due to completion of the drain line and supply line repairs. \$100,000 of these funds will be reallocated to capital reserves.

Objective #2: Stabilize the operational budget

Stabilizing the operational budget requires expense control and finding ways to reduce expenses.

The 2006 special assessment repairs will have the effect of lowering operating expenses by ~\$200,000 in 2010. \$100,000 of these savings will be reallocated to capital reserves. This will increase the reserve funding from \$450,000 to \$550,000 per year without raising the dues.

Energy and sprinkler water conservation could save up to \$30,000 in operational expenses in 2010. Hot water pipes in the condo building attics are being insulated to reduce natural gas costs. The sprinkler system is being renovated to save 20% on irrigation water. The Association has reserved \$8,100 in rebates to offset these costs, paid for by the State of California's rebate program.

To stabilize the budget we had to end deficit spending. The association has operated with a surplus for three years in a row.

No special assessments are contemplated.

Objective #3: Fund capital replacement projects with capital reserve funds

Capital reserve funds and the \$4,000,000 credit line will fund a \$5.7 million renovation of the complex.

The loan payments will be \$405,000 per year for 15 years beginning in 2012 and will be paid for out of capital reserves.

Projects Completed or Underway in 2009

Here is an update on some projects underway that will reduce expenses and renovate the complex.

Crime Free

This is a national program that was piloted in Mesa, AZ, that requires that each tenant be background-checked by the association or a contracted third party. It further calls for adequate lighting, deadbolts on all unit doors, and acceptable perimeter access controls. To prepare for this program the association has installed a new digital camera system, installed new lighting as requested by the PHPD, we are bidding new gate access controls, and planning for full implementation next year.

Operational Expense Control

The association is insulating hot water supply lines in all condo building attics where we should save 20% on natural gas used for water heating. Sprinkler system renovation will result in 20-25% saving in water used for irrigation. Landscape watering accounts for 30% of all water used at Surfside. This could save \$30,000 in 2010. The adaptation of these two elements has the potential to pay for the cost of implementation within the first year.

2006 Special Assessment

All water supply lines have been epoxied, elevators all renovated, drain lines in last three buildings are underway and will be completed by end of Q1 2010.

Capital Replacement Plan and Program

This is a multi-year, \$5.7 million renovation of the complex. In 2009, the following was completed.

- Exterior lighting enhanced per inspection by PHPD
- Camera system installed
- Clubhouse exercise room renovation has been scoped out and is out to bid
- Sprinkler system renovation has been scoped out and is out to bid
- Sewer main cleaning and video check of drain line laterals approved by Board and being scheduled
- Condo building supply line insulation contractor approved, contract in process
- Termite eradication bids obtained, environmentally conscious alternatives being explored
- Building 7 and 12 building envelope destructive testing set for week of October 19; this will help establish the scope of work for the remaining buildings

The Board approved a contract for the sprinkler system renovation. When complete, the system will use 20% less water than it does now. This will save 1.2 million gallons of water per year and reduce our water bill. This will save approximately \$4,000 in 2010, and more each year as water rates increase according to the city plan.

Hot water pipe insulation in the attics of the condos has begun. When completed, this will save 20% on the natural gas cost which means we will save approximately \$7,000 per year.

2006 Special Assessment Repairs Update

Drain line replacement in Building 4 is underway. Two stacks have been completely re-piped and finished. There is a progress chart attached to the end of this newsletter.

Capital Replacement Loan and Vote

The association has obtained a funding commitment from Community Association Bank for a \$4,000,000 line of credit to be used for capital repairs. This loan will be paid back over 15 years. The annual payment will be \$405,000 for 15 years. The Board has decided to ask the membership for a non-binding vote on the loan. While there is no legal requirement for a vote this is a long term commitment. The chart below details the advantages and disadvantages of the loan. Please review this information and vote in one of the following manners.

Send an email to Ira Green, ira.green@surfsideiii.com with your vote. All comments and suggestions will be welcomed. You may include any of the other Board members as you wish. (See contact information at the end of the Newsletter.)

The voting is open until November 14, 2009. After that, we will tally them and consider them before deciding to sign a contract with the bank.

Below is a table highlighting advantages and disadvantages of the loan.

Capital Replacement Loan – Advantages and Disadvantages	
Advantages	Disadvantages
Re-capitalizes the association without a special assessment. It will allow us to complete major capital repairs in the near term and pay over time rather than doing the repairs slowly over time as cash is available. The principal and interest payments come out of the monthly dues. Since there is no special assessment there are no unit sale negotiations over a special assessment.	It is a long term and potentially permanent method for financing capital repairs. It is a long term commitment where we will have to pay \$405,000 per year for 15 years.
The capital reserve fund will be used to make the loan payments. The association will put \$600,000 into reserves beginning in 2011 and going forward. This is possible because the plumbing replacement will save the association more than 200,000 per year in emergency responses and repairs, which will be reallocated to capital reserves. The loan does not increase dues. Beginning in 2012 the association will start making the principal and interest payments on the loan, which will be \$405,000 per year.	As a result of the \$405,000 principal and interest payment the association will have \$195,000 left over each year out of the \$600,000 contribution to reserves. This may not be enough to pay for new roofs in 5-6 years. The association may need to increase the monthly dues between 2012 and 2016 to insure there are enough funds for roof replacement in 2016-2018 time periods. Between now and then the association is taking steps to reduce costs by renovating the sprinkler system to save 20% on the water bill for landscape watering. The Association is also doing hot water pipe insulation in the condo building attics to save 20% on the natural gas bill. These are just two areas that could save up to \$30,000. Roofs were last replaced in 1996-1997.
The loan helps stabilize the monthly dues because interest is fixed for five years at 6.25%. At the end of the first 5 year period the rate will be adjusted based on US Treasury 5 year maturity rates plus 3.50%. The loan interest rate will never be less than 6.25%. These adjustments will occur at the 5 and 10 year mark of the loan.	If future economic conditions result in spiraling interest rates the association can expect to pay approximately \$35,000 more per year in interest for every full point the interest rate is increased.

For information on Community Association Banc here is their web site

[linkhttp://www.mutualofomahabank.com/west/association_banking/](http://www.mutualofomahabank.com/west/association_banking/) http://www.mutualofomahabank.com/west/association_banking/

New Board Elected at the Annual Meeting on October 10, 2009

150 ballots were turned in, which is down from the 163 ballots received last year. Of the 150 ballots, two were unsigned and did not count toward the quorum. Since 22 owners had their vote suspended, we needed 144 ballots for a quorum and we had 148. Of the 148, one ballot was blank, which counted toward the quorum, but of course did not affect the count.

Bill Betts received 140 votes
Ira Green 141
Mike Madrigal 138
Skip Perry 139
Inna Fischer 134

All current officers will continue in their current positions. We appreciate all that promptly sent in their ballots and gave us a quorum.

FROM THE ON-SITE OFFICE

Because of the shortage of space in the bike rooms, we need your cooperation. There are bicycle rooms in Buildings 4, 5, 6, 7 and 8. If you've got a bike stored in any of those buildings, please advise the on-site office within 30 days in order that we can register it. If you can identify a bike from a previous homeowner/tenant, let us know. If you no longer use the bike, please remove it to make room for others. **We will remove all bikes not registered after the 30-day period.** Thanks for your cooperation. If you have any questions, please contact the on-site office at (805)488-8484.

COMMITTEE BRIEFS

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

Neighborhood Watch Committee – Val Lameka; 805-986-2855; v.lameka@yahoo.com

The secret is out: we enjoy the Neighborhood Watch meetings! We enjoy meeting our neighbors, we see results from our reporting, and the donuts are excellent! Thanks to Sr. Officer Ron Burns, we always learn something useful about the law, police procedures, and what is happening in Surfside III and our surrounding area. If you are unable to attend the meetings, just give me a call to let me know of any concerns or kudos to pass along to the group, office, or whoever. The next meeting is November 5 (first Thursday of the month) at 7 pm in the clubhouse. Reports or questions go to Valerie Lameka.

Valerie Lameka

SOME SUPPORT FROM OUR NEIGHBORS AT SURFSIDE I

TO: SURFSIDE III BOARD OF DIRECTORS AND SS III COA
RE: J STREET DRAIN PROJECT

The Surfside I Board of Directors hereby extends our support for your efforts to secure reconsideration and re-evaluation of the proposed J Street Drain Project by the Ventura County Watershed Protection District, the Public Works Department, and the Ventura County Board of Supervisors.

We understand that -- in addition to your local concerns regarding the loss of trees and shrubs screening the Water Treatment Facility from your residential community, and the significant damage to your property -- there are also a number of issues involved that will affect residents of adjacent communities, as well as all citizens of Ventura County.

We join you in requesting considered responses to the following issues:

1) Prudent Management of Public Funds.

The country is in a severe recession; the state is bankrupt; the county lacks funds for essential services; we're having the worst drought in history. What reason is there for spending millions of dollars of public funds for a project -- to protect an area that has never suffered significant flood damage -- from a 100-year-flood?

2) JUSTIFICATION ON THE BASIS OF FLOODING ALONG J STREET: FEMA'S STANDARD. FLOOD HAZARD DETERMINATION indicates that J Street along the canal -- and the Surfside Communities -- are NOT in a flood hazard area. NO flood insurance is required.

3) SIGNIFICANT INCREASE IN CURRENT LEVEL OF MOSQUITO INFESTATION

Four-foot increase in depth of canal will result in greater "backwater-effect": increase in surface-water area; increase in mosquitoes.

THEREFORE, WE SUPPORT THE SSIII BOARD REQUEST FOR:

- * RECONSIDERATION of the project;
- * RE-EVALUATION of the numerous alternatives that were less-expensive, less-extensive, and less destructive;
- * CONSIDERATION of the Public Health concerns regarding the already-serious mosquito problem that will be exacerbated by the additional stagnant water in the canal.

FROM THE EDITOR

Please send all newsletter submissions to me at dkessner@csun.edu. Please avoid any special formatting and use Arial 10-point font if you have it. The deadline is the 10th of each month for the following month's issue. Owners and renters should be aware that the Newsletter is always available on the website: www.surfsideiii.com. This includes back issues.

The City of Port Hueneme now has a free electronic newsletter with information on various city-related matters and events. To sign up to receive it, visit the city website: www.ci.port-hueneme.ca.us, then in the column at the far left, click on "Sign Up for E-News." Thanks to Tim McCoy for bringing this to my attention.

Yours, Dan Kessner

CONTACT INFORMATION

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

Contact Lordon Management, 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 On-site Property Manager's Office: 600 Sunfish Way, Port Hueneme, CA 93041

Phone: 805-488-8484

Please note that calls regarding maintenance or billing should be directed to Lordon Management.

Surfside III Direct Contact:

Surfside III COA
600 Sunfish Way
Port Hueneme, CA 93041
<http://www.surfsideiii.com>
manager@surfsideiii.com
Phone: 805-488-8484

Scott Walker, On-site Property Manager
Carol Short, Assistant On-site Property Manager

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
Phone: 800-729-5673 x 3342

Jennifer M. Critchfield, assistant community manager

Email: jcritchfield@lordonmanagement.com
Phone: 800-729-5673 x 3380

Our Board:

Bill Betts - President bill.betts@surfsideiii.com
Ira Green - Vice-president ira.green@surfsideiii.com
Skip Perry - Treasurer skip.perry@surfsideiii.com
Michael Madrigal - Secretary
michael.madrigal@surfsideiii.com
Inna Fischer - Director inna.fischer@surfsideiii.com

LORDON MANAGEMENT: OTHER DEPARTMENT EXTENSIONS

All escrow matters: Kasy Lane, ext. 3339; klane@lordonmanagement.com
All insurance and collections: Patty Bosch-Barrios, ext. 3337; pbarrios@lordonmanagement.com
Your account, billing address, etc: Liz Lopez, ext. 3319; llopez@lordonmanagement.com
Liens, legal issues: Donalea Bauer (see above)

Special Assessment Tracking for Building 4 as of 10/19/2009

