

FINAL Meeting Minutes

**PARK ACQUISITION CORPORATION (PAC) BOARD**  
**Marin Valley Mobile Country Club**  
Novato, CA

Regular Meeting  
**Tuesday, April 5, 2022**  
6:00 PM

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Meeting held virtually through Zoom phone/video conferencing  
and Comcast Cable Channel 26 broadcast.

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**ATTENDEES:**

- **BOARD MEMBERS:** John Hansen (Vice President), Carol-Joy Harris (Secretary), Steve Plocher (Treasurer), Jay Shelfer (President), Vicki Waddell (At-Large).
- **PARK GENERAL MANAGER:** Matt Greenberg
- **RECORDING SECRETARY:** Absent
- **OTHER:** 6 Residents via Zoom. Additional attendees through Comcast Cable Channel 26 (live broadcast).

**CALL TO ORDER: 6:00 PM**

Jay Shelfer called the PAC Board meeting to order at 6:00 PM and introduced the monthly PAC Board meeting for MVMCC and asked Board members to introduce themselves.

**A. APPROVAL OF FINAL AGENDA**

John Hansen made a motion to approve the final agenda. Motion seconded by Steve Plocher. Motion opened for discussion. No discussion nor agenda changes were requested. Motion passed 5-0.

**B. PUBLIC COMMENTS (for issues not on the agenda)**

Public comments received at the meeting:

- Bill Davis commented that the rules and regulations in the Park are very antiquated and suggested that the existing rules and regulations be inspected and evaluated before, or as part of any initiative to institute new rules and regulations. Bill asked the Board to consider pushing the problem forward to the City.
- Ellen Jane Schulz wondered who takes the minutes - Susan used to take the minutes, now they are not signed, and she has no idea who is the recording secretary. Carol-Joy explained that the new Recording secretary is Jean Lee. Jean Lee will not attend the next 2 meetings, but she will

be transcribing from the video and Carol-Joy would be working with her on the procedures and protocols for producing the minutes. Carol-Joy explained that this item will be on the agenda later in the meeting as well.

### C. CONSENT CALENDAR

1. Approve minutes of February 2, 2022 PAC Board regular meeting.

Jay called for approval of the February 2, 2022 meeting minutes. Carol-Joy moved to approve the February 2 minutes as submitted. John seconded the motion. Jay opened the motion for discussion. There were no requested changes nor comments. The motion passed 5-0.

2. Approval of the March 1, 2022 PAC Board Meeting.

Carol-Joy moved to approve the March 1 minutes as submitted. John Hansen seconded the motion. Jay Shelfer opened the motion for discussion:

Carol-Joy began the discussion, stating she had two things to discuss.

- First, she confirmed she would be having the minutes signed by the recording secretary, therefore, henceforth the minutes would be signed by Jean Lee, the new recording secretary.
- Secondly, on page 7, under old business, pertaining to the possible payoff of the bank loan on Marin Valley, between the 3rd and 4th paragraph, she would like to add a paragraph with the following wording, as it had been left off and had not been noticed previously: *“Jan Thomas asked if this would re-open the question of park ownership and Steve Plocher replied that there is no connection between the two subjects.”*

Jay called for approval of the minutes, if there was no further discussion, other than the addition of the new paragraph, between the 3rd and 4th paragraph of page 7. The motion passed 5-0.

### D. REPORTS

1. Maintenance and Capital Projects (Matt Greenberg)

Matt provided a Water Usage Report:

- Past and last water reading was March 18
- Average of 34,000 gallons per day of usage
- Last year, at this same time we were at 39,000 gallons of usage
- There are approximately 5,000 gallons less per day, partially attributed to some of the repairs that we have made
- He thinks that we can get the usage down going forward

Maintenance and Capital Projects Report:

- Matt has hired a location specialist to focus on several areas in the Park; there are 3 in particular: those that are contiguous, those with water in the gutters and those with water coming out of the sump pumps. The train of thought had been that they were underground springs, yet he feels that they could possibly be fractures in the pipe or the pipe threads that are leaking. They have recently repaired 2 of them and he has recently found one more that is an actual leak. A call has been placed to Marin H2O requesting they repair it. However, they have not yet been out to do so.
- He thinks with the water main, there may be small fractures in the pipes or the pipe threads, but the volume, pressure and continuous use are at issue. The charting of the water shows that different meters are using more water than the other meters – they look at the meters specifically between 1 and 5 in the morning. The ones that are continuously spinning, they feel have leaks, but they are difficult to find.
- Matt called for questions and stated unless there are any specific questions, this represents his report.

Carol-Joy stated that since this year's rainfall in Novato is over twice what it was last year by this time in the season, the fact that we are using that much less water speaks very well of the diligence of residents in watching their water usage.

Matt stated that he agrees and added that in the past few years they have reached out to the residents and tried to help reset their irrigation systems or explain the usage of micro-irrigation comparatively to the hand watering or regular sprinkler heads and a lot of people are on board and have been changing their systems. He agrees with Carol-Joy, that they are doing a good job and helping to conserve water use.

Ellen Jane had a question: Matt, I wonder if that refers to in front of 127 Marin Valley Drive, as she has been concerned about this or many months. Matt replied, yes, that is one of the sites where there is water in the gutter continuously. It comes from two locations there, one of them is a sump pump that was put in place 10 years ago by Ghilotti Construction; the other one comes from under the street down at Club View. A lot of residents have been concerned, but it comes up from under the asphalt, so even the experts are experiencing difficulties in determining where the water is coming from. Ellen Jane further expressed that in front of 115 Marin Valley Drive it has been running since she moved here 18 years ago. Matt stated that it is the same as at 127, right up the street There is a tall hillside adjacent. Some of it could be ground water, but Matt still suspects it could potentially be a leak or broken pipe.

Matt stated that we have had our quarterly sewer clean-out, which we do regularly to remove roots and things that would stop up the sewer. We haven't run into any real problems. It is just regular maintenance. He has been getting bids for replacement of the pool panels, upcoming tree service, working with Sigal Utilities getting bids and is in contract for a number of maintenance items, for different transformers in the Park, in particular, the main 12,000 volt switching station in the very beginning of the Park next to 199 Marin Valley Drive. He will have heaters installed so that next winter the condensation will not cause the breakers to blow. We are really in need of some deferred maintenance on all the different transformers regarding new oil, cooling equipment, new grounding rods, and regular cleaning that he doesn't think has ever been done. We can't personally access the high voltage side of these, but he had a specialist come in and he

went around and looked at all the transformers with him. There is maintenance that is very deferred that needs to happen and we need to do this work before the weather gets hot and everybody is running air conditioners and potentially a brown out which has happened in Lucas Valley, where it triggers the Park to go out of power by PG&E and that heats up the transformers, which can cause failure. You will see some trucks coming into the Park soon and there will be a scheduled shutdown while we work on the different transformers.

Matt has been going over the insurance policy, he thinks we are under insured. He sent a bid for replacement of the spa, which is twice as much as what we are insured for currently. We have some old data, but we are updating our numbers and the data is going to risk management of the City. They are going to weigh the issues and options and provide a recommendation. Matt sent a bit for a little over \$200,000 and will also add the automatic cover that has been requested. If we were to have a catastrophic fire, it could cost around \$600,000 to replace the pool, spa and equipment. It was a good meeting with Kate Whan and Chris Blunk in the Public Works Department and are our liaisons with the City.

Carol-Joy brought up that there is a \$3 million grant that was offered to us by the City as part of what was granted to the City out of federal funds for exactly the type of work we need to undertake. Matt elaborated that it was honestly pure luck that the money necessary to fit exactly what we need became available in this way -- it is a \$3 million windfall to repair those 2 pump stations.

Carol-Joy acknowledged Matt's laudable work with Chris Blunk, City Public Works Manager on securing these funds. She provided the history: 2 pump stations - one has work already done at around \$1.5 million and the other is already out to bid for around \$1.5 million, so that \$3 million will just come to us directly.

Jay elaborated that the City Manager and Chris Blunk had asked if we would be interested in accepting these funds. The PAC Board had agreed to do so. In order to fulfill the requirements, Matt pulled up all the costs for the first pump station - the City will also be able to reimburse us on the second pump station. Bids will be in by April 21<sup>st</sup> on the second pump station.

Matt referred to Bill Davis' comments and stated, as an aside, that actual enforcement of our existing rules is more important than gathering and putting new rules into place - he is eagerly awaiting the City's reply on new legal representation he has proposed.

John Hansen asked for an update on the PG&E grant opportunity. Matt has talked with PG&E twice in the last week. The application was approved. There are 2 tiers; we are in tier 2. Tier 1 represents parks that are really in desperate need of replacement -- in bad shape. Tier 2 is for parks that are tired and based on their inspections, Marin Valley is in Tier 2. We are on a waiting list that won't start until 5-6 years from now. He has the contact information for the person at the Public Utilities Commission (PUC) that deems whether parks are in Tier 1 or Tier 2. Matt will present their report to PG&E and the PUC to try and get downgraded to Tier 1 so we can access this program and not wait. PG&E is overwhelmed with the amount of work and the dearth of qualified contractors as the project sizes are huge. Although we have inspections, Matt doesn't feel the inspections are in sufficient depth for them to determine what tier we are in with our leak

surveys and such. It would be best if we can get that financial assistance sooner rather than later, however, we need to perform the preventative maintenance before things break. Everything in the Park works well at this time, but it is outdated and ultimately needs to be replaced.

Jay added as part of that addendum to our application along with the condition of the transformers and the electrical utilities, we do have those condition reports. Maybe we just need to redline that, since so much of the infrastructure is beyond the age where it ought to be replaced. Is PG&E aware of these circumstances? Matt replied PG&E is, but it is the PUC who makes the decision. They are the ones who authorize PG&E to do work in the parks and it is a complicated process. They are structurally difficult problems, and they are struggling with how to prioritize the parks and the need for qualified contractors. It goes from the PUC to PG&E, so the report has been sent to PG&E and they have forwarded it to the PUC. Matt confirmed that is correct.

Carol-Joy said we don't want to be a squeaky wheel, but that Matt is on it. Matt stated there have been real conversations; it is not a nagging squeaky wheel; it comes from licensed contractors, along with Matt providing relevant information such as types of pedestals, infrastructure and transformers. Although the system works properly now, he confirmed that they are already aware of the repairs and replacements that are needed.

Jay said obviously we have been responsible for maintaining the equipment and we hire people to come in to do the work -- have we provided this to them? Matt stated no, they don't want this; they want the annual leak reports, although they are looking at the Sigal report, since it is such a large project and they are lobbying on our behalf.

Anila Manning asked whether we should simply do the work ourselves and get reimbursed from them. Matt stated it is too big of a project, that it would take a minimum of 2 years to plan the project if the City dedicated several engineers toward it and it would take \$10-12 million in financing and it's a lot. The rules have changed and the location of many of our transformers and switching stations is inapplicable for replacement in the same place. It is a huge detailed project and there are numerous difficult problems to solve.

Ellen Jane tried to recall someone (Matt said Julian Skinner) who was working with Public Works in Novato and gave a presentation about how things are trenched together, such as gas and sewer and electric and run under people's homes. It is unbelievable to her as to how they could fix that.

In response to Ellen Jane, Matt stated that it would be abandoned and that a new joint trench would be put into the ground with new utilities. New communication utilities and gas and electric would be put into the street, and laterals would go into new pedestals to connect to the homes. There would be no trenches under the homes. There would be a lot of lateral drilling. A lot of this is technically new. Matt used a lateral drilling machine between 20 and 24 Meadow View, and it didn't disrupt any homes nor driveways. They were able to come up to each home with new water line hookups, because the former pipes were corroded and so plugged that there was not enough water to take showers. Matt reiterated that it may be more than 5 or 6 years before we will be able to replace the systems if we remain in Tier 2.

Viki asked if any of this work can be done piecemeal. Matt stated that it needs to be completely planned out, then done in phases. But he is replacing pedestals regularly every year that are substandard. Most of the entire park is energized by Zinsco, which is the brand name of the pedestals. The company no longer exists, however, the new ones they installed are so good that the difference between these and the ones made in the 1970s is no comparison. So, he leans toward replacing rather than repairing them.

## 2. PAC Treasurer Report (Steve Plocher)

The PAC bank account balance is still at \$2,725.36 – he hasn't had to use the fund for 6 months. As a reminder, this is just a petty cash account that the Board can use if expenses arise and we need something too quickly and it is too inconvenient to contact Matt. Matt uses another account to directly pay our significant expenses and charges them to the PAC budget account in the general fund.

Of the PAC Board annual budget of \$4,000, to date \$2,024.00 has been spent.

## 3. MVMCC Finance Committee Report (Steve Plocher):

Steve commented that there is talk about eventually paying off our loan. If that happens, this entire discussion disappears, but we are still with it for the moment. For the end of February, which is the latest time period for which we have results, our DCSR was at 1.9. Once again, that is because we have front loaded the categories of brush removal and tree pruning. So, as the months go by, that gets modulated such that by the end of our fiscal year we will easily be over 2.0, since we have 4 more months to make up for that. Steve stated that he is not worried because Matt always brings us in on budget.

## 4. 2x2 Meetings Report (Carol-Joy Harris, Jay Shelfer)

Carol-Joy reported that the new rules and regulations are moving slowly forward. They are pushing to complete the process as quickly as possible. There are several issues that must be addressed by legal individuals and approved by the City. Matt requested that we use lawyers that are associated with mobile home parks, in order to speed up the process. This is under active consideration. It is a problem that has existed for many years, but we are working with the City and these things take time. Most of what was discussed was related to long term planning. What is most important to Carol-Joy are the rules and regulations.

Matt confirmed the desire to use another legal firm besides the one that is currently contracted to be the attorney for the City of Novato. The other avenue is to work with that agency a bit differently. In any case, we are pushing forward as much as we can.

Jay stated that these 2x2 meetings are set up such that the PAC and the City can have frank discussions without too much oversight and so that we can speak our minds frankly and throw things around. It is important to speak with the owner of the property and to try to get our needs in front of them and to get them to move forward on what we need to accomplish. They own 70

buildings and tens of thousands of residences, so the regularly scheduled 2x2 meetings are an opportunity for us to get our needs in front of them. The collaboration is getting better and better and we currently have a good rapport with the City.

Steve asked if the City's billing procedures were discussed. Carol-Joy stated that they had had catching up to do and therefore bills had been accumulating and then large bills (according to Steve) would abruptly arrive. Carol-Joy stated that they are now catching up and will be billing quarterly henceforth. Jay added that the City now has a finance person who has been sitting in on these meetings.

Anila thanked Carol-Joy and Jay and Matt for managing to get these billing issues under control after 10 years of trying to obtain coherent billing from the City. Carol-Joy stated that Kate Whan is now the Public Works Administrative Manager, right below Chris Blunk. There had previously been a substantial turnover in staff, but they now seem to be settling in.

#### 5. Project Planning Report (John Hansen, Jay Shelfer)

John and Jay have been talking with Matt about installing solar panels in order to support the pool heating. Matt has been getting bids. This is one of the line items for which Matt asked for an increased amount of money. The roof budget is \$350,000. He recommended they move forward with the roof and solar panels concurrently as well as photo-electric panels for utility use as well as for the pool. Jay believes that there may be a 26% rebate for the cost of redoing the roof and putting solar panels on the roof. We don't know how this is going to change in the future, so we should move forward and take advantage of this rebate.

It will also be advantageous to make the clubhouse a mini-grid in order to supply energy to the clubhouse. Instead of replacing air conditioning systems we should install heat pumps, such as we have in the ballroom, around other buildings, so we can control individual areas of the Park with air conditioning and heating rather than heating areas that aren't necessarily used during the day or the night. If we have heat pumps and that mini-grid setup, with batteries partially supported by the rebate, we could be completely free energy-wise in the clubhouse. Then, along with the gas generator we now have, we would have a safe place for residents in any kind of emergency.

Jay called for Board and residents' comments:

- Carol-Joy asked for clarifications – “this is for fiscal 2022-2023, correct?” Matt replied yes, the budget of \$350,000, line item #9, is dedicated for clubhouse roof and HVAC replacement. The solar panels can go there as well. This is already in place and budgeted, therefore, there is no need for additional approval. Some of the ADA work will coincide with this work as well. It is in the budget and the money can be spent starting in July. Carol-Joy wished to confirm whether there are any items that are still in need of Board approval.
- Matt said that the spending for the roof is over Steve's spending parameters. Therefore, the City will need to choose which contractor they want to use, etc. Matt will organize the bids and expenses that will need to be provided to the City. Carol-Joy stated that

since the Committee is meeting soon, we must ensure that this item is represented on the next PAC Board agenda.

#### 6. MVEST/Fire Wise Committee (John Hansen)

John Hansen reported that March was a busy month and that it will continue to be busy going forward. We have a variety of things going on. For example, with respect to the Park security issue, there have recently been a series of petty thefts in the Park. MVEST has been scratching their heads as to what can they do about this, without putting the residents into harm's way or inconveniencing them, yet it is important to increase our vigilance in some form. Matt has arranged for a member of the Novato Police Department on Thursday at 4 p.m. at the clubhouse. MVEST and Management are working on solutions. All are residents are encouraged to attend. It is expected to be well organized with a lot of good information to be shared by the police.

Firesafe Marin has an upcoming meeting on this Friday morning at 9 a.m., for the Fire Wise Board of Directors. Thereafter, the Fire Wise Leaders of Marin will meet at 11 a.m. We strongly encourage residents and our MVEST members to attend. The login is on our website. The home page of the site is kept up to date for all the new MVEST events as well as the Park. They are currently conducted as Zoom meetings.

Marin Valley is in the queue for a PG&E grant through Fire Safe Marin. We are in the queue for \$10,000. Hopefully, we will get it all. Usually, PG&E does release the entire amount. That money will go toward doing specific fire mitigation work along our evacuation access route on Marin Valley Drive.

MVEST is building a partnership with the Marin Center for Independent Living (MCIL). This is especially advantageous for our most senior residents, some of whom may have slowed down over the years, or who are more challenged in terms of mobility. They do promote helping citizens to be able to live independently. They have a program entitled "Powered and Prepared". They provide resources for people who need emergency backup power, etc. April 30, 9:45 a.m. will be a public meeting where MCIL will come and explain their programs at the clubhouse.

The theme of an upcoming ECHO article is "emergency evacuation". The Committee is trying to get out the information in digestible chunks over 3 months. The first month's theme is "Building a Go Bag". That of the second month is, "How Do You Get Informed", which goes into details that won't be found all together anyplace else. On the third month, probably the most important part, will be "How Do You Get from an Order to Evacuate to Your Car?".

On June 4<sup>th</sup>, there will be an evacuation exercise. We are calling it a "dress rehearsal" and are promoting the wearing of the clothes that you would wear for a wildfire emergency evacuation. All the information that has been promoted over the years can be found in our articles and on the emergency checklist at the counter of the clubhouse. After the evacuation exercise will be a pizza party -- it is expected to be a fun and enlightening day for everyone. All residents are strongly encouraged to participate.



The MVEST/Fire Wise Committee meets every Monday at 5 p.m. We encourage residents to participate, or at least, watch our meetings. If you wish to participate or watch, please contact John via email at [johnhansen.emt@gmail.com](mailto:johnhansen.emt@gmail.com). The information is also available in the ECHO. These are virtual meetings on Zoom, so there will be no need to wear a mask.HOL (John Feld)

The HOL meeting will take place tomorrow in the Fireside Room at 6 p.m. Bill Hartwell will be playing on April 10th. David Gray has a presentation coming up this week, and again, the police meeting will be on Thursday.

Mary Curry wondered how we may obtain more lounge chairs. John Feld replied that HOL is purchasing 3 more lounge chairs, umbrellas, and small round tables. Steve suggested getting hotel quality rather than backyard quality -- the latter tend to break down with use. The hotel quality chairs cost more, but they do last, as they are built stronger. John stated that this issue would need to be addressed with our Manager. Matt stated that he agrees, that he would prefer to purchase better quality as well. There is an applicable \$20,000 line-item in the budget, thus we can afford to buy good quality. Mary Curry volunteered to do some research. Matt stated that HD Supply is the supplier we would typically use, but that they may be too expensive. He suggested perhaps someone has a Costco card we could use. All agreed that this will be addressed. Matt offered to take an action item to purchase the chairs (hopefully with a Costco card) and to reimburse himself from the budget.

## 7. MAR VAL

Per Kathleen Dargie, via Vicki: On Saturday April 23rd they will host a Mad Hatters party, at which all are encouraged to wear their most spectacular or outrageous hats. At the same event, they will mark the 20th anniversary of the establishment of the bar at the clubhouse. This year's celebration of Cinco de Mayo is scheduled for Friday May 6th and will include a Mexican Meal at the pub.

John Hansen reported that for PAC, the following had been left off the agenda: an action item to get a report from the Election Committee. Steve stated that he has been waiting to hear from the existing Board members as to whether they plan to run for re-election. All 3 have chosen to run. Nominations are to begin sometime in the middle of May. It all happens in a period of 3 weeks. New officers are established in June. Carol-Joy stated that the PAC Board can change (determine) the date of that meeting. This can be accomplished at the May meeting, i.e. the next meeting. Jay stated that the date is in the By-laws, therefore the date cannot be changed, but the time can, so we can conceivably conduct the annual meeting on the same day as the evacuation drill, after completion of the drill related activities.

All agreed upon this approach. The Election Committee will report next month. Steve stated that there will be a Chairman signed up by that time and confirmed that all the members will be on board, in case we have an election.

## E. OLD BUSINESS

### 1. Consider recommending to the City that we pay off the Marin Valley Mobile Country Club Mortgage

Old business began with a discussion about the prospect of the City of Novato paying off the bank loan of the Marin Valley Mobile Country Club. Jay started off with a review of what was said earlier in the meeting. Matt is very unsure, as we all are, as to when the infrastructure of the Park can be replaced and what will happen over a period of years vis-a-vis the repair of the existing infrastructure, in order to keep it up to reasonable standards. It is very difficult to estimate how much cost and time that may entail. There was concern about paying off the \$3 million in debt, given this degree of uncertainty. Matt stated that the repairs and upgrades could cost up to \$8, \$9 or \$10 million. Consequently, Jay confided that at this juncture, he isn't sure if paying off the loan is a feasible plan, although he stated that this is just an opinion at this time.

Carol-Joy contributed the following two points:

First, we don't get to decide. All we can do is make a recommendation to the City, informing them as to what the PAC Board would like to do. The City decides, since they are the owner. So rather than approving the payoff of the loan, we would be making a recommendation, one way or another, to the City of Novato, in order to try and influence their decision toward our preferred outcome.

Secondly, paying off the bank loan and leaving the property unencumbered has nothing to do with:

- a) park ownership, nor
- b) the infrastructure.

Elaborating further, let's consider that we would have to pay for the entire infrastructure project on our own. For example, say it would cost us up to \$12 million and we don't have \$12 million in reserves, nor will we for quite some time. Either way, we would have to get a loan, whether we have \$6 million in reserves or \$3 million in reserves. The infrastructure project is expected to cost considerably more than that, so Carol-Joy stated that she does not see the connection here.

Per Steve, when it comes to paying off mortgages, the argument is, how much liquidity do we need for upcoming demands and what kind of benefits will we get by not having the debt burden for a while? When we get that money from the City, we will again have about \$6 million in reserves. If we pay off the loan, we will still have about \$3 million. That's not bad, without any debt to pay. Steve has a study of the accrual of how much we accumulate in reserves every year. He reported that on average, over 13 years, it is close to \$900,000 per year that we have added to the reserves -- some years less, some years more. Now we are going to add to that, \$600,000, which we will no longer be contributing to debt service. Therefore, we are now talking \$1.5 million per year, potentially to be added to the reserves, give and take some projects here and there that sap up some of the money. That builds up our reserves rather quickly. After 4 years that is \$6 million. So, we will continue to have substantial reserves, even if we must engage the infrastructure project in the next 3-5 years and find that we must take on debt for the balance of

it. Steve agrees with Carol-Joy that there is no way around this. We are not going to have enough cash to pay for it all, but Steve thinks it would be great to be without the burden of the mortgage for probably 3-8 years, depending upon when we would have to borrow again.

This is Steve's opinion, however, he stated that in the world of finance, this is an opinion topic – it involves risk and comfort level, i.e. how much money in the bank feels good? How comfortable are we about borrowing money in the upcoming years? Everyone feels differently about these things. John Hansen agrees with Steve. He stated that it comes down to a comfort choice, as we may gain either way or lose either way, but John's comfort level is to pay off the loan. Vicki's opinion was to wait a couple of years, but after discussion, she realized that she had misunderstood the \$1.5 million scenario. Carol-Joy clarified that Steve was stating that we would build up the \$1.5 million per year if we pay off the loan. If we don't pay off the loan, we will accrue around \$900,000 per year.

Jay agrees with Steve as well, however, he went on to state that we need Matt to weigh-in as to how much he may need. The dangerous thing is to run into a project where you must come up with millions of dollars in order to do something. If we suddenly need to borrow money, being under the gun may hinder our ability to start the project and / or fund it. The City is going to be the one negotiating the loan for MVMCC. The City is going to hear our recommendations as to how much in reserve we may need to have for immediate problems that are upcoming. For example, we are budgeting out our capital improvement plans over the coming years. We need to understand how we are going to fund it without putting ourselves, nor the City, in danger of having to negotiate a loan while under duress. He can argue both sides. He likes the idea of paying it off and starting to accumulate the \$1.5 million, but we are going to need that to pay for capital improvements and to fund PG&E's program. We don't know what the costs are going to be to do that. Since we are going to look at the budget later on during this meeting, let's table this for another month and then decide whether to ask the City to use those funds to pay off the loan, which would be a great idea, but we need to first understand whether we have enough capital on hand in order to fund those objectives.

Carol-Joy suggested that we first hear from Matt, then determine whether there is a risk assessment department or person, as mentioned earlier. Perhaps it is within their purview in the City to decide what level of reserves are appropriate for the Park and maybe Matt has an idea from having experience with other parks.

Matt thinks a minimum of \$4 million for emergencies is needed, plus adequate insurance, including insurance for legal. Generally, in municipalities, minimum first out of pocket money for legal is \$100,000 per case. He would rather see the loan being paid off, put money into the Park for maintenance, partner up with PG&E, use the funds we have now in reserve, and, if necessary, take a mortgage later against the property. He pointed out that a mortgage against the property would be far less expensive than a construction loan. Thus, if the program can be accessed and we can partner up with PG&E to do the work, this would be the best route, since they are going to absorb most of the costs and although remaining costs will be a burden on the Park, it will pale in comparison to having to outlay all of the costs ourselves.

Carol-Joy then recapped as follows: Matt agrees with Jay that maybe we should table this for a month or two and see what happens with the other situation.

Matt thinks that the City is going to pay off that loan no matter what we do, so he recommends that the PAC Board work alongside the City and not fight them on it. This is also important because of the amount of money. Right now, the project may be between \$12 and \$15 million, (which could grow over 5 years). It is conceivable that it could be a lot more. We need to keep this in mind every year when going through the budget. As Steve said, the key is the amount of reserves we maintain and accumulate moving forward. If we use our own money it is going to be a lot less costly to borrow against the Park than to use construction financing, which is quite expensive.

John Feld asked Steve whether it is cheaper to pay the mortgage or to borrow more money, i.e., is our current mortgage at a higher rate than if we refinanced? Steve replied, "What is the cost of liquidity, the cost of keeping our money in the bank? Well, it is the cost of paying for the loan. You reach a level of what is tolerable. We are not at that moment yet and it is not going to be us who makes that decision."

Steve further elaborated, if it were our decision, we would be weighing the cost of money vs. how important it is to have a lot of liquidity. It is always a balancing act and a personal thing, but in this instance, it is going to be what the City decides is comfortable for them.

Erma Wheatley asked, "Is the cost of a loan now higher than what we are already paying?" Steve stated that he is uncertain about the markets right now.

Jay shared that the federal reserve is pushing up interest rates. Probably over the next 1-1.5 years, the rates will go up. We have a very good interest rate currently because it was City owned and well managed when we applied for the loan. It is 3+ percent now. Next year, he doesn't think we will be able to borrow money at that level. Inflation was 7.5% this year. The fed is trying to cool things down by raising interest rates, so with a 3.5% interest rate now on that debt, a new loan is going to be higher. However, we will be getting a lot more money (in reserves) and we will be in a better position to obtain that future loan by having a good balance sheet, especially since we would, more than likely, be getting the loan from Bank of Marin. Could we inquire of Bank of Marin as to their current interest rates, and could they project what the rate may be in 3-5 years?

Carol-Joy made a motion to recommend that the City of Novato pay off the bank loan. John Hansen seconded the motion.

Vicki asked what is causing us to have to decide what the City should or should not do at this moment and what would be the advantage to us. Steve stated that they want our opinion. Steve and Carol-Joy confirmed that they have already asked for it. Jay stated, as a caveat, that we haven't received the money back from the \$1.5 million yet, and the second pump station will probably take a year or so, therefore once we pay off the loan, we will be down to \$3 million or less in reserves.

Carol-Joy shared that in the 2x2 they asked for a sort of polling of the PAC Board as to whether we like the idea or do not like the idea, so she wishes to stand by the motion she just made, so we can see where we go with it.

Bill Davis commented as follows:

- The time value of money is important. \$100 today or next year might be worth \$95 and three years down the road it might be a lot less.
- What is our interest rate? Is it good? Should we sustain it? Do we want to reinvest this money and maybe make more in interest, or not? These considerations need to be looked at by the City or an accountant.
- Why unnecessarily pay interest when you can have the money available to do something else? Either the City or you would then not have to pay to borrow the money.
- Bank of Marin is always there to help us. We have a class A credit rating. Or, the City could issue a bond, like most cities do.

In summary, Bill strongly supports paying off the loan, as he believes that to own the property free and clear feels good.

John Hansen added that the costs will be greater year over year no matter what. It's either through higher interest, or, if raising the interest rates doesn't work, it is going to be a higher inflation rate. So, no matter what we do, the cost of money is going to increase. As we pay off our loan right now, the question of the value of a lower rate on the residual of our loan becomes less and less of an issue. A differential interest rate between what we are paying and what we may pay in the future – 3.5% right now vs. 4-4.5% in the future is just 1-1.5% differential. Especially as time goes on, we are at the point where the value of maintaining our loan and paying off the interest and so forth every year does not appear to have value. So, he agrees with the motion to recommend to the City that we pay off the loan.

Motion passed 5-0.

Jay asked that the results of that vote be passed on to Kate Whan, which Carol-Joy agreed to do.

## F. NEW BUSINESS

1. First order of new business is to review and possibly discuss the budget for fiscal year 2022-2023. See the addendum to the agenda. The Board is to comment on the changes that were made in the budget from this year to next year.

Generally, this budget is for the maintenance of the Park and not for capital improvements. Matt has a lot of experience with what has been expensed out over last year's budget and future needs. As a result, he has added to various items.

Matt reported as follows:

There are 3 different items in the capital area of the budget:

- Overlay: Was skipped over this year and there was a \$10,000 amount that he has increased to \$35,000 (“overlay” is street and asphalt work).
- Slopes, Drains and V-ditches: Have generally been \$25,000 over the last 10 years – increased to \$40,000. Residents in numerous homes get out and they are ankle deep in water. They can only do a few each year, costs have increased, labor and insurance, including workman’s comp have gone up quite a bit. It just costs more to get the same type of work done. He has been struggling over the past few years to get the work done that residents need, because the line items are just too small.
- Retaining Walls: Budget increased by \$50,000 for the same reasons, from \$75,000 to \$125,000.

Other Line Items that have been increased:

- Fire abatement: Was increased last year to \$125,000. He is asking for another \$25,000 for increased work. Even though he has the grant money for the goats and has had a little bit of hand crews for pulling scotch broom, there is a lot more that needs to be cut back. He has a meeting next week with a “really big” tree service. He is going to be getting some preliminary costs on doing a lot of the pickup work in the Park out to 300 ft., which is downed material that is dry. A lot of the tree work has not been addressed. He wants to get the canopies up to 15 ft.
- Landscaping: A lot of the landscaping work needs to be done. He has asked for an extra \$4,000 for extra work, which will be attended to once per week.
- Staff Home Repairs: He asked for an additional \$4,000. There are some problems that are creating conditions of substandard living in one of the homes. These issues need to be fixed.
- Operating Supplies and Equipment: This item has typically been \$7,000. He is asking for an additional \$8,000. This is for general operations, i.e. the day to day running of the Park.
- Pool Supplies and Equipment: Is currently \$14,000. He wants to bump it up to \$40,000, which will include the installation of the new panels to heat the pool, or to help heat the pool this summer. This will also cover the higher costs for maintenance that we are receiving.
- General Repair: He increased it last year to \$55,000. He is asking this year to increase it an extra \$30,000 for a total of \$85,000, because we just have a myriad of things that break on a regular basis.
- Security Contract: He has increased patrols, yet he wants to increase them more – we have \$9,000 now. He wants to bump it \$3,000 to \$12,000 to get extra patrols every night. We had 2 patrols previously, we have 3 now. He wants to bump it to 4. We have had some petty theft recently. He wants to have more security throughout the Park in the wee hours of the morning.
- Electrical: Is currently \$14,000. He is asking for an extra \$135,000. He is in contract already for \$50,000 in maintenance, as there is a lot more to do. If any of these transformers are no

good, they must be replaced now. We can access them without waiting for problems, such as when we had the brown-out a while back, we had 2 transformers fail. He had to order them from out of state. Now he can get them directly from PG&E if we are ready to get them. We have one extra that we purchased in case of an emergency, but he is thinking already several of them are going to need to be replaced before they break.

Discussion regarding the Electrical line item:

Steve asked whether the transformers will be replaced proactively, or will we wait for them to break? Matt answered, no, that is what is going on right now, you are going to see a shutdown of park utilities several times moving forward in the next 6 weeks. Those shutdowns are going to determine which of those transformers are problematic and he is going to have them replaced. He does not want residents going without air conditioning in the summer for even a day.

Carol-Joy inquired as to how many are there total? Matt replied that there are 9 of them. Carol-Joy asked for confirmation that 2 of them have already been replaced. Matt explained that, yes, we had a brown-out in Lucas Valley 2 years ago and when the transformers were powered up, they were not powered up one at a time and it was hot. There were a lot of people who had a load on the system due to their air conditioning.

Jay inquired as to how much it had cost to supply the generator for that month. Matt stated that the total cost for that problem was over \$100,000. More than 1/3 of the cost was for temporary power. It was horrible. The lift stations, the generators that are substandard there, even though they work, people are having to smell those diesel fumes from the generators while they are on. It is not ok. All those things have been replaced on Club View, as well as the standby generator for the lift stations and the one for lift station #1 is also coming up for replacement. When the manufacturer says they are 15-18 years past the time they are supposed to be replaced, but they are still in use, he does not think that is ok. With the money that we are getting right now, certain things need to happen around the Park. We need to utilize those funds in order to do so.

John Hansen asked whether the voltages are rectified to 308 or have they updated to 440? Matt replied that they are 208. As they get replaced, they must be replaced with the same type. Once the entire system is replaced, they will go to 240.

Matt – Budget Report Continued:

- Sewer maintenance: This line item is increasing by \$32,000 because it is a constant and he knows where there are some problems in the Park, and we may have to trench and replace.
- Water lines: We've had \$700 previously. He is increasing it up to \$20,000. This needs to be money we can use today.
- Utility Maintenance: Which is unanticipated, replacement of meters, with which we have been having a problem. The line item now says \$3,100, we are bumping it to \$7,500. Regularly residents will disagree with the bill, for one reason or another, at a particular resident's request, if Matt can't explain it he will pull the reading off of the meter, send it to weights and measures, get it calibrated and get a report to determine from a third party as to

whether it is operating properly or not. This is in order to provide to residents to ensure that they feel secure that we are doing our job the way we are supposed to.

- Office Supplies: He is asking for an extra \$500, generally ink for printers in the library and such.
- Outside Services: This increases from \$10,000 to \$30,000. As for Comcast service that we use for camera monitoring, he wants to install more of it throughout the Park. The old Costco system that he purchased 5-6 years ago works well, but is no comparison to the Bay Alarm system that is by the RV storage, the monitors with the license plate readers, better storage, better access to quality reporting that he can provide to the police department. He wants to include a new system around the clubhouse, thus adding \$30,000. We lease the systems currently. He feels that it is better if we don't have to insure all of this equipment ourselves and furthermore, when there are problems, like an incident that had occurred earlier today, Bay Alarm is on call to arrive onsite to resolve whatever the issue may be, at no cost to us. When one is leasing their equipment, when the equipment goes out of date, he simply calls Bay Alarm and they replace the equipment for free with updated equipment.
- Telephone: Right now, it is \$20,000. He is asking to bump it up to \$40,000.
- Contingency: There is a contingency line item that is \$8,000 that is bumped up to \$12,000. This is just for unanticipated overages that happen. He would rather have the money in the budget and not use it than to go over budget.

Note: Overall, 18 different line items have been increased, which includes the contingency item.

Comments about the budget included:

Carol-Joy asked what is the amount of the total increase over last year? She stated that she had heard a lot of big numbers there. Steve added that bank interest is in there, however, we may not have that in the future in the likely event that the mortgage becomes paid off by the City. Matt provided a ballpark figure, stating that we are looking at about \$275,000 over what it was last year.

Carol-Joy asked how would that \$200,000 pool spa project (for the panels) come into play? Matt stated that if the PAC Board wants to save gas usage based on the concerns of several residents and spend around \$225,000 to replace the spa then we need to vote on that and tell him to do it and he would increase that line item another \$225,000 to do it and would look for permission from the City and would look to them to oversee it, because it is above his spending purview and delegation group.

Carol-Joy informed us that this is a whole other consideration and is not on the agenda, so she recommended that we will need to take this item up again as part of next month's agenda.

Matt elaborated that these considerations have already been sent to Chris Blunk and Kate Whan for review.

Jay asked, in 2021, about how much did not get spent and whether any money did go back into reserves, or, if not, whether Matt is over budget? Matt confirmed that we are over budget



right now. What he is trying to do is to adjust this budget, because the way the budget works, the availability to spend money starts in July. There are lots of demands for work. It is a function of the fact that much work needs to be done, he is playing catch up and there is more work to do than we have funds for in the budget. Now, specifically on trees, fire abatement and a retaining wall, he thinks he is \$40-\$50,000 over budget, at least. Carol-Joy responded, "already?" Matt replied, yes, this is from work that was done prior to the submitted request for this new budget.

Jay asked for confirmation of his understanding that what he is looking at here is that we are \$40,000 over budget from last year and we are increasing it by \$275,000, so that is around \$300,000. Matt provided clarification as follows: just because you are over budget on one line-item doesn't mean you are over budget on the entire column. Furthermore, the fire district has been increasing their recommendations. They have gone from 30 ft to 50 ft to 100 ft to 300 ft and Matt agrees with that. He would like to see a 300 ft cutback going up all these hills and additionally wants to deal with all the downed wood, dead oak limbs and everything that has been left and has not been dealt with on these hills. He wants to see this work completed by the end of this year. It is just too hot and too dry. It is the responsibility of a park owner to pay for this stuff and it needs to happen.

Jay stated that because we are looking toward paying off the bank loan and addressing all of these increased expenses, and with the aging infrastructure and now with all of the problems with the drought, we are going to need more money in future budgets to pay for these expenses. As has been pointed out by Steve, we will be saving that \$600,000 we are currently putting into debt service. If we pay it off, there will be funds around, but we can just see going forward that these costs of maintaining this place are going up.

Carol-Joy added the fact that when the PAC Board members got the draft budget from the housing group, the cover memo started with several assumptions, the first being no rent increase in January 2023. The sentiment is that here we are just paying this much rent and we haven't had an increase in several years. The costs are increasing every year, yet, the members are saying, "We are not paying for that".

Matt felt this was a very good point. He pointed out that if this were a privately held park, even though you are protected by the Novato City Rent Control Ordinance, you would have a rent increase every year from now and forever. And it is not that much money, but it is fiscally irresponsible not to raise the rent when these kinds of costs are being incurred. On the other hand, when you look at the savings that can be had by this influx of \$3 million, and Jay's position that there can be a 26% savings with the solar, there are ways that kind of balances out. Matt further elaborated he has always felt that when there is a big influx of money, especially with that \$3 million, "now is the time for me to ask for additional money and do the work".

Carol-Joy responded, "Which has been deferred, let's face it, some of it for decades."

Matt shared that the reason there is so much in reserves is that when he was hired there was no work being done, zero; deferred maintenance, holes in the clubhouse building, rotten

beams, etc. There were a lot of real problems in the Park that have been addressed and fixed, but this is the responsibility of a park owner to pay for these things and it must happen, not next year, but this year.

Vicki asked Steve whether it would be appropriate for him to do an analysis of what we are talking about. The pros and cons of what Matt is suggesting? Steve replied that he was just seeing the budget for the first time this evening. He was just hearing this as Matt was going through it. He stated that he is not in the position to perform such an analysis, and that he doesn't have any superior vantage point beyond what Matt has to offer. Steve stated that Matt is very well versed in this area. Vicki ensured us that she was not questioning Matt, but that she did want to share her feeling that it is just a lot to absorb right now.

Steve weighed in with the perspective that we have the money and that he personally defers to Matt on this topic and agrees with just about everything Matt is saying. Yes it is going to cost some money. Do we have the money? Yes. Does it mean we won't have it in the future? Well, not necessarily, because we are going to be putting more money into reserves and we are not going to be paying on the loan. There are compensating factors that will alleviate the cost of this money we are going to spend.

Jay expressed the concern that if we increased the rent by the amount permitted, then the increase would amount to approximately \$35,000, if it was the maximum of the CPI, so we are talking not a great deal of money if the rents were increased as far as the CPI is concerned, but warned us that it does place a burden on a lot of the senior citizens who do not have much of an income coming in. Our reserves are still being increased, even though we are spending that money, but the money Matt is proposing to spend is money well spent, because that will protect the Park and will anticipate failures that would cost a hell of a lot more money to replace in the event of a breakdown of the systems.

Carol-Joy made a motion to approve the budget as submitted by the Helsing Group. Jay seconded the motion.

Discussion from the Board:

Steve stated that fixing all these things is going to give us a slightly better life here at the Park.

Motion passed 5-0.

#### G. DETERMINATION OF NEXT PAC BOARD MEETING DAY(S)

Tuesday May 3, 2022 at 6 p.m.

PAC Board Regular Board Meeting

H. ADJOURNMENT:

The meeting adjourned at 8:01 PM

Respectfully submitted,

Terri Beausejour  
Recording Secretary