

REPORT FOR CAPISTRANO BAY DISTRICT FROM AD-HOC COMMITTEE FORMED TO STUDY CONTRACTED MANAGEMENT POSSIBILITIES 12/12/11

The Ad-Hoc Committee was established by the District Board in July 2011 to study the merits of a contracted management model for Capistrano Bay District (CBD) as well as to look at comparative costs. Our mandate is to study the operational and administrative functions of Capistrano Bay District from the perspectives of residents, directors and governance issues necessary to continue to be in compliance with California state regulatory bodies as well as to obtain maximum efficiencies in services and performance. The Ad Hoc Committee members are: Nadine Levinson, David Wilson, Steve Schwartz, Ambrose Masto, Mike Haack and Don Russell (District Manager).

It had been almost twenty years, since a previous Beach Road Committee studied issues of management of Beach Road. This Ad Hoc Committee is strictly advisory and reports to the Board on our progress.

The Ad Hoc Committee has submitted its minutes to the District Board for our last two meetings on October 18 and November 10, 2011. This Report will summarize those two Committee Meetings and it is hoped that homeowners interested in the activities of this Committee will review the Minutes and or contact our committee members for information or to ask questions.

October 18, 2011 Meeting

At the October AH meeting, the Ad Hoc Committee (AHC) did a final review of our previous meeting where the scope of duties and administrative tasks for Beach road was discussed. This scope of duties, needs and responsibilities will be used to develop a RFP (Request for Proposal) in order to obtain like bids from several property management (PM) firms. At the same time, Don is working on gathering what CBD current costs are, so a comparison can be made between the PM companies as well as what CBD is already spending. Essentially, it is hoped that District custodial functions already farmed out could be performed with an efficiency of effort and cost by an offsite management company. Don would remain as onsite District Manager. At this October meeting, other alternatives such as hiring additional employees to help Don was considered.

November 10th, 2011 Meeting

The AHC members evaluated a proposal from Webb PM Proposal and discussed a process for obtaining other comparative bids. We discussed the feedback from the November 4th CBRA meeting on the topic of property management.

Proposal by Webb Property Management Company

WEBB PM has been providing property management services locally for the last twenty-one years for other high end properties similar to ours. They will provide support for our onsite general manager with expertise in custodial and governance functions specific to the Beach Road District. The base pay for the services in the WEBB proposal is \$1800/month, or \$21,600 per year. As per a quick summary analysis, Don Russell estimated there likely could be a

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substantial savings in order to eliminate high costs already outsourced, especially for financial services. Further, the proposal offers Don the support and expertise to improve CBD's standards of administration, government compliance, and support for the District Board Members. For example, a comprehensive guidebook for new board members containing district protocols; operating and financial procedures; vendor and contractor protocols; district policies and codes (including security post orders); and a master CBD administration calendar is needed to properly advise and orient new board members, employees or (upon request) residents. Data management functions have already been mandated by the CBD as being needed, and Don would benefit from assistance in setting up a file management system.

Preparation of "Matrix" for obtaining comparative bids

David Wilson provided a spreadsheet matrix for the breakdown of each of the WEBB expenses as well as to compare the PMC (and other PMC's) to existing CBD expenses. Another bid from Merit PM Company has been sought. Nadine Levinson called 5 other Property Management Companies: Ace PM, Hallmark PM, OOnly PM, Class PM and Merit and sent a matrix "CBD Scope of Work" to use for submission of a bid. Only Merit PM submitted a proposal. Merit has been in business for over 32 years in Orange County with many high end properties. But most important, Merit has 70 properties with on site managers.

Feedback from CBRA Meeting held Friday, November 4th, 2011

Don Russell gave a brief presentation at the CBRA Meeting on the AHC's mandate to explore having property management and invited homeowners to come to District Board Meetings and obtain District Minutes. David Wilson also attended the CBRA Meeting and could only make a short presentation (due to interruption of his remarks) and unfortunately was not able to address some of the group anxieties likely based on misinformation. There are rampant rumors on Beach Road such as a fear that professional management might endanger our District status, the costs will be prohibitive, the services will be inferior, we'll lose our manager and "we don't need to change". The AHC thus far has concentrated on evaluating a hybrid model which means property management services assisting Don, our on site manager.

Where do we go from here?

The Ad Hoc Committee will have another meeting after Don completes the matrix/grid of the competitive bids as well as a breakout of our current CBRA expenses. We will then write a report and submit to the BOD. Ultimately, the recommendation to the CBD board will focus on qualitative assessments which lead to improved efficiencies, decreased risk, and maintaining (or improving) the quality of life of Beach Road residents.

Likely the CBD Board will hold its own meetings or community forums and send out communications to the homeowners to discuss the Ad Hoc Committee report.

As always, the Ad Hoc Committee invites and welcomes community feedback. If you have any questions please contact: Nadine Levinson, David Wilson, Steve Schwartz, Ambrose Mastro, Mike Haack or Don Russell.