

J.D. BROOKS

RESERVE STUDIES

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UPDATE - NO SITE INSPECTION

OAK RANCH ESTATES HOA

OAK VIEW, CA

RESERVE STUDY REPORT: SEPTEMBER 22, 2020

RECOMMENDATIONS FOR THE BUDGET YEAR PERIOD

FROM: JANUARY 1, 2021

THROUGH: DECEMBER 31, 2021

COVER

INTRODUCTION

RESERVE STUDY SUMMARY

COLOR GRAPHS & CHARTS:

THIRTY-YEAR RESERVE BALANCE PROJECTIONS

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CALIFORNIA CIVIL CODE OVERVIEW

9/22/2020

INTRODUCTION

UPDATE - NO SITE INSPECTION

This Reserve Study is an evaluation of the association's Common Area Components and their Reserve Funds.

The goal is to keep the Reserve Funds at a sufficient level for future repair and/or replacement of these components and to disclose this information formally to the Association.

Oak Ranch Estates HOA

a residential development consisting of forty: single-family lots / homes, is located in: Oak View, CA

The community is comprised of 40 units built in 1978.

The Association's Fiscal Year End is December 31.

This study's Reserve Component Inventory lists the components that require reserve funding.

The Projected Reserve Fund Balance at Fiscal Year End 2020 is \$30,200.

The Ideal Reserve Fund Balance at Fiscal Year End 2020 is \$38,164.

Therefore, the Reserve Fund is theoretically 79% Funded.

The Current (2020) Annual Reserve Contribution is set at approximately \$4,092.

J.D. Brooks recommends maintaining this Reserve Contribution, or reducing to \$4,089 (The Deficit Reduction Contribution) for 2021, plus a contribution increase of 3% annually.

This funding plan *should* keep the association's Reserve Fund above \$31,106 over a thirty-year period.

NOTE: This Funding Plan includes the assumption that all Interest earned on the Reserve Funds will be re-invested into the Reserve Accounts (Net after Tax obligations)

The Repair / Replace Estimates and other parameters used in this study were estimated with the assistance of information obtained from one or more of the following:

- 1 The Association's Board of Directors.
- 2 The Association's Property Manager.
- 3 Vendor (Subcontractor) Proposal / Contract for work.
- 4 Vendor (Subcontractor) experience with the Association.
- 5 Construction estimating reference books & databases.
- 6 J.D. Brooks database of area construction costs and similar reserve studies.

This reserve study does not imply a warranty or guarantee of any form.

The named Association, by receiving this study, agrees to release J.D. Brooks from any claims and/or lawsuits.

RESERVE STUDY SUMMARY

ASSOCIATION INFORMATION:

Name of Association: **OAK RANCH ESTATES HOA**
Location: **OAK VIEW, CA**
Number of Units: **40**
Approximate Age of Complex: **42**

This report recommends contributions for Budget Year:

Beginning: **JANUARY 1, 2021**
Ending: **DECEMBER 31, 2021**

Reserve Study Report Date: **SEPTEMBER 22, 2020**
Current Fiscal Year End: **DECEMBER 31, 2020**

CURRENT FUNDS SUMMARY:

Projected Reserve Balance at Current Fiscal Year End: **\$30,200**
Ideal Reserve Balance at Current Fiscal Year End: **\$38,164**

PERCENT FUNDED: **79%**

CURRENT RESERVE CONTRIBUTIONS:

	<u>Annual</u>	<u>Monthly</u>	<u>Monthly Per Unit</u>
2020 Budgeted Reserve Contribution:	\$4,092	\$341	\$8.53

RECOMMENDATIONS FOR BUDGET YEAR 2021

RESERVE CONTRIBUTION MODELS:

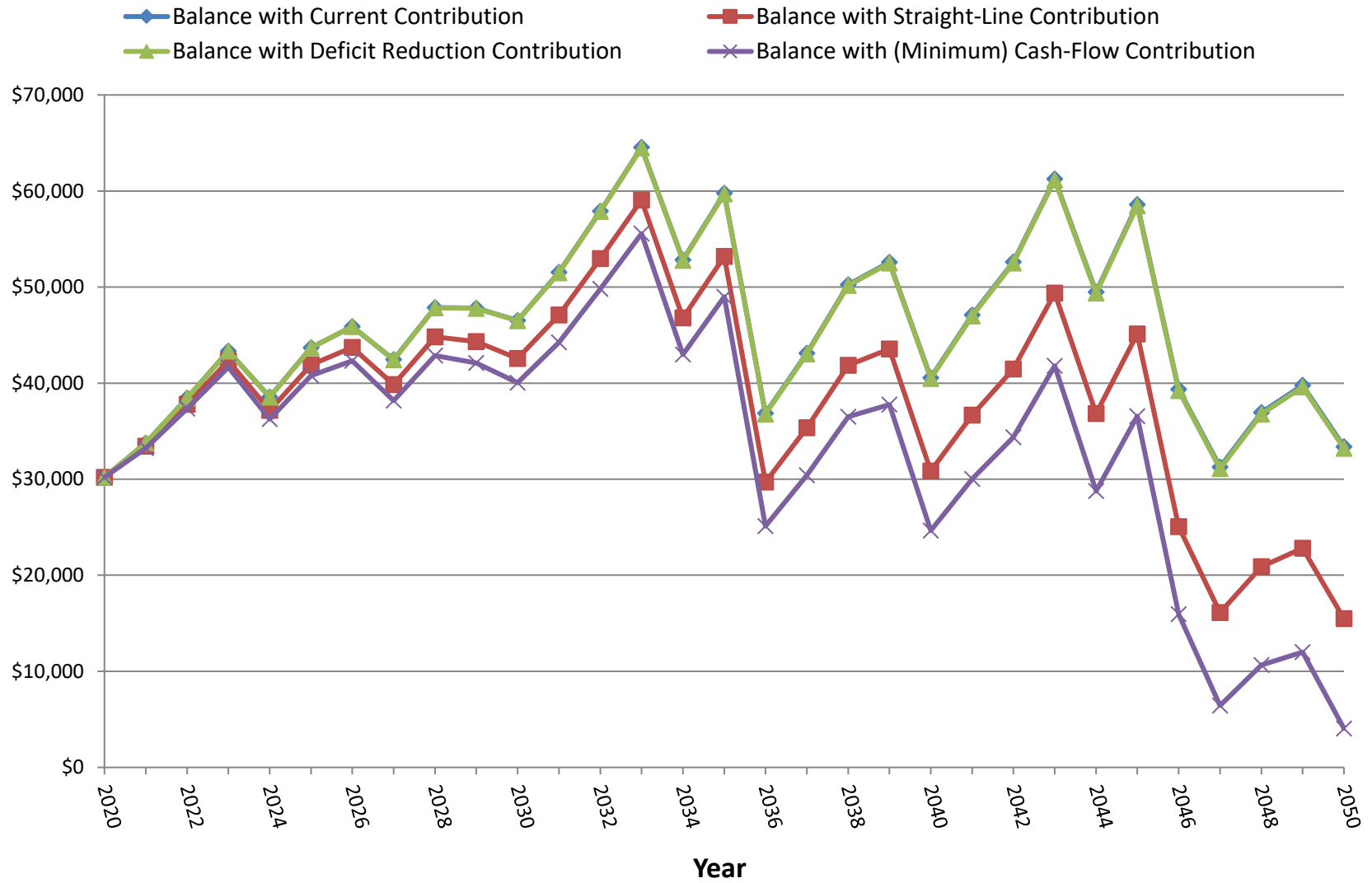
2021 J.D. Brooks Recommendation in Box

	<u>Annual</u>	<u>Monthly</u>	<u>Monthly Per Unit</u>
2021 Straight-Line Contribution:	\$3,771	\$314	\$7.86
2021 Deficit Reduction Contribution:	\$4,089	\$341	\$8.52
2021 Cash-Flow (Minimum) Contribution:	\$3,567	\$297	\$7.43

J.D. BROOKS
RESERVE STUDIES

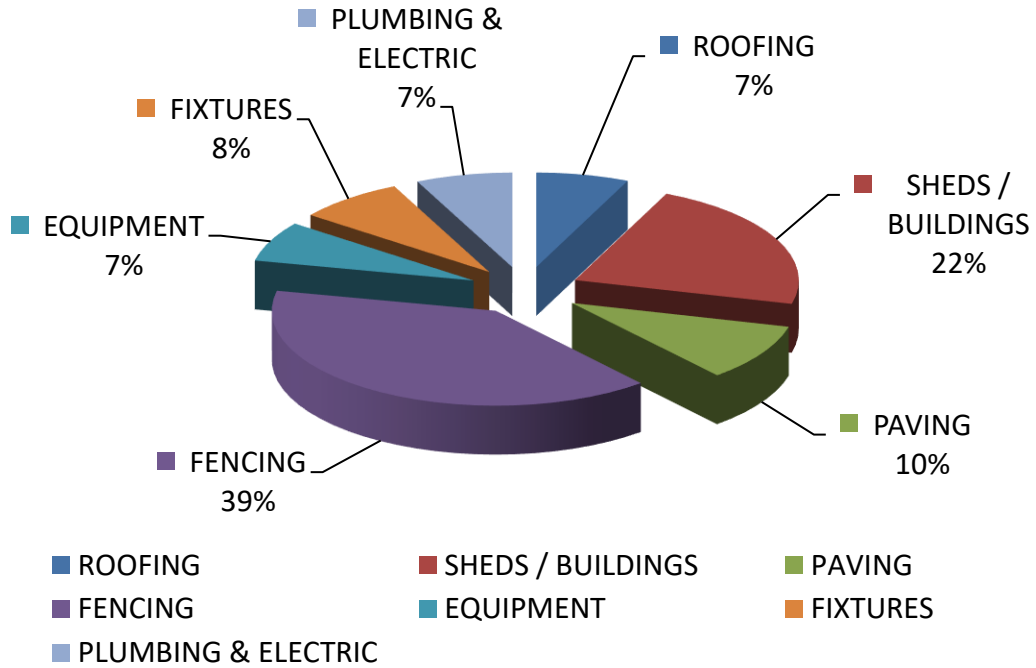
OAK RANCH ESTATES HOA

Thirty-Year Reserve Balance Projections

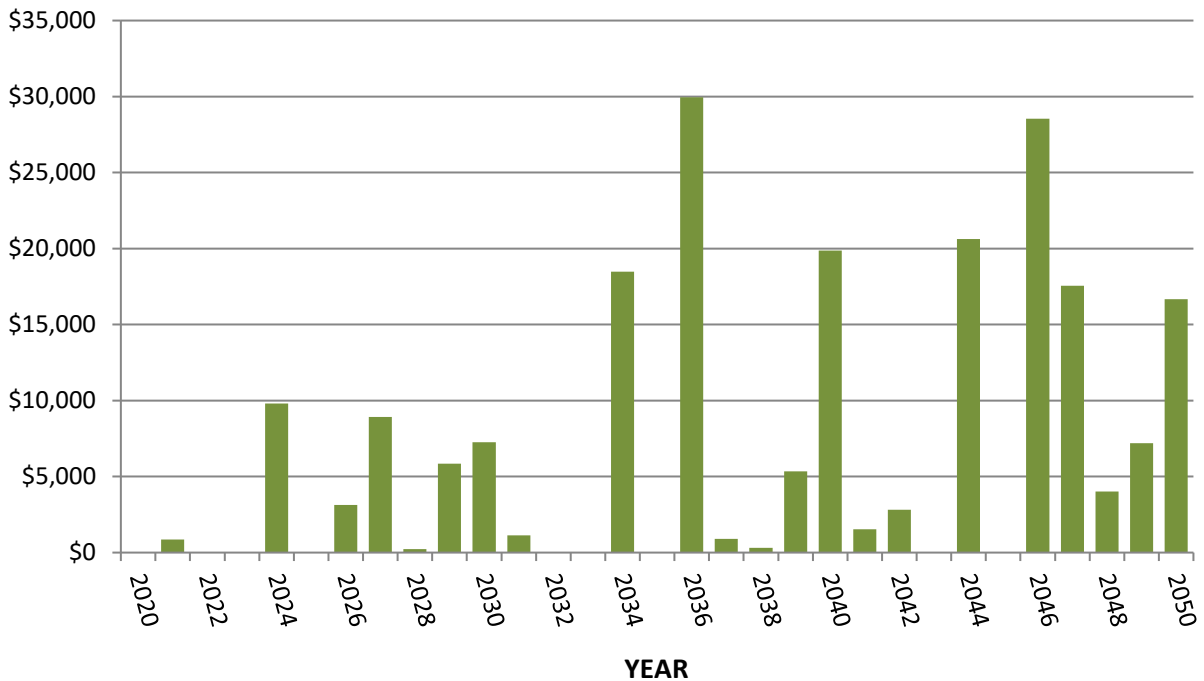


OAK RANCH ESTATES HOA

Reserve Category Values As Percentage Of All Components



Projected Annual Reserve Expenses



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OAK RANCH ESTATES HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2020

NUMBER OF UNITS: 40

RESERVE COMPONENT INVENTORY

CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	DEFICIT	
RESERVE COMPONENT	QUANTITY	TYPE	REPLACE	LIFE	LIFE	ANNUAL	BALANCE	BALANCE	CONTRIBUTION	CONTRIBUTION	
			COST			CONTRIBUTION@F.Y.E.2020	@F.Y.E.2020	@F.Y.E.2020	DEFICIT	ANNUAL	
ROOFING											
CORRAL ROOF 1 (MIDDLE)	600	SqFT	3.40	2,040	40	20	51	1,071	460	(611)	82
CORRAL ROOF 2 (UPPER)	400	SqFT	3.40	1,360	40	14	34	918	918	-	34
CORRAL ROOF 3A (LOWER)	200	SqFT	3.40	680	40	14	17	459	459	-	17
CORRAL ROOF 3B (LOWER)	200	SqFT	3.40	680	40	28	17	221	-	(221)	25
CORRAL ROOF 4A (EAST)	200	SqFT	3.40	680	40	38	17	51	-	(51)	18
SHEDS / BUILDINGS											
STORAGE SHEDS	8	UNIT	1120	8,960	25	20	358	2,150	923	(1,228)	420
CONCRETE SHED BASES	8	UNIT	430	3,440	40	35	86	516	-	(516)	101
MANURE STORAGE	1	ALLOW	3800	3,800	30	27	127	507	-	(507)	145
RETAINING WALL (EAST C)	1	ALLOW	1900	1,900	40	38	48	143	-	(143)	51
PAVING											
CONCRETE DRIVE REPAIRS	1	ALLOW	1100	1,100	20	16	55	275	275	-	55
DRIVEWAY EXTENSION	1	ALLOW	4100	4,100	20	7	205	2,870	2,870	-	205
GRAVEL PAVING	1	ALLOW	1240	1,240	5	4	248	496	496	-	248
ARENA SAND	1	ALLOW	1470	1,470	8	6	184	551	551	-	184
FENCING											
PERIM. WIRE FENCE REPAIRS	1	ALLOW	1810	1,810	5	4	362	724	724	-	362
VINYL FENCE	320	LNFT	26.00	8,320	40	26	208	3,120	-	(3,120)	328
VINYL GATE	1	UNIT	3760	3,760	40	26	94	1,410	-	(1,410)	148
ARENA PIPE RAILING	300	LNFT	31.60	9,480	50	16	190	6,636	6,636	-	190
ARENA PIPE GATE	1	UNIT	1650	1,650	50	16	33	1,155	1,155	-	33
CORRAL RAILING -1 (MIDDLE)	220	LNFT		2,630	40	16	66	1,644	1,644	-	66
CORRAL RAILING -2 (UPPER)	170	LNFT		1,750	40	16	44	1,094	1,094	-	44
CORRAL RAILING -3A (LOWER)	100	LNFT		900	40	16	23	563	563	-	23
CORRAL RAILING -3B (LOWER)	165	LNFT		900	30	28	30	90	-	(90)	33
CORRAL RAILING -4A (EAST)	100	LNFT		900	40	38	23	68	-	(68)	24
EQUIPMENT											
PARK BENCHES	2	UNIT	440	880	20	10	44	484	484	-	44
PICNIC TABLES/BENCHES	4	UNIT	1130	4,520	20	10	226	2,486	2,486	-	226
ARENA DRAGGER	1	UNIT	180	180	10	8	18	54	54	-	18
FIXTURES											
LIGHTING FIXTURES	9	UNIT	350	3,150	40	7	79	2,678	2,678	-	79
ENTRANCE MONUMENTS	2	UNIT	270	540	20	17	27	108	108	-	27
NO TRESPASSING SIGNS	5	UNIT	165	825	5	1	165	825	825	-	165
NO TRESPASSING SIGNS	2	UNIT	165	330	10	6	33	165	165	-	33
ARENA SPRINKLERS	8	UNIT	180	1,440	15	9	96	672	672	-	96

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OAK RANCH ESTATES HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ROOFING																
CORRAL ROOF 1 (MIDDLE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,057	-
CORRAL ROOF 3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,029	-
CORRAL ROOF 3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SHEDS / BUILDINGS																
STORAGE SHEDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONCRETE SHED BASES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MANURE STORAGE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RETAINING WALL (EAST C)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAVING																
CONCRETE DRIVE REPAIRS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DRIVEWAY EXTENSION	-	-	-	-	-	-	-	5,042	-	-	-	-	-	-	-	-
GRAVEL PAVING	-	-	-	-	1,396	-	-	-	-	1,618	-	-	-	-	1,876	-
ARENA SAND	-	-	-	-	-	-	1,755	-	-	-	-	-	-	-	2,224	-
FENCING																
PERIM. WIRE FENCE REPAIRS	-	-	-	-	2,037	-	-	-	-	2,362	-	-	-	-	2,738	-
VINYL FENCE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VINYL GATE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE RAILING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE GATE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -1 (MIDDLE)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT																
PARK BENCHES	-	-	-	-	-	-	-	-	-	-	1,183	-	-	-	-	-
PICNIC TABLES/BENCHES	-	-	-	-	-	-	-	-	-	-	6,075	-	-	-	-	-
ARENA DRAGGER	-	-	-	-	-	-	-	-	228	-	-	-	-	-	-	-
FIXTURES																
LIGHTING FIXTURES	-	-	-	-	-	-	-	3,874	-	-	-	-	-	-	-	-
ENTRANCE MONUMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
NO TRESPASSING SIGNS	-	850	-	-	-	-	985	-	-	-	-	1,142	-	-	-	-
NO TRESPASSING SIGNS	-	-	-	-	-	-	394	-	-	-	-	-	-	-	-	-
ARENA SPRINKLERS	-	-	-	-	-	-	-	-	-	1,879	-	-	-	-	-	-

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OAK RANCH ESTATES HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
ROOFING															
CORRAL ROOF 1 (MIDDLE)	-	-	-	-	3,684	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 2 (UPPER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 3A (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL ROOF 3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	1,556	-	-
CORRAL ROOF 4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SHEDS / BUILDINGS															
STORAGE SHEDS	-	-	-	-	16,183	-	-	-	-	-	-	-	-	-	-
CONCRETE SHED BASES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MANURE STORAGE	-	-	-	-	-	-	-	-	-	-	-	8,441	-	-	-
RETAINING WALL (EAST C)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAVING															
CONCRETE DRIVE REPAIRS	1,765	-	-	-	-	-	-	-	-	-	-	-	-	-	-
DRIVEWAY EXTENSION	-	-	-	-	-	-	-	-	-	-	-	9,107	-	-	-
GRAVEL PAVING	-	-	-	2,174	-	-	-	-	2,521	-	-	-	-	2,922	-
ARENA SAND	-	-	-	-	-	-	2,817	-	-	-	-	-	-	-	3,568
FENCING															
PERIM. WIRE FENCE REPAIRS	-	-	-	3,174	-	-	-	-	3,679	-	-	-	-	4,265	-
VINYL FENCE	-	-	-	-	-	-	-	-	-	-	17,943	-	-	-	-
VINYL GATE	-	-	-	-	-	-	-	-	-	-	8,109	-	-	-	-
ARENA PIPE RAILING	15,213	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ARENA PIPE GATE	2,648	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -1 (MIDDLE)	4,220	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -2 (UPPER)	2,808	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3A (LOWER)	1,444	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CORRAL RAILING -3B (LOWER)	-	-	-	-	-	-	-	-	-	-	-	-	2,059	-	-
CORRAL RAILING -4A (EAST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EQUIPMENT															
PARK BENCHES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,136
PICNIC TABLES/BENCHES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,971
ARENA DRAGGER	-	-	306	-	-	-	-	-	-	-	-	-	412	-	-
FIXTURES															
LIGHTING FIXTURES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ENTRANCE MONUMENTS	-	893	-	-	-	-	-	-	-	-	-	-	-	-	-
NO TRESPASSING SIGNS	1,324	-	-	-	-	1,535	-	-	-	-	1,779	-	-	-	-
NO TRESPASSING SIGNS	530	-	-	-	-	-	-	-	-	-	712	-	-	-	-
ARENA SPRINKLERS	-	-	-	-	-	-	-	-	2,927	-	-	-	-	-	-

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OAK RANCH ESTATES HOA

RESERVE COMPONENT INVENTORY

CURRENT FISCAL YEAR END: DECEMBER 31, 2020
NUMBER OF UNITS: 40

CATEGORY	UNIT	UNIT	REPAIR / REPLACE	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	DEFICIT	
RESERVE COMPONENT	QUANTITY	TYPE	COST	LIFE	LIFE	ANNUAL CONTRIBUTION@F.Y.E.2020	BALANCE @F.Y.E.2020	BALANCE @F.Y.E.2020	DEFICIT	ANNUAL CONTRIBUTION	
PLUMBING & ELECTRIC											
PLUMB.UPGRADE/REPAIRS	1	ALLOW	2060	2,060	10	4	206	1,442	1,442	-	206
ELECT,UPGRADE/REPAIRS	1	ALLOW	3600	3,600	10	4	360	2,520	2,520	-	360
CONTINGENCY: 0%							-	-	-	-	-
TOTALS:			81,075			3,771	38,164	30,200	(7,964)	4,089	

NET INTEREST ON RESERVE SAVINGS :	1%
INFLATION RATE :	3%
INCREASE TO ANNUAL RESERVE CONTRIBUTION:	3%

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OAK RANCH ESTATES HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035

PLUMBING & ELECTRIC

PLUMB.UPGRADE/REPAIRS	-	-	-	-	2,319	-	-	-	-	-	-	-	-	-	3,116	-
ELECT.UPGRADE/REPAIRS	-	-	-	-	4,052	-	-	-	-	-	-	-	-	-	5,445	-

CONTINGENCY: 0%

TOTALS:	0	850	0	0	9,803	0	3,134	8,917	228	5,858	7,257	1,142	0	0	18,484	0
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9/22/2020

OAK RANCH ESTATES HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050

PLUMBING & ELECTRIC

PLUMB.UPGRADE/REPAIRS	-	-	-	-	-	-	-	-	4,188	-	-	-	-	-	-
ELECT.UPGRADE/REPAIRS	-	-	-	-	-	-	-	-	7,318	-	-	-	-	-	-

CONTINGENCY: 0%

TOTALS:	29,952	893	306	5,348	19,867	1,535	2,817	0	20,633	0	28,542	17,548	4,027	7,188	16,675
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9/22/2020

OAK RANCH ESTATES HOA

CURRENT FISCAL YEAR END: DECEMBER 31, 2020
 NUMBER OF UNITS: 40

RESERVE COMPONENT
 INVENTORY

CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT
RESERVE COMPONENT	QUANTITY	COST	REPLACE	LIFE	LIFE	ANNUAL	BALANCE	BALANCE	REDUCTION
			COST			CONTRIBUTION	@F.Y.E.2020	@F.Y.E.2020	ANNUAL
								DEFICIT	CONTRIBUTION

<i>BALANCE FORECAST TYPE</i>	ANNUAL CONTRIBUTION
CURRENT ANNUAL CONTRIBUTION	4,092
STRAIGHT-LINE ANNUAL CONTRIBUTION	3,771
DEFICIT REDUCTION ANNUAL CONTRIBUTION	4,089
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	3,567

9/22/2020

OAK RANCH ESTATES HOA

**RESERVE COMPONENT
INVENTORY**

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT ANNUAL CONTRIBUTION	30,200	33,760	38,461	43,339	38,549	43,702	45,900	42,455	47,860	47,817	46,528	51,539	57,917	64,536	52,825	59,761
STRAIGHT-LINE ANNUAL CONTRIBUTION	30,200	33,438	37,793	42,313	37,149	41,914	43,709	39,846	44,817	44,322	42,565	47,090	52,964	59,060	46,807	53,179
DEFICIT REDUCTION ANNUAL CONTRIBUTION	30,200	33,757	38,454	43,329	38,535	43,685	45,878	42,430	47,830	47,782	46,489	51,495	57,869	64,482	52,766	59,696
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	30,200	33,232	37,367	41,658	36,256	40,774	42,312	38,182	42,876	42,093	40,038	44,252	49,805	55,567	42,968	48,982

9/22/2020

OAK RANCH ESTATES HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT															
ANNUAL CONTRIBUTION	36,856	43,125	50,249	52,588	40,575	47,089	52,609	61,251	49,487	58,593	39,362	31,255	36,930	39,767	33,388
STRAIGHT-LINE															
ANNUAL CONTRIBUTION	29,692	35,356	41,854	43,543	30,857	36,674	41,472	49,367	36,829	45,132	25,072	16,105	20,891	22,808	15,477
DEFICIT REDUCTION															
ANNUAL CONTRIBUTION	36,785	43,048	50,167	52,499	40,479	46,986	52,499	61,134	49,363	58,460	39,222	31,106	36,772	39,600	33,211
(CASH-FLOW) MINIMUM															
ANNUAL CONTRIBUTION	25,122	30,401	36,499	37,775	24,660	30,032	34,369	41,787	28,755	36,548	15,958	6,444	10,662	11,992	4,054

RESERVE STUDY DEFINITIONS

AVG. NET INTEREST ON RESERVE SAVINGS:

Average amount (after tax) of interest re-invested into the Reserve Account

CASH-FLOW (MINIMUM) CONTRIBUTION:

Calculated by not allowing the Reserve Balance to ever fall below (5% of the Total Replacement Cost of all the components) over a thirty-year period.

This Funding Plan should keep the Reserve Fund Balance just above \$0.

DEFICIT REDUCTION ANNUAL CONTRIBUTION:

Equals (the Straight-Line Annual Contribution) plus {(the Underfunded Balance if any) divided by (the Remaining Life)}.

F.Y.E. (FISCAL YEAR END):

End of the accounting budget year.

IDEAL BALANCE AT F.Y.E.:

Equals (the Straight-Line Annual Contribution) multiplied by (the age) of the component.

INFLATION RATE:

Average Inflation Rate for the region and year.

PERCENT FUNDED:

Equals (the Projected Reserve Balance at Fiscal Year End) divided by (the Ideal Reserve Balance at Fiscal Year End).

PROJECTED BALANCE AT F.Y.E.:

Projected Reserve Balances for each Reserve Component. Calculated according to priority (need) of replacement.

RESERVE COMPONENT:

Common Area item that requires replacement within thirty-years.

RMNG. LIFE (REMAINING LIFE):

Life-span remaining for the Reserve Component.

STRAIGHT-LINE ANNUAL CONTRIBUTION:

Equals (the Repair/Replace Cost) divided by (the Useful Life).

SURPLUS / DEFICIT:

Equals (the Ideal Balance at F.Y.E.) minus (the Projected Balance at F.Y.E.).

UNIT COST:

Cost per unit of measure.

UNIT TYPE:

Unit of measure.

USEFUL LIFE:

Expected life-span of the Reserve Component.

Civil Code §5300. Annual Budget Report.

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(2) A summary of the association's reserves, prepared pursuant to **Section 5565**.

(3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of **Section 5550**. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.

(4) A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to **Section 5560**, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(6) A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described

in paragraph (4) of subdivision (b) of **Section 5570**, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(8) A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement: This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

(c) The annual budget report shall be made available to the members pursuant to **Section 5320**.

(d) The summary of the association's reserves disclosed pursuant to paragraph (2) of subdivision (b) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

(e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to **Section 5570**, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article.

Civil Code §5550. Visual Inspection of Major Components.

(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

(1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less,

not including those components that the board has determined will not be replaced or repaired.

Civil Code §5560. Reserve Funding Plan.

(a) The reserve funding plan required by **Section 5550** shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan.

(b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with **Section 4900**) of Chapter 6.

(c) If the board determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in **Section 5605**.

Civil Code §5565. Summary of Association Reserves.

The summary of the association's reserves required by paragraph (2) of subdivision (b) of **Section 5300** shall be based on the most recent review or study conducted pursuant to **Section 5550**, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall include all of the following:

(a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(b) As of the end of the fiscal year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(2) The current amount of accumulated cash reserves actually set aside to repair, replace,

restore, or maintain major components.

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to **Section 5305** may include in the review a statement containing all of the information required by this paragraph.

(c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (b).

(d) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (b) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation.