

Montage at Mission Hills Association  
Gerald Ford Drive and Da Vall Drive  
Cathedral City, California 92234



Reserve Study with Site Visit  
November 17, 2013 (final)  
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## Montage at Mission Hills Association Executive Summary

This reserve study update with site visit (Level 2) identifies any major components (common areas) that the owners are obligated to repair, replace, restore or maintain which have a current remaining useful life of 30 years or less. Another purpose of this study is to deliver a comprehensive business plan that will assist our clients to maintain and improve the overall appearance of the common areas.

### Current Findings:

Report Date: 11/17/2013 (final)

Total Members (units, homes)	128	
Projected Cash Reserves	\$60,184	Projected for 1/01/2014
Fully Funded Reserves (100%)	\$266,945	
Percent Funded	23%	

### Reserve Funding (next fiscal yr):

Fiscal Year: 1/01/14 - 12/31/14

Reserve Funding	\$29,700	Threshold Method
Monthly Contributions (per unit)	\$19	
Percent Funded at Year End	23%	

### Reserve Funding Comments:

For the next fiscal year the **Montage at Mission Hills Association** will fund the reserves per the above summary. Each association will have different funding requirements mainly because of the age, condition, spending priorities and current level of reserves. For more information refer to funding options on page 4 or Exhibit A. In the following years, updates are required in order to reconcile your actual costs with projected expenses. The current (or projected) cash reserves for this report were provided by the Association.

The "Threshold Funding Method" will allow you to establish a specific funding goal that maintains a predetermined level of reserves. Threshold Funding could be less than or greater than the "Fully Funded Reserves." This method is normally calculated by a fixed amount or by a percentage of the fully funded reserves. This option can be adjusted depending on your specific funding goals (or budget restraints).

### California Civil Code Requirements:

This study follows reserve study guidelines of the California Civil Code 1365 (Davis-Stirling Act). Keep in mind that Exhibit H (Assessment and Reserve Funding Disclosure Summary) is required to be distributed to members on an annual basis per California Civil Code 1365.2.5. For more information on California Civil Code requirements refer to **page 11**.



## Reserve Funding Options (Exhibit A)

Each association will have different funding requirements mainly because of the age, condition, spending priorities and current level of reserves. The following is a brief description of the different **funding options** provided in this study:

The “Fully Funded Method” is the industry standard for where your “Ideal” reserves should be. If your current reserves are at the “ideal level” this would mean that they are 100% funded. For example, if the replacement cost for a new roof is \$100,000 with a 20 year life it should have \$50,000 in reserves after 10 years ( $\$100,000 \times 10 \text{ years} \div 20 \text{ years}$ ) or (Fully Funded Reserves = Current Cost X Effective Age divided by the Useful Life).

The “Threshold Funding Method” will allow you to establish a specific funding goal that maintains a predetermined level of reserves. Threshold Funding could be less than or greater than the “Fully Funded Reserves.” This method is normally calculated by a fixed amount or by a percentage of the fully funded reserves. This option can be adjusted depending on your specific funding goals (or budget restraints).

The “Straight Line Funding Method” is an accounting formula used to calculate annual reserve funding requirements (divide the current replacement cost by the useful life). This method may not provide fully funded reserves. You will need to reconcile your cash flow (annually) with your spending priorities so you do not deplete your reserves to below zero dollars.

The “Cash Flow Method” matches your spending projections while maintaining a reserve funding level above zero. This method may not provide fully funded reserves. You will need to reconcile your cash flow (annually) with your spending priorities so you do not deplete your reserves to below zero dollars.

The “Statutory Funding Method” will establish a minimum funding requirement based on your current state codes, laws or association requirements (CC&R). In the State of California we will follow the reserve study guidelines of the Davis-Stirling Act / Civil Code 1365 (residential developments). Our recommended funding for your association will vary depending on the condition and the current amount in reserves.

Special Assessments will be recommended on an as needed basis. A special assessment will allow you to increase your level of reserves or it can be used to fund any capital projects such as asphalt replacement or re-roofing work. In an urgent situation a special assessment can quickly help with urgent issues such as plumbing, earthquake repairs, elevator remodel or slope damages.

## Pro Forma Operating Budget (Exhibit B)

The 5 Year Pro Forma Operating Budget (optional schedule) is an overview of the projected operating and reserve funding expenses. It is not intended to be used as your actual budget. This exhibit is designed as a planning tool to help you reconcile your operating expenses with reserve funding costs over the next 5 years. Look for any spending costs that are duplicated in the operating budget (Exhibit B) and the reserve component schedule (Exhibit D) such as tree trimming. The operating expenses in Exhibit B were obtained from our clients (historical costs) and adjusted for inflation. A review of this exhibit can also help our clients to discover any potential cost savings over the next 5 years.

## 5 Year Plan (Exhibit C)

The 5 Year Plan will help you manage your cash flow (operating + reserves) over the next five years. This exhibit will identify any cost savings or potential deficits. Knowledge of this exhibit can also help you plan for any upcoming priority goals such as asphalt work. Both operating and reserve expenses are identified in order to highlight your total spending for the next 5 years.

The following is a brief scenario of how you can plan ahead and manage your cash flow:

Develop a 5 Year Plan with your specific goals and priorities in mind. Review your operating costs (Exhibit B) and capital (reserve) projects (Exhibit D) in order to outline your plan. Your spending goals should be organized by your specific priorities (paint, asphalt repairs, landscape). Exhibit's B, C and D in this study can help you get started with organizing a spending plan.

Establish a funding goal of where you want your reserves to be in the next five years. Our recommended goal for matured associations (20 or more years) is to be near or at "fully funded" (ideal) reserves. Newer associations have more time to establish fully funded reserves. Your funding goal should include any spending priorities for your new remodel projects. Refer to Exhibit's C and E for more details.

Plan your cash flow requirements for the next 5 years. Refer to Exhibit's C and E as a guideline for any projected spending requirements. In some cases you may want to consider a special assessment to fund any new projects (such as asphalt replacement) if cash requirements are low.

The following is a brief summary of your cash flow for the next 5 years per Exhibit's C and E. Keep in mind that annual updates are required in order to reconcile your spending goals with projected costs.

<b>Montage at Mission Hills HOA</b>	<b>5 Year Average</b>
<b>5 Year Operating Plan</b>	<b>(\$ per year)</b>
Report Date: 11/17/2013 (final)	
<b>Potential Income</b>	
Regular Assessment	\$276,206
Special Assessment	\$0
Other Income	\$2,050
Totals (5 year average)	\$278,256
<b>Projected Expenses</b>	
Operating Costs + Reserves	\$278,256
Special Assessment	\$0
Totals (5 year average)	\$278,256
<b>Assumptions</b>	
Accumulated Reserves	\$87,301
Reserve Contributions	\$34,848
Reserve Expenditures	\$27,937
Average Inflation Rate for Operating Expenses	3%
Average Inflation Rate for Reserve Expenses	2%
Average Reserve Funding (% increase per yr)	8%
Average Percent Funded	23%
Number of Units / Members	128

## Component Inventory Schedule (Exhibit D)

The component inventory schedule will identify any major components that the owners are obligated to repair, replace, restore or maintain which have a current remaining useful life of 30 years or less. This schedule will also specify the recommended useful life, the remaining useful life and the current replacement cost of each component.

## 30 Year Plan / Cash Flow Requirements (Exhibits E, F & G)

These exhibits will detail any expenses that are needed to repair, replace, restore and maintain any major components during the next 30 years. Exhibits E & F will also highlight the cash flow each year after projected expenses and funding requirements. Knowledge of these costs will allow our clients to plan and allocate resources to cover these costs. It is a very useful tool for both short term and long term planning. This section will cover only projected capital or reserve funding dollars.

The following projections will briefly outline your reserve funding (capital) requirements over the next 30 Years (refer to Exhibit's E, F & G). Annual updates are required in order to reconcile your actual costs with projected expenses.

Montage at Mission Hills HOA	30 Year Average
30 Year Reserve Funding Assumptions	(\$ per year)
Report Date: 11/17/2013 (final)	
Accumulated Reserves	\$312,978
Reserve Contributions	\$79,575
Reserve Expenditures	\$58,122
Special Assessments	\$0
Inflation Rate Reserve Expenditures	2%
Average Reserve Funding (% increase per yr)	1%
Average Percent Funded	69%

## Property Overview, Definitions, Reserve Study Advantages (pages 8 – 10)

The "Property Overview" will briefly summarize any specific conditions or recommendations for the property. The overview will also allow our clients to determine if an appropriate plan of action is necessary to correct any specific issues. Definitions, abbreviations and reserve study advantages or requirements are also provided. When reviewing this section, please feel free to contact us if you have any questions or comments. Your suggestions can improve the findings of this study.

## Maintenance Plan / Component Evaluation (page 17)

Our Maintenance Plan will provide many useful recommendations and cost saving tips. This section also provides helpful guidelines on how to extend the useful life of your building components and improve the overall appearance of the common areas. Maintenance should be proactive and not reactive (always plan ahead). In some cases a plan of action will be needed to correct any major issues in a timely manner such as asphalt and concrete repairs. By failing to act in a timely manner the costs may escalate to serious and expensive challenges that could include legal problems. Many colored pictures are included in order to provide a visual appearance of specific components.

## Assumptions, Limiting Conditions and Exclusions

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was (not applicable). The interest allowance in this study (if provided by client) is only itemized in the operating budget (Exhibit B). The assumed long-term inflation rate to be applied to major component repair and replacement costs was 2% percent per year (Exhibit E). An inflation allowance is normally used because of historical trends in the construction industry. The current inflation rate used in this study is obtained by historical rates such as the "Consumer Price Index" (CPI) or the "Architects Contractors Engineers" (ACE Guide to Construction Costs). The calculation of long term income taxes (Exhibit E, 30 Year Plan) was not included.

When reviewing this study, please contact us immediately if you notice any errors or observe something unusual. Any errors will be corrected and a new report will be sent to you. Some of you have lived in the community for years and your suggestions can improve the findings in this study. Keep in mind that we cannot assume any responsibility for events that occurred after the date of the site visit. If you desire to make any revisions (or changes) please contact us within 30 days. Some changes could alter the integrity and quality of this study and these types of changes will be determined on a "case by case" basis.

This study is intended for the sole use of our clients and is not to be construed as a guarantee, warranty or an opinion on the advisability of real estate sales or purchasing. Third parties are not authorized to rely upon the contents of this report. All rights are reserved. The contents of this study may not be reproduced, updated or transmitted without the consent of AssociationStudies.Com except as follows: Our clients shall have the right to distribute copies to any Association members, potential buyers, mortgage lenders and accountants (as required by statutory requirements). If copies of this study are transmitted to any other person then client agrees to indemnify, defend and hold AssociationStudies.com harmless from any third party claims.

This study should be reviewed, reconciled and updated on an annual basis in order to reconcile your actual costs with projected expenses. An annual review could lower your costs and avoid any unwanted special assessments. In some cases you may want to increase funding if you discover any events such as structural or geological problems, plumbing and drainage, mold, sewer or slope failures.

## Qualifications / Disclosure Requirements

AssociationStudies.com and any of its employees have no ownership interest with the management, developer or any real estate in this development. Our business is providing Reserve Studies and Business Plans for common interest developments, condominiums, country clubs, golf courses, apartments, schools, churches and commercial facilities.

We have successfully completed over 15 million square feet of residential and commercial studies nationwide. We are members of the National Association of Professional Reserve Analysts (APRA) and Community Associations Institute (CAI). Any recommendations, disclosures and representations of this study are based on estimates or projections as of the date of this report (or the date of the site visit).

The site visit for level 1 and level 2 studies are limited to visual observations of any major components. There was no probing, digging or forensic testing of the components when the site visit was conducted. Some of the property's current bids and historical costs were also considered if these items were provided to us. The level 1 report is a reserve study with a site visit. The level 2 report is an update study with a site visit. The level 3 report is an update study with no site visit (accounting update).

Please feel free to call us at 877-339-3360 or e-mail us at [reservestudy@rsadata.com](mailto:reservestudy@rsadata.com) if you have any questions or would like to obtain our company resume or proposal. Our web sites are [www.AssociationStudies.com](http://www.AssociationStudies.com) and or [www.RSAdata.com](http://www.RSAdata.com) . Our fax number is 877-339-3359.

## **Property Overview**

### **Montage at Mission Hills Association**

The purpose of this section is to provide an overview of the property and briefly summarize any specific conditions, known disclosures or recommendations. This section will also allow our clients to determine if an appropriate plan of action is necessary to correct any specific issues.

Description	Remarks / Recommendations
Property Type	Residential Common Interest Development Each member normally owns an undivided interest in the common areas and is obligated to pay a proportionate share in the operating and reserve funding expenses.
Date of Site Visit	8/17/13
Units / Members	128
Year Built	2002 - 2004 (approximate age)
Overall Condition	The overall appearance and condition of the common areas are in good condition in relation to the age and the neighborhood. The private homes are separately owned. Each owner is responsible for their own home maintenance (including paint, re-roofing and fencing).
About the Neighborhood	The overall condition and appearance of the neighborhood properties near the property is good. Most of the properties in the neighborhood consist of single family homes. There are community parks, shopping facilities, restaurants, hotels, churches and schools within a few miles of the property.
Parking	Enclosed Garages, ample street parking
Topography	Level
Drainage	No drainage problems were observed or reported. Please note that all drain channels must be checked and cleared annually to prevent clogging and or flooding problems.
Termite Infestation	The residential homes are maintained by each owner (exclusive use area).
Deferred Maintenance Maintenance Plan	Not Applicable. A good rule is to take quick steps on curing any deferred maintenance. Next, focus on preventative maintenance; it will save you time and money in the long run (refer to our Maintenance Plan).



## **Reserve Study Requirements and Advantages**

- Mortgage or loan requirements.
- Legal requirements (Statutory or Civil Code).
- Certified Public Accounting (CPA) reporting requirements.
- Improve the appearance, property values & curb appeal.
- Requirements of your association documents (By Laws, CC& R's).
- Owner, Seller or Buyer requirements (required in many states).
- Planning requirements (capital projects, repairs & maintenance).
- Common Area Maintenance (CAM) budgets for commercial tenants.
- Useful tool for budgeting and controlling costs.
- Identifies specific components that need repair or replacement.
- Proper care and preventative maintenance of building assets.
- Can avoid unnecessary special assessments to member owners.
- Planning, controlling and organizing your assets and goals.
- Provides financial stability (capital spending requirements).





## Definitions and Abbreviations

Accumulated Reserves	The amount of reserves being held in a designated account for the purpose of repairing, replacing, restoring or maintaining the major components.
Cash-flow Funding	A funding method that covers your projected costs and maintains the current level of reserves to above zero. This method is also known as "Baseline Finding."
Current Replacement Cost / Value	The current cost to repair, replace, restore and or maintain a specific component. The present value does not include inflation. Example: If 10,000 square feet building cost \$1.00 per SF to paint, the current cost or the present value is \$10,000.
Deferred Maintenance	Curable physical deterioration that should be corrected immediately. If not corrected, the deterioration will get worse and the component will require a costly remediation.
Level 1, 2, 3	The level 1 report is a reserve study with a site visit. The level 2 report is an update study with a site visit. The level 3 report is an update study without a site visit.
Fully Funded Reserves or Ideal Reserves	The industry accounting standard for where your "Ideal" reserves should be. For example, if the replacement cost for a new roof is \$100,000 with a 20 year life it should have \$50,000 in reserves after 10 years.
Percent Funded	A percentage ratio of your current (or projected) reserves when compared to the fully funded reserves (current or projected reserves divided by the fully funded reserves).
Straight line Funding	An accounting formula used to calculate the annual reserve funding (divide the current replacement cost by the useful life).
Statutory Funding	The "Statutory Funding Method" will establish a minimum funding requirement based on your current state codes, laws or requirements.
Threshold Funding	The "Threshold Funding Method" will allow you to establish a specific funding goal. This method is normally calculated as a pre-determined amount (based on your goals).
Preventative Maintenance	A practice that intends to preserve the performance expected from the component, equipment or system. Refer to the Maintenance Plan Section.
Remaining Useful Life (RL)	The estimated remaining timeframe (calculated in years) for which a designated component is expected to serve its intended use or function.
Useful Life (UL)	The estimated timeframe (calculated in years) for which a designated component is expected to serve its intended use or function.
Abbreviations	SF = Square Feet   Square = 100 square feet   HVAC = Heating, Venting, Air Conditioning   SY = Square Yards   LF = Linear Feet   HP = Horse Power BTU = British Thermal Units. Measures units / per hour for heating or cooling. A = Allowance provided by client, B = Budget allowance based on current cost estimates, C = Contingency Allowance, E = Excellent, G = Good, F = Fair, ULU = Useful life is Up, H = Data obtained from property Historical Costs, PM = Preventative Maintenance, RMA = Remodel Allowance, RA = Repair Allowance, NS = Component not in service, U = Unknown condition, RN = Replacement work in progress, DM = Deferred Maintenance, N/A = Not Applicable, TBU = To Be Updated.

## California Civil Code Requirements

Current requirements for California Associations: Please be advised that Board of Directors shall adopt and provide a summary of the "Reserve Funding Plan" and a "Disclosure Documents Index Summary" to association members per California Civil Code 1365 (b) and 1363.005. The summary shall also include notice to members that the full Reserve Study Plan is available upon request.

### California Civil Code Requirements Disclosure Documents Index

The association shall, at the request of any member, distribute to the member, in the manner described in Section 1350.7, the following Disclosure Documents Index:

Item	Description	Reference Code
1	Funding Disclosure Summary (form)	Civil Code 1365.2.5
2	Pro Forma Operating Budget or Pro Forma Operating Budget Summary	Civil Code 1365 (a)
3	Assessment Collection Policy	Civil Code 1365(e) and 1367.1(a)
4	Notice/Assessments and Foreclosure (form)	Civil Code 1365.1
5	Insurance Coverage Summary	Civil Code 1365 (f)
6	Board Minutes Access	Civil Code 1363.05 (e)
7	Alternative Dispute Resolution (ADR) Rights (summary)	Civil Code 1369.590
8	Internal Dispute Resolution (IDR) Rights (summary)	Civil Code 1363.850
9	Architectural Changes Notice	Civil Code 1378 (c)
10	Secondary Address Notification Request	Civil Code 1367.1 (k)
11	Monetary Penalties Schedule	Civil Code 1363 (g)
12	Reserve Funding Plan Summary	Civil Code 1365 (b)
13	Review of Financial Statement	Civil Code 1365 (c)
14	Annual Update of Reserve Study	Civil Code 1365 (a)

The following pages contain information about specific requirements of California Civil Code 1365 through 1365.5. These sections of the California Civil Code mainly focus on the financial reporting requirements which include reserve funding and pro forma operating budgets.

## Reserve Study Requirements per CCC 1365.5

At least once every three years, the board of directors 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. Please refer to CCC 1365.5 for more details.

The Reserve Study Plan shall at a minimum include (per CCC 1365.5)

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

**Editor's note:** Refer to Exhibit D for information about these requirements.

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

**Editor's note:** Refer to Exhibit D for information about these requirements.

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

**Editor's note:** Refer to Exhibit D for information about these requirements.

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.

**Editor's note:** Refer to Exhibits C, D and E for information about these requirements. Exhibit C will provide a cash flow summary after subtracting the total reserve funds (as required in paragraph 4).

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 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. The plan shall include a schedule of the date and any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan. The plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in Section 1363.05. If the board of directors 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 1366.

**Editor's note:** Refer to Exhibits C, D, E and H for information about these requirements. The funding plan should include any assumptions for reserve allowances (include special assessments or loans). Civil Code 1366 will provide more details for Special Assessments and reporting requirements.



## Financial Documents (Pro Forma Budget Reporting Requirements), Per CCC 1365

On an annual basis the association is required to distribute to all members a Pro Forma Operating Budget which shall include a summary of the association's reserves (printed in boldface type) based upon the most recent review or Reserve Study conducted pursuant to section 1365.5. This summary must be sent out not less than 30 days and not more than 90 days prior to the beginning of the association's fiscal year. The pro forma operating budget, summary must include the following information:

(1) The estimated revenue and expenses on an accrual basis.

**Editor's note:** Refer to Exhibits B and C for information about these requirements.

(2) A summary of the association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5, based only on assets held in cash or cash equivalents, which shall be printed in boldface type and 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: (i) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components. (ii) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components. (iii) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person or entity 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 clause (ii). Instead of complying with the requirements set forth in this clause, an association that is obligated to issue a review of their financial statement pursuant to subdivision (b) may include in the review a statement containing all of the information required by this clause.

(C) The percentage that the amount determined for purposes of clause (ii) of subparagraph (B) equals the amount determined for purposes of clause (i) of subparagraph (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 clause (ii) of subparagraph (B) from the amount determined for purposes of clause (i) of subparagraph (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.

**Editor's note:** Exhibit D will identify the requirements for paragraph A. If applicable, a written summary should be sent out to detail any specific requirements such as construction defect settlement funds that were recently received (paragraph B). Paragraph C requires you to list the "percent funded" of the current cash deposits specified for reserve funding (refer to Exhibit H for percent funded requirements). Paragraph D requires membership disclosure of any deficiency (reserve funding) expressed on a per unit basis (refer to Exhibit H for calculations). If assessments vary by size or type (or by percentage) then the assessment applicable to this section must be provided on a separate exhibit with the proper calculations.

(3) A statement as to all of the following:

(A) Whether the board of directors of the association 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.

(B) Whether the board of directors of the association, consistent with the reserve funding plan adopted pursuant to subdivision (e) of Section 1365.5, 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 therefore. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(C) The mechanism or mechanisms by which the board of directors 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.

(D) 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.

**Editor's note:** *If applicable, the Board of Directors shall identify any major components that will not be repaired or replaced with justification for this action (per paragraph A). Paragraph B requires a plan that specifies any special assessments used to meet any funding goals (including dates and specific time frames). Paragraph C requires the identification of any special funding plans to repair or replace association components (include any bank loans). If the association has any outstanding loans with a term of one year or more, the specifics must be disclosed (term, payments, interest rate, loan balance) per paragraph D. The Association could disclose the above required information by using the attached form known as the "Assessment and Reserve Funding Disclosure Summary" (refer to Exhibit H).*

(4) 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 report shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 1365.2.5, 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. The summary of the association's reserves disclosed pursuant to paragraph (2) 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.

**Editor's note:** *A general statement that summarizes the mechanism of the calculations used to fund the association reserves (refer to page 3 and 4 of the reserve study). Keep in mind that any projections for interest income on reserves cannot exceed 2% above the discount rate as described in paragraph 4.*

*The reserve funding method described in Paragraph 4 is calculated by a formula provided per Civil Code 1365.2.5. For more details, refer to "Fully Funded Reserves" (Funding Options) on page 3 or 4 of this study. Keep in mind that this method of calculation is not a required method of funding the reserves. This formula provides an analytical calculation of the "Fully Funded" method of reserve funding (one option of several methods). For more details on other funding options, refer to page 3 or 4 of this report. As of this date, there is no requirement for reserve funding at any specific level in the State of California. Paragraph 4 of CCC 1365.2.5 allows the Board of Directors to decide on alternate funding options.*

**Editor's note:** *Please note that this is only a partial checklist summary of California Civil Code disclosure requirements for residential associations. For complete information on all related California Civil Codes contact Piedmont Press at 510-595-8400 (Condominium Bluebook) or go to [www.condobook.com](http://www.condobook.com), [www.davis-sterling.com](http://www.davis-sterling.com), or [www.leginfo.ca.gov](http://www.leginfo.ca.gov).*

## **Assessment and Reserve Funding Disclosure Summary** (California Civil Code 1365.2.5)

The disclosures in this article are to be summarized and distributed to all association members per **California Civil Code 1365.2.5** with the annual pro forma operating budget summary.

(1) The regular assessment per ownership interest will be \$ (refer to Exhibit H) per month.

**Editor's note:** *This is the total amount of assessments plus reserve funding as approved by the Board of Directors for the next fiscal year. If assessments vary by size, percentage or type, the assessment applicable to this section must be provided on a separate exhibit.*

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and or members? The due date, the amount of the assessment and the purpose is required to be answered (see Exhibit H).

**Editor's note:** *Disclose any additional assessments or association loans if it is not stated in the above question #1. (refer to Exhibit H for details)*

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and / or replacement of major components during the next 30 years?

**Editor's note:** *This is a "yes" or "no" question based upon the most recent reserve study and any other information available to the board of directors. Will the projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repairs or replacement of major components during the next 30 years? A "yes" answer implies that the association has implemented a reserve funding plan that will not run out of money for projected reserve expenses over the next 30 years. If you feel that the information provided in this Reserve Study (Exhibit E) is acceptable then your answer is "yes." If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

**Editor's note:** *A "no" answer implies that the association anticipates cash deficits at some point in time in the next 30 years. If the information provided in this Reserve Study (Exhibit E) provides "less than adequate" reserve balances to meet the projected expenses then your answer should be "no." If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

4) If the answer to # 3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or members? The due date, the amount of the assessment and the purpose is required to be answered (see Exhibit H for details).

**Editor's note:** *If the answer to question # 3 is "no" then you are required to outline any additional assessments or other contributions to reserves that are necessary to ensure that sufficient reserve funds will be available each year during the next 30 years (see Exhibit H for details). If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required.*

(5) All major components are included in the reserve study and are included in its calculations.

**Editor's note:** *If you notice any major components that are not identified in this study then you are required to disclose this information (refer to CCC 1365 Section 3 for disclosure details). You can refer to Exhibit D of this report to identify the major components. Keep in mind that this reserve study should be updated on an annual basis in order to review and implement any new components. The components in this study are also subject to change due to unforeseen circumstances such as geological problems (slope repairs) or structural work (wood rot damage).*

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund is \$ (refer to Exhibit H) based in whole or in part on the most recent reserve study or update prepared by AssociationStudies.com on (see Exhibit H). The estimated reserve fund cash balance as of (refer to Exhibit H) is (refer to Exhibit H), resulting in reserves being at (refer to Exhibit H) percent funded.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code section 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is (refer to Exhibit H), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is (refer to Exhibit H) leaving the reserve at (refer to Exhibit H) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be (refer to Exhibit H), leaving the reserve at (refer to Exhibit H) percent funding.

**Editor's note for Questions #6 and #7:** The reserve funding method described in questions 6 and 7 is calculated by a formula provided per Civil Code 1365.2.5. For more details, refer to "Fully Funded Reserves" (Funding Options) on page 3 or 4 of this study. Keep in mind that this method of calculation is not a required method of funding the reserves. This formula provides an analytical calculation of the "Fully Funded" method of reserve funding (one option of several methods). For more details on other funding options, refer to page 3 or 4 of this report. As of this date, there is no requirement for reserve funding at any specific level in the State of California. Paragraph 4 of CCC 1365.2.5 allows the Board of Directors to decide on alternate funding options.

*In order to answer the above questions 1 through 7 refer to Exhibit H. Once this study is finalized you can distribute Exhibit H to the association members with your annual pro forma budget. If the Association Board of Directors has an approved 5 Year Plan (see question 7 part B) then please contact us so we can add this information to the report. If Exhibit E of the Reserve Study is not followed by Association, then another worksheet is required in order to properly fill in the answers for this section.*

#### For the purposes of preparing California Civil Code 1365.2.5 (Disclosure Summary)

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The Assessment and Reserve Funding Disclosure Summary form shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in the Assessment and Reserve Funding Disclosure Summary form is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

**Editor's note:** Refer to Exhibit H of for the required calculations. Also, feel to contact us if you need any assistance on completing this summary. We will provide a digital version of this form so that you can make your adjustments and send it to the association members. Keep in mind that annual updates are required in order to reconcile actual costs with the projected expenses. The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of this report.



## **Maintenance Plan**

### **Montage at Mission Hills Association**

Our Maintenance Plan will provide many useful recommendations and cost saving tips. This section will also provide helpful guidelines on how to extend the useful life of your building components and improve the overall appearance of the common areas. Maintenance should be proactive and not reactive (always plan ahead). In some cases a plan of action will be needed to correct any major issues in a timely manner such as asphalt and concrete repairs. By failing to act in a timely manner the costs may escalate to serious and expensive challenges that could include legal problems.

#### **Maintenance can be classified into three categories:**

- 1) Service Maintenance (lubricating, minor repairs)
- 2) Breakdown Maintenance (deferred maintenance)
- 3) Preventive Maintenance (cost savings)

**Service Maintenance** is a normal part of maintenance and it should always be high on your list of priorities. We will recommended specific service maintenance for all of your equipment such as elevators, drainage cleanouts, fire alarm systems or air conditioning.

**Deferred maintenance** (breakdown work) is curable physical deterioration that should be corrected immediately. If not corrected, the deterioration will get worse and the component will require a costly remediation. For example, if asphalt is left unsealed, then oxidation will cause the surface to dry and become brittle. This will lead to erosion of the top layer. Over time, cracks will appear and the sub-base material will erode causing large holes making it very expensive to repair.

**Preventative Maintenance** is a practice that intends to preserve the performance expected from the component or equipment. Always remember that Preventative Maintenance will save you time and money in the long run because it will prevent you from reaching the break down category (deferred). For example, if you seal and maintain your asphalt or roofs every 4 - 5 years you will enjoy the benefits of good maintenance which leads to cost savings (time and money).

This section will also provide many helpful tips on how you can apply the benefits of good maintenance that can extend the useful life of your components and improve the overall appearance. The value of your property will depend on the overall appearance and curb appeal. A good Maintenance Plan and your ability to take action will play an important role to the success of your property.

#### **Assumptions, Limiting Conditions and Exclusions**

Replacement allowance or maintenance estimates for this report are based on Construction Industry Standards (labor and materials) and adjusted according to the region where your property is located. Some of the property's current bids and historical costs were also considered if these items were provided. The allowances in this report also reflect the opinions and judgments of the consultant doing the site visit. Smaller jobs will require higher per unit costs. For example, a roofer will provide a bid based on the volume of work. If they re-roof the entire building (instead of sections) the cost savings is based on the volume of work provided. Our study applied this variation where applicable.

The site visit was limited to visual observations of the major components listed on the Inventory Schedule (Exhibit D). There was no probing, digging or forensic testing of the components when the site visit was conducted. We are not responsible for any claims relating to mold, asbestos, corrosion, water intrusion, lead paint or other hazardous materials. In addition, we are not responsible for any construction defects or structural problems including its conformity to governmental code requirements. Please contact us if you are aware of any issues that should be included in the report.

Our opinions of the “useful life” and “remaining useful life” of the building components do not represent a guarantee or warranty of performance of the products, materials and workmanship. The “useful life” is normally derived from historical data, quality of the component (type of material), regional climate, and from industrial reference guidebooks. An important factor is the regional climate; for example wrought iron will rust about twice as fast near the ocean then in the desert regions. This study does not factor in any damages caused by flooding, storms, earthquakes or similar events.

We are not responsible for any claims relating to mold, asbestos, corrosion, geological conditions, water intrusion, lead paint or other hazardous materials. We are not qualified to detect any hazardous material, structural problems or perform geological testing. In addition, we are not responsible for any construction defects or structural problems including its conformity to governmental code requirements (building codes). Please contact us if you are aware of any issues that should be included in this report.

## Paint Maintenance

The paint allowance provided in this study includes surface preparation work and primer coats for the common areas. The exclusive areas (homes) are maintained by the residential property owners. Please contact us if the association has any recent painting bids. Adjustments for this study can be made in order to meet your specific painting schedule and expenses.

A regular paint schedule will improve the appearance and preserve the wood or metal from water penetration and dry rot. Metal and wood surfaces will require a more frequent schedule than stucco surfaces. Certain types of material will require surface preparation and primer coats. Getting painting estimates can vary because of quantity, materials, contractor's profit requirements, number of coats and surface preparation. Expect to pay about \$1.00 and up per square foot (materials + labor) for surface preparation work and paint. The costs will mainly depend on the size of the job, surface preparation work and the number of coats. For more information you can contact the **National Paint & Coatings Association** at [www.paint.org](http://www.paint.org) NPCA was first established in 1903. .



## Electrical Maintenance / Lighting Fixtures

An allowance is provided (parts & labor) for replacement of any light fixtures and ballasts in the common areas. The developer installed front yard landscaped lights are maintained by the Association. These costs are located in the association's operating budget. The homeowner controlled garage door lights are maintained by the residential property owners.



**Outdoor Lighting Tips:** When remodeling outdoor lighting, some of your goals should include safety and energy efficiency. Choosing the right type of light fixtures may require professional assistance. People need to have adequate lighting in order to be aware if someone is approaching. For example, avoid the installation of lights that produce glare and distort the ability to see color. Good outdoor lighting includes the reduction of "glare" that can improve safety. There are many energy lighting fixtures and ballasts on the market that can reduce your electric costs by 25% (and up). For more information you can visit the Energy Cost Savings Council at [www.plugin.org](http://www.plugin.org) or the National Lighting Bureau at [www.nlb.org](http://www.nlb.org).

**Electrical & Lighting Contingency Allowance:** A contingency allowance is provided to assist with some of the electrical repairs in the common areas. The exclusive areas (homes) are maintained by the residential property owners. Some of these repairs will involve circuit panels, switches, light timers and underground wiring. This expense can be increased as the property matures and your electrical costs are escalating.

## Asphalt and Concrete Maintenance

An allowance is provided for asphalt and concrete maintenance in the common areas (streets, sidewalks, parking, curbing and driveways). The exclusive areas (homes, patios, driveways) are maintained by the residential property owners. The following information will provide an overview of how you can maintain and prolong the useable life of your asphalt and concrete.

**Asphalt Seal Allowance:** The estimated useable life for asphalt seal coating is about 4 – 6 years and this will depend on normal weather conditions. The current estimated cost for 2 coats of seal coating will range from \$.15 to \$.30 per SF mainly because of the size of the job. Before you seal it is important to clean the roads and parking areas with a blower or a wash down. The surface must be free of dirt, mud, oil or grease spots. If asphalt is left unsealed, oxidation will cause the surface to dry and become brittle. This will lead to erosion of the top layer and over time cracks will appear. Proper seal-coating will protect the asphalt from cracking and can prevent water from seeping into the base. Seal-coating is only pennies per square foot compared to expensive asphalt repairs and or replacement costs.





**Asphalt Repairs, Overlay or Replacement Work:** About once every 20 years (more or less) replacement or asphalt overlay work is required. Asphalt repair work will be needed on a more frequent schedule. The frequency will depend on weather conditions and your ongoing maintenance schedule. Large pot holes often appear after a heavy storm and this will get worse as the top surface becomes more brittle with age. The current estimated cost for asphalt repairs, replacement (or overlay) work is about \$2.00 - \$5.00 per SF. The costs will depend on the size of the job and the thickness of the new asphalt surface. The standard thickness for a new surface is between 2 to 4 inches. A thicker asphalt base is better suited for heavy traffic areas (better for large trucks). The replacement work will improve the appearance and replace any old cracks and uneven surfaces. Tear-out work (pulverizing) to the top layer is normally recycled into the new paving material. In some cases you may want to hire a soil geotechnical engineer to perform testing if you are experiencing uneven surface conditions. This is recommended in areas where “sink holes” or drainage issues are observed. **Avoid the installation of Petromat® material** (subsurface petroleum fabric) unless you hire a civil engineer or independent consultant to evaluate the specifications and inspect the streets to determine the installation eligibility. This will avoid any long term problems that could lead to expensive corrective replacement work.

For more information on asphalt maintenance and replacement costs go to: [www.sealcoatmfg.org](http://www.sealcoatmfg.org). This is the official web site for Asphalt Seal Coat Manufacturers Association (non-profit Association that provides professional and educational resources for its members).

**Concrete Repairs:** Occasional repairs or grinding will be required to uneven concrete surfaces caused by tree roots, corrosion or ground movements in the common areas. Maintaining these areas is an ongoing process that will require occasional repairs to any damaged areas. Good maintenance can also **prevent trip hazards** and will provide a nice appearance. One way is to provide a cost allowance based on your historical expenses of actual repair costs. Another method is to allocate a per square foot repair allowance (about \$.50 - \$2.00 per SF). The current condition will determine what the remaining life will be. In some cases, you will need to replace large sections on an as needed basis. Keep in mind that the owner of property adjacent to a public sidewalk could be liable for any damages from a slip and fall accident (Alpert vs. Villa Romano Homeowners Association in California). The City (or public agency) may not maintain sidewalks because the property owner has title to the land up to the street curb (including sidewalks and easements). Regular inspections and maintenance of common area sidewalks, decks, corridors, driveways, streets and parking areas are important in order to avoid any trip and fall accidents.





**Concrete Replacement Work:** Concrete replacement costs will depend on the size of the job and specific requirements such as thickness and reinforcement material. Expect to pay about \$5.00 - \$15.00 per square foot for concrete replacement work. In some cases, you may have to replace large sections of deteriorating or uneven concrete. The usable life for concrete will mainly depend on the thickness, weather conditions (corrosion), amount of use (traffic) and quality. We can normally expect a useable life of 30 – 50 years for most sidewalks, curbing and driveways. In heavy traffic areas (large trucks) or on a steep hill you can expect a shorter usable life.

### **Fence, Gates Maintenance**

The replacement allowance in this study includes any fencing, railing and gates in the common areas. The exclusive areas (homes) are maintained by the residential property owner. The following information will provide an overview of how you can maintain and prolong the useable life.

**Metal Fence, Gates, and Railing:** Metal repairs can be done on an as-needed basis to any rusted areas. This type of maintenance can avoid a full replacement program. Heavy gauge metal, aluminum, galvanized or anodized wrought iron should have an estimated useful life of 25 or more years (less for ocean air climates). Lighter gauge metal or standard wrought iron fencing will have a shorter useable life and will require more repairs. Replacement costs for wrought Iron metal fencing is currently at \$8 (more or less) per square foot (will depend on the volume of work and quality).



**Masonry Blockwalls:** There will be a need for occasional repairs to sections that are cracking or are damaged by tree roots or ground movements. These costs can be adjusted (increase as needed) as the walls mature and cracks are more noticeable. Replacement costs for masonry fencing is about at \$25 (more or less) per square foot and this will depend on the volume of work and the quality of the material. Tuck-Pointing or stucco repair work will seal any uneven, separated or cracked mortar between the bricks. Holes and cracks on the mortar are typical signs that tuck-pointing work is needed.



## Mechanical Equipment

**Gate Operators:** The replacement allowance for the gate operator components include labor, new chassis, motor, electronic control board and control panel. The estimated useful life of a gate operator will mainly depend on the volume of usage. You can expect about 10 – 15 years or more depending on the volume of usage. Regular inspections and maintenance will extend the useful life.





An allowance is also provided (some of these costs are in the operating budget) for any extra gate moving parts and sensors. Some of these components may include guide rollers, wheels, chains, timers, wheel tracks, pulleys, worm gears, hinges, electronic sensors or motors, arm trolley assembly maintenance. In some operating systems “loop detectors” are installed about two inches under the pavement (near the gates). The loop detectors are designed to provide an automatic exit route for autos.

**Intercoms:** The replacement allowance of the intercom (front entrance) components include, labor, new mount cover, memory card, internal modem, communicator card and software. You can also choose to replace these parts individually on an as-needed basis in order to extend the useful life. Most Intercom systems have a useful life of about 12 - 15 years (will depend on the volume of usage and the quality).



For more information about gate operators or intercoms you can contact [www.EliteAccess.com](http://www.EliteAccess.com), [www.SentexSystems.com](http://www.SentexSystems.com) or [www.doorking.com](http://www.doorking.com) . Elite, Sentex and Doorking are some of the leading manufacturers of entry access systems.

## Landscape and Drainage Maintenance

An allowance is provided for landscape controllers, irrigation parts and remodel work (improvements) in the common areas. Some of the expenses are provided in the operating budget. The exclusive areas (homes) are maintained by the residential property owners. The following information will provide an overview of how you can improve the appearance (curb appeal) and maintenance of your landscape in the common areas. Some of the following tips will help you to save money and help the environment by conserving water.

**Irrigation Controllers:** New technology for irrigation is the “Smart Sprinkler Controller.” A “Smart Sprinkler Controller” uses weather data and site information such as plant type and sprinkler system output to automatically adjust watering times and frequency. This provides more efficient water usage, reduces water run-off and improves the health of your landscape. A “Smart Sprinkler Controller” system can save 30% or more on your landscape water usage. By installing the smart sprinkler controller you will save money and help the environment by conserving water. For more details on smart irrigation controllers go to [www.aquaconserve.com](http://www.aquaconserve.com), [www.etwater.com](http://www.etwater.com), [www.water2save.com](http://www.water2save.com) .

**Irrigation Extras (valve parts, irrigation nozzles, pipes):** The latest innovation in sprinkler technology is irrigation nozzles that use less water. These nozzles rely on a multi-trajectory, rotating streams that apply water more slowly and uniformly than conventional sprays and rotors. The new nozzles are also more resistant to wind and reduces run-off on your streets and sidewalks. The costs will depend of the volume of work and quality of parts. For more details on irrigation nozzles go to [www.water2save.com](http://www.water2save.com).

**Palm Tree and Landscape Remodel Allowance:** A contingency allowance is provided for palm tree replacement costs and landscape improvements (refer to operating budget). There are over 100 mature date palm trees; occasional replacement of dead trees can be completed on an as needed basis.

Most of your landscape remodel improvements should focus on entrance or high traffic areas in order to provide “curb appeal.” For example, the remodel could include new shrubs, ground cover, hedges, vines, trees and redoing the irrigation. Current replacement costs for landscape remodel and irrigation work is about \$3 per square foot (more or less) depending on your choice of plants, trees or shrubs. A rule of thumb for landscape remodel allowance is to budget about 5% to 10% of your landscape expenses (or track your historical costs). The landscape improvements can be done on an as needed basis depending on your budget and preferences. You can check with your landscaper for estimates and recommendations.



**Tree Maintenance:** An allowance for tree trimming is normally provided in the operating budget because the costs are based on historical expenses. The exclusive areas (trees near homes) are maintained by the residential property owners. We recommend that you hire an experienced “tree arborist” for the trimming, to supervise the work or to write your bid specifications. This will save you time and money in the long run. An arborist can also help you with trees that are infected with a parasitic disease (mold, mildew, fungi, insects, or bacteria) and other problems such as root injury. Avoid tree “topping” and focus on thinning out any excess tree growth. Some tree species may require annual trimming and others can wait for several years (2 to 3 yrs). Inspect your trees on an annual basis; look for any problems that can cause property damage to your sidewalks or building. For more information visit Tree Care Industry Association at: [www.treecareindustry.org](http://www.treecareindustry.org). Established in 1938, TCIA is a trade association for approximately 2,000 commercial tree care firms and affiliated companies.





**Storm Drainage Retention Basin:** A contingency allowance is provided for storm drainage maintenance. Occasional improvements for the storm drainage can be completed on an as-needed basis. Some of these will involve the replacement of metal grates and clearing clogged drainage lines. The allowances in this study can be adjusted as the Association matures and the needs are greater. Good maintenance will include inspections to determine if there is a need to upgrade the drainage system or clean out any clogged channels or outlet basins. In some cases sump pumps could be added in low spots in order to assist with flooding problems.





## Other Components / Contingency

**Contingency Allowance:** A contingency allowance is recommended (refer to operating budget) for any unexpected expenses such as construction defects, slope repairs, sewer, drainage, signs and any other special projects (architectural, engineering or attorney's fees). The exclusive areas (residential units, homes) are maintained by the unit owners. Normally a contingency fund is based on an estimated amount per the age of the property, historical expense records, type of construction and overall condition. This component can be increased as the property matures and maintenance costs are escalating.

**Mailbox Replacement:** An allowance is provided in this study for the mailboxes. The replacement of these boxes can be done on an as needed basis. The estimated useful life is about 15 or more years (will depend on the quality). Normally your neighborhood locksmith can provide minor repairs to the doors and locks on an as-needed basis. They can also replace parts or the entire mailbox. If you need more information about mailbox replacement estimates or upgrades, you can contact [www.mailboxes.com](http://www.mailboxes.com), [www.letterlocker.com](http://www.letterlocker.com) or [www.whitehallproducts.com](http://www.whitehallproducts.com). Whitehall Products specializes in custom made address signs and mailboxes.



**Signage Replacement:** A replacement allowance is provided for signage in the streets, entrance and common areas. Most signs such as the ones on your property are crafted in a custom size per your specifications. If you need more information about custom signage replacement estimates or upgrades, you can contact: [www.Seton.com](http://www.Seton.com), [www.SignsNow.com](http://www.SignsNow.com) or [www.whitehallproducts.com](http://www.whitehallproducts.com). Whitehall Products specializes in custom made address signs and mailboxes.



# Executive Summary Reserve Funding Options

## Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

### Current Findings:

Total Members (units, homes)	128	
Projected Cash Reserves	\$60,184	Projected for 1/01/2014
Fully Funded Reserves (100%)	\$266,945	
Percent Funded	23%	

Reserve Funding (next fiscal yr):	Amount	Per Unit / Month	
Reserve Funding	\$29,700	\$19	Threshold Method
Add: Special Assessment	\$0	\$0	
Percent Funded at Year End	23%		

### Funding Assumptions (next fiscal yr):

Begin Reserves (start of fiscal year)	\$60,184
Add: Special Assessment	\$0
Add: Reserve Funding	\$29,700
Less: Reserve Expenditures	\$17,250
Projected Reserves at Year End	\$72,634
Fully Funded Reserves at Year End	\$309,555
Percent Funded at Year End	23%

Reserve Funding Options (1st year)	Per Unit / Month	Per Unit / YR	Amount	Percent Funded	Yr End Reserves
Fully Funded Method (100%)	\$174	\$2,083	\$266,621	100%	\$309,555
Threshold Method (75%)	\$123	\$1,478	\$189,232	75%	\$232,166
Threshold Method (50%)	\$73	\$874	\$111,844	50%	\$154,778
Threshold Method (approved budget)	\$19	\$232	\$29,700	23%	\$69,028
Straight Line Method	\$28	\$333	\$42,610	28%	\$85,544
Cash Flow Method (5 Year Average)	\$18	\$218	\$27,937	23%	\$70,871
Cash Flow Method (30 Year Average)	\$38	\$454	\$58,122	33%	\$101,056

### Assumptions

Fully Funded Method is based on 100% funding for the 1st year.

Threshold Funding is calculated to meet your funding goals.

Straight Line Funding Method is the replacement cost divided by the useful life of the component.

Cash Flow Method matches your spending while maintaining reserves above zero.

Assumptions for inflation, interest income and taxes: Refer to Executive Summary

Annual updates of this study are required in order to reconcile your actual costs with current projections.

## 5 Year Pro Forma Budget

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Current Budget 2013	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Annual Increase	Remarks Source/Code
							(% per Yr)	
<b>Potential Income</b>								
2001 Regular Assessment	\$250,368	\$254,976	\$265,175	\$275,782	\$286,813	\$298,286	4%	P
2002 Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0		N/B
2003 Interest Income	\$750	\$750	\$750	\$750	\$750	\$750	0%	H
2004 Assessment Violations	\$100	\$100	\$100	\$100	\$100	\$100	0%	H
2005 Late Assessment	\$500	\$500	\$500	\$500	\$500	\$500	0%	H
2006 Late Admin Fee	\$250	\$250	\$250	\$250	\$250	\$250	0%	H
2007 Transfer Fees	\$450	\$450	\$450	\$450	\$450	\$450	0%	H
<b>Total Potential Income</b>	<b>\$252,418</b>	<b>\$257,026</b>	<b>\$267,225</b>	<b>\$277,832</b>	<b>\$288,863</b>	<b>\$300,336</b>	<b>4%</b>	<b>P</b>
<b>Administrative Expenses</b>								
4001 Licenses	\$30	\$31	\$31	\$32	\$32	\$33	2%	H
4002 Reserve Study	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H
4003 Audit	\$1,400	\$1,428	\$1,457	\$1,486	\$1,515	\$1,546	2%	H
4004 Legal Services	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H
4005 Assessment Collection Fee	\$700	\$714	\$728	\$743	\$758	\$773	2%	H
4006 CAI Membership	\$478	\$492	\$507	\$522	\$538	\$554	3%	H
4007 Meeting & Board Expense	\$450	\$464	\$477	\$492	\$506	\$522	3%	H
4008 Mission Hills Social Membership	\$112,512	\$115,887	\$119,364	\$122,945	\$126,633	\$130,432	3%	H
4009 PPM Late Admin Fee	\$250	\$255	\$260	\$265	\$271	\$276	2%	H
4010 PPM Transfer Fee	\$450	\$459	\$468	\$478	\$487	\$497	2%	H
4011 Management Services	\$22,152	\$22,817	\$23,501	\$24,206	\$24,932	\$25,680	3%	H
4012 End of Year Closing	\$525	\$536	\$546	\$557	\$568	\$580	2%	H
4013 Printing/Postage	\$2,297	\$2,343	\$2,390	\$2,438	\$2,486	\$2,536	2%	H
4014 Miscellaneous Contingency	\$2,980	\$5,009	\$6,569	\$8,166	\$9,797	\$11,457	20%	H
<b>Insurance &amp; Taxes</b>								
5001 Insurance	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	3%	H
5002 Franchise Tax	\$10	\$10	\$10	\$11	\$11	\$11	2%	H
5003 State Required Forms	\$130	\$133	\$135	\$138	\$141	\$144	2%	H
5004 Internal Revenue	\$200	\$204	\$208	\$212	\$216	\$221	2%	H
<b>Maintenance</b>								
6001 Landscape Contract	\$16,200	\$16,524	\$16,854	\$17,192	\$17,535	\$17,886	2%	H
6002 Landscape Extras	\$11,000	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	3%	H
6003 Sprinkler Maintenance	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	\$2,208	2%	H



## 5 Year Pro Forma Budget

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Current Budget 2013	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Annual Increase	Remarks Source/Code
6004 Tree Trim / Maintenance	\$5,980	\$6,159	\$6,344	\$6,535	\$6,731	\$6,932	3%	H
6005 Annual Color	\$1,000	\$1,030	\$1,061	\$1,093	\$1,126	\$1,159	3%	H
6006 Seed/Scalp/Fertilizer	\$170	\$173	\$177	\$180	\$184	\$188	2%	H
6007 New Plants	\$2,750	\$2,833	\$2,917	\$3,005	\$3,095	\$3,188	3%	H
6008 Fountain Maintenance	\$1,680	\$1,714	\$1,748	\$1,783	\$1,818	\$1,855	2%	H
6009 Grounds Misc.	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	\$2,208	2%	H
6010 Street Sweeping	\$4,680	\$4,774	\$4,869	\$4,966	\$5,066	\$5,167	2%	H
6011 Holiday Décor	\$1,896	\$1,934	\$1,973	\$2,012	\$2,052	\$2,093	2%	H
6012 Electrical/Lighting Repairs	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	3%	H
6013 Pest Control	\$2,153	\$2,196	\$2,240	\$2,285	\$2,330	\$2,377	2%	H
6014 Gate Metal/Motor/Arm Repairs	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H
<b>Utilities</b>								
7001 Electricity	\$12,624	\$13,003	\$13,393	\$13,795	\$14,208	\$14,635	3%	H
7002 Mailbox Lighting Electricity	\$112	\$115	\$119	\$122	\$126	\$130	3%	H
7003 Gate Telephone	\$1,204	\$1,240	\$1,277	\$1,316	\$1,355	\$1,396	3%	H
7004 Water	\$3,311	\$3,410	\$3,513	\$3,618	\$3,727	\$3,838	3%	H
<b>Special Assessment</b>	\$0	\$0	\$0	\$0	\$0	\$0		CR
<b>Reserve Contributions</b>	\$26,094	\$29,700	\$32,076	\$34,642	\$37,413	\$40,407	8%	Exhibit C & E
<b>Total Expenses</b>	<b>\$252,418</b>	<b>\$257,026</b>	<b>\$267,225</b>	<b>\$277,832</b>	<b>\$288,863</b>	<b>\$300,335</b>	4%	P
Net Income	\$0	\$0	\$0	\$0	\$0	\$0		

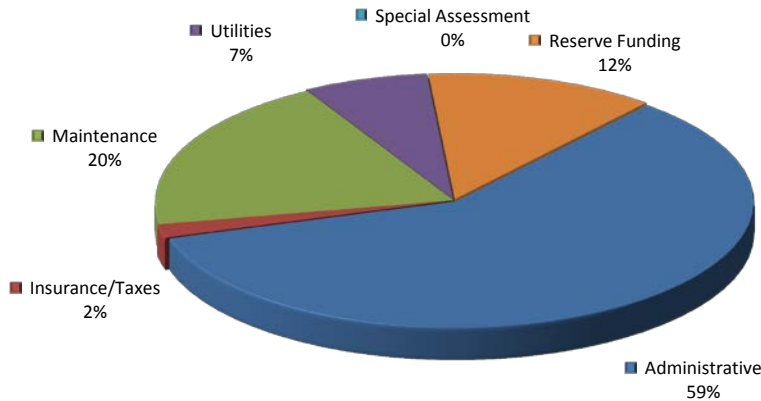
## 5 Year Pro Forma Budget

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)  
Fiscal Year: 1/01/14 - 12/31/14

	Current Budget 2013	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Annual Increase	Remarks Source/Code
<b>Per Unit Cost</b>								
Total Operating + Reserves	\$252,418	\$257,026	\$267,225	\$277,832	\$288,863	\$300,335	4%	P
Less: interest income + other income	-\$2,050	-\$2,050	-\$2,050	-\$2,050	-\$2,050	-\$2,050	0%	P
Total Exp (less interest & other income)	\$250,368	\$254,976	\$265,175	\$275,782	\$286,813	\$298,285	4%	P
Number of Units / Members	128	128	128	128	128	128		member units
\$ Per Unit / Month	\$164	\$167	\$174	\$181	\$188	\$196	4%	P
\$ Per Unit (less interest & other income)	\$163	\$166	\$173	\$180	\$187	\$194	4%	P

	Average		Per Unit	Per Unit
5 Year Average	(per year)	%	(annual)	(month)
Administrative	\$164,618	59%	\$1,286	\$107
Insurance/Taxes	\$4,736	2%	\$37	\$3
Maintenance	\$55,188	20%	\$431	\$36
Utilities	\$18,867	7%	\$147	\$12
Special Assessment	\$0	0%	\$0	\$0
Reserve Funding	\$34,848	13%	\$272	\$23
5 Year Average:	\$278,256	100%	\$2,174	\$181
5 Yr Average less other income:			\$2,158	\$180



### Assumptions

H = Historical Costs, P = Projected Costs, NB = No Budget Provided, CR = Per Client Requirements, RC = Reconcile with Reserves

Inflation Allowance (Operating)	3%	Average annual inflation rate (Operating Expenses) for the next 5 years
Inflation Allowance Reserve Funding	8%	Average annual inflation rate (Reserve Contributions) for the next 5 years
Inflation Allowance Reserve Expenditures	2%	Selected inflation rate used in Exhibit E (Reserves Expenses)
Interest Income Rate (Reserve Funds)	N/A	Not applicable at this time

Annual updates of this study are required in order to reconcile your actual costs with current projections.

## 5 Year Plan / Cash Flow

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Year 1	Year 2	Year 3	Year 4	Year 5	Annual Increase
	2014	2015	2016	2017	2018	(% per Yr)

#### Potential Income

Regular Assessment	\$254,976	\$265,175	\$275,782	\$286,813	\$298,286	4%
Special Assessment	\$0	\$0	\$0	\$0	\$0	
Interest + Other Income	\$2,050	\$2,050	\$2,050	\$2,050	\$2,050	0%
<b>Total Income</b>	<b>\$257,026</b>	<b>\$267,225</b>	<b>\$277,832</b>	<b>\$288,863</b>	<b>\$300,336</b>	<b>4%</b>

#### Projected Expenses

Administrative	\$152,474	\$158,379	\$164,451	\$170,690	\$177,094	4%
Insurance/Taxes	\$4,467	\$4,597	\$4,732	\$4,870	\$5,012	3%
Maintenance	\$52,616	\$53,871	\$55,156	\$56,474	\$57,824	2%
Utilities	\$17,769	\$18,302	\$18,851	\$19,416	\$19,999	3%
Special Assessment	\$0	\$0	\$0	\$0	\$0	
Reserve Allocation	\$29,700	\$32,076	\$34,642	\$37,413	\$40,407	8%
<b>Total Expenses</b>	<b>\$257,026</b>	<b>\$267,225</b>	<b>\$277,832</b>	<b>\$288,863</b>	<b>\$300,335</b>	<b>4%</b>

#### Cash Flow (Reserves)

Projected Reserves	\$60,184	\$72,634	\$63,739	\$96,153	\$109,244	15%
Add: Special Assessment	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Contributions	\$29,700	\$32,076	\$34,642	\$37,413	\$40,407	8%
Less: Reserve Expenditures	\$17,250	\$40,971	\$2,229	\$24,322	\$54,913	34%
<b>Cash Flow / Year End Reserves</b>	<b>\$72,634</b>	<b>\$63,739</b>	<b>\$96,153</b>	<b>\$109,244</b>	<b>\$94,738</b>	<b>6%</b>
Fully Funded Reserves (Ideal Reserves)	\$309,555	\$348,446	\$358,843	\$409,869	\$440,303	9%
Percent Funded (%)	23%	18%	27%	27%	22%	-2%

#### Per Unit Costs

Total Operating + Reserves	\$257,026	\$267,225	\$277,832	\$288,863	\$300,335	4%
Less: interest income + other income	-\$2,050	-\$2,050	-\$2,050	-\$2,050	-\$2,050	0%
Total Exp (less interest & other income)	\$254,976	\$265,175	\$275,782	\$286,813	\$298,285	4%
Number of Units / Members	128	128	128	128	128	n/a
\$ Per Unit / Month	\$167	\$174	\$181	\$188	\$196	4%
\$ Per Unit (less interest & other income)	\$166	\$173	\$180	\$187	\$194	4%

#### Assumptions

Average Inflation Rate Operating Expenses	3%
Average Reserve Funding (% increase per yr)	8%
Average Inflation Rate Reserve Expenditures	2%
Interest Income Rate (Reserve Funds)	N/A

Annual updates of this study are required in order to reconcile your actual costs with current projections.

## Component Inventory Schedule

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

		Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Remarks
		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement	Reserves	
										Cost	(Current)	
<b>Asphalt</b>												
101	Asphalt Slurry Seal Allowance	198,680	SF	\$0.20	2013	5	5	A	RN	\$39,736	\$0	scheduled for 2013
102	Asphalt Repair Allowance	1	allowance	\$10,000	2013	5	5	A/H	AN	\$10,000	\$0	repair allowance
103	Asphalt Replacement	198,680	SF	\$2.50	2003	28	18	A	AN	\$496,700	\$177,393	
<b>Concrete</b>												
201	Concrete Entrance - G. Ford & Da Vall	2	allowance	\$7,250	5 - 6 yrs	6	2	H/C	fair	\$14,500	\$9,667	resurface allowance
202	Concrete Street Curbs and Apron	5	streets	\$5,000	2004	20	11	C	good	\$25,000	\$11,250	repair allowance
<b>Electrical, Lighting</b>												
301	Light Fixtures (common areas)	Refer to Operating Budget										
302	Battery backup GF (gate operators)	2	allowance	\$760	2008	6	1	H/C	AN	\$1,520	\$1,267	
303	Electrical Meter / Contingency	1	allowance	\$10,000	2004	24	15	C	AN	\$10,000	\$3,750	
<b>Mechanical</b>												
401	Gate Operators Gerald Ford Dr	4	allowance	\$3,250	2002	12	1	B/C	AN	\$13,000	\$11,917	
402	Gate Operators Da Valle Rd	4	allowance	\$3,250	2003	12	2	B/C	AN	\$13,000	\$10,833	
403	Gate Sensor, Loop System (Da Vall)	2	allowance	\$1,365	2011	6	4	H	good	\$2,730	\$910	
404	Gate Sensor, Loop System (G Ford)	2	allowance	\$1,365	2006	6	1	H	AN	\$2,730	\$2,275	
405	Intercom Gerald Ford Dr	1	allowance	\$3,924	2012	12	11	H	good	\$3,924	\$327	
406	Intercom Da Valle Rd	1	allowance	\$3,924	2012	12	11	H	good	\$3,924	\$327	
<b>Water Fountains</b>												
501	Water Fountain Pumps	Refer to Operating Budget										
502	Water Fountain Filters	2	allowance	\$1,050	2008	12	7	H	AN	\$2,100	\$875	
503	Water Fountain Resurface	2	allowance	\$5,000	2004	11	2	B/C	AN	\$10,000	\$8,182	



## Component Inventory Schedule

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Remarks
	Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement	Reserves	
									Cost	(Current)	
<b>Paint</b>											
601	Paint Metal Gates & Entrance Wall	1	allowance	\$2,100	2013	3	3	H	good	\$2,100	\$0
602	Paint Block Walls	2,860	LF	\$1.94	2011	10	8	H	good	\$5,550	\$1,110
603	Paint Entrance Monument Signs	1	allowance	\$1,300	2011	4	2	H	good	\$1,300	\$650
604	Refurbish Mailboxes	1	allowance	\$580	2009	6	2	H	AN	\$580	\$387
<b>Fence, Gates</b>											
701	Entrance Gates Replace (Vehicle)	5	allowance	\$5,000	2002	32	21	B/C	good	\$25,000	\$8,594
702	Entrance Gates (Pedestrian)	2	allowance	\$850	2002	30	19	B/C	good	\$1,700	\$623
703	Block Wall Repair Allowance	1	allowance	\$3,500	as needed	5	4	C	AN	\$3,500	\$700
<b>Landscape, Drainage</b>											
801	Irrigation Controller Replace	2	allowance	\$1,050	2009	12	8	H/C	AN	\$2,100	\$700
802	Backflow Replace	2	allowance	\$900	2002	18	7	B/C	AN	\$1,800	\$1,100
803	Tree Remodel & Trim Allowance	Refer to Operating Budget									
804	Landscape Remodel Allowance	Refer to Operating Budget									
805	Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)									
806	Drainage Retention Allowance	1	allowance	\$15,000	2010	15	12	H/C	AN	\$15,000	\$3,000
<b>Other</b>											
901	Contingency Allowance	Refer to Operating Budget									
902	Mailboxes	128	boxes	\$80	2002	15	4	B/C	good	\$10,240	\$7,509
903	Monument Signage	5	allowance	\$1,200	as needed	10	4	C	good	\$6,000	\$3,600
<b>Totals</b>									\$723,734	\$266,945	

## Component Inventory Schedule

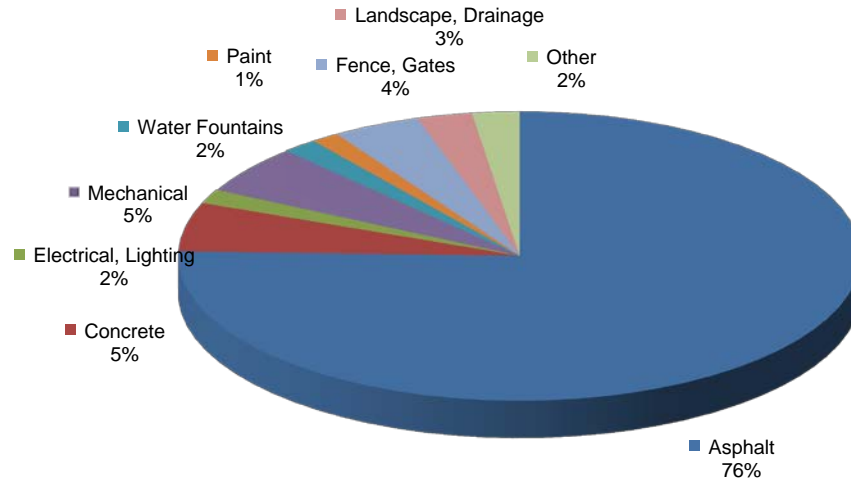
### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Remarks
Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement	Reserves	
								Cost	(Current)	

### CURRENT REPLACEMENT COST



Inventory Schedule	Current Replace Cost	Fully Funded Reserves	% Replace Cost
Asphalt	\$546,436	\$177,393	76%
Concrete	\$39,500	\$20,917	5%
Electrical, Lighting	\$11,520	\$5,017	2%
Mechanical	\$39,308	\$26,589	5%
Water Fountains	\$12,100	\$9,057	2%
Paint	\$9,530	\$2,147	1%
Fence, Gates	\$30,200	\$9,917	4%
Landscape, Drainage	\$18,900	\$4,800	3%
Other	\$16,240	\$11,109	2%
Totals	\$723,734	\$266,945	100%
Projected Cash Reserves		\$60,184	
Percent Funded (%)		23%	

#### Source Code

A : Allowance provided by Current Bid / Estimate  
 B : Cost Allowance (Cost Manual Data / Bid Review)  
 H : Historical Cost Data of Property  
 CR: Client Requirements (provided by client)  
 SF=Square Feet, LF=Linear feet SY=Square Yards

#### Condition Code

E : Excellent / New  
 G : Good (remaining life has 30% or more time left)  
 F : Fair (remaining life is less than 30%)  
 ULU : Useable Life is up (repair/replace needed)  
 AN: Repair or Replace as needed

#### Condition Code

C: Contingency Allowance  
 N/A: Not Applicable  
 U: Unknown Condition (no observation)  
 RN: Repairs, Replacement in progress  
 NS: Component not in Service at this time

#### Condition Code

RMA : Remodel Allowance  
 PM : Preventive Maintenance  
 DM : Deferred Maintenance  
 RA: Repair Allowance  
 PS: Proposed Schedule / Work

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Year 6 2019	Year 7 2020	Year 8 2021	Year 9 2022	Year 10 2023
<b>Asphalt</b>													
101 Asphalt Slurry Seal Allowance	5	5	\$39,736					39,736					39,736
102 Asphalt Repair Allowance	5	5	\$10,000					10,000					10,000
103 Asphalt Replacement	28	18	\$496,700										
<b>Concrete</b>													
201 Concrete Entrance - G. Ford & Da Vall	6	2	\$14,500		14,500						14,500		
202 Concrete Street Curbs and Apron	20	11	\$25,000										
<b>Electrical, Lighting</b>													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	1	\$1,520	1,520						1,520			
303 Electrical Meter / Contingency	24	15	\$10,000										
<b>Mechanical</b>													
401 Gate Operators Gerald Ford Dr	12	1	\$13,000	13,000									
402 Gate Operators Da Valle Rd	12	2	\$13,000		13,000								
403 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730				2,730						2,730
404 Gate Sensor, Loop System (G Ford)	6	1	\$2,730	2,730						2,730			
405 Intercom Gerald Ford Dr	12	11	\$3,924										
406 Intercom Da Valle Rd	12	11	\$3,924										
<b>Water Fountains</b>													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	7	\$2,100							2,100			
503 Water Fountain Resurface	11	2	\$10,000		10,000								
<b>Paint</b>													
601 Paint Metal Gates & Entrance Wall	3	3	\$2,100			2,100		2,100				2,100	
602 Paint Block Walls	10	8	\$5,550								5,550		
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300			1,300					1,300
604 Refurbish Mailboxes	6	2	\$580		580						580		
<b>Fence, Gates</b>													
701 Entrance Gates Replace (Vehicle)	32	21	\$25,000										
702 Entrance Gates (Pedestrian)	30	19	\$1,700										

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	Year 6 2019	Year 7 2020	Year 8 2021	Year 9 2022	Year 10 2023
703 Block Wall Repair Allowance	5	4	\$3,500				3,500					3,500	
<b>Landscape, Drainage</b>													
801 Irrigation Controller Replace	12	8	\$2,100								2,100		
802 Backflow Replace	18	7	\$1,800							1,800			
803 Tree Remodel & Trim Allowance	Refer to Operating Budget												
804 Landscape Remodel Allowance	Refer to Operating Budget												
805 Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)												
806 Drainage Retention Allowance	15	12	\$15,000										
<b>Other</b>													
901 Contingency Allowance	Refer to Operating Budget												
902 Mailboxes	15	4	\$10,240				10,240						
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$723,734	\$17,250	\$39,380	\$2,100	\$22,470	\$49,736	\$3,400	\$8,150	\$22,730	\$5,600	\$53,766

### Funding Assumptions

Projected Cash Reserves	Projected for 1/01/2014			\$60,184									
Projected Reserves				\$60,184	\$72,634	\$63,739	\$96,153	\$109,244	\$94,738	\$134,548	\$172,316	\$196,585	\$244,865
Add: Special Assessment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions				\$29,700	\$32,076	\$34,642	\$37,413	\$40,407	\$43,639	\$47,130	\$50,901	\$54,973	\$59,370
Less: Reserve Expenditures	2.0%	inflation rate		\$17,250	\$40,971	\$2,229	\$24,322	\$54,913	\$3,829	\$9,362	\$26,632	\$6,693	\$65,540
<b>Cash Flow / Year End Reserves</b>				\$72,634	\$63,739	\$96,153	\$109,244	\$94,738	\$134,548	\$172,316	\$196,585	\$244,865	\$238,695
Fully Funded Reserves (Ideal Reserves)				\$309,555	\$348,446	\$358,843	\$409,869	\$440,303	\$441,084	\$494,946	\$545,220	\$579,883	\$636,596
Percent Funded (%)				23%	18%	27%	27%	22%	31%	35%	36%	42%	37%



## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 11 2024	Year 12 2025	Year 13 2026	Year 14 2027	Year 15 2028	Year 16 2029	Year 17 2030	Year 18 2031	Year 19 2032	Year 20 2033
<b>Asphalt</b>													
101 Asphalt Slurry Seal Allowance	5	5	\$39,736					39,736					39,736
102 Asphalt Repair Allowance	5	5	\$10,000					10,000					10,000
103 Asphalt Replacement	28	18	\$496,700								496,700		
<b>Concrete</b>													
201 Concrete Entrance - G. Ford & Da Vall	6	2	\$14,500				14,500						14,500
202 Concrete Street Curbs and Apron	20	11	\$25,000	25,000									
<b>Electrical, Lighting</b>													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	1	\$1,520			1,520						1,520	
303 Electrical Meter / Contingency	24	15	\$10,000					10,000					
<b>Mechanical</b>													
401 Gate Operators Gerald Ford Dr	12	1	\$13,000			13,000							
402 Gate Operators Da Valle Rd	12	2	\$13,000				13,000						
403 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730						2,730				
404 Gate Sensor, Loop System (G Ford)	6	1	\$2,730			2,730						2,730	
405 Intercom Gerald Ford Dr	12	11	\$3,924	3,924									
406 Intercom Da Valle Rd	12	11	\$3,924	3,924									
<b>Water Fountains</b>													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	7	\$2,100									2,100	
503 Water Fountain Resurface	11	2	\$10,000			10,000							
<b>Paint</b>													
601 Paint Metal Gates & Entrance Wall	3	3	\$2,100		2,100			2,100			2,100		
602 Paint Block Walls	10	8	\$5,550								5,550		
603 Paint Entrance Monument Signs	4	2	\$1,300				1,300				1,300		
604 Refurbish Mailboxes	6	2	\$580				580						580
<b>Fence, Gates</b>													
701 Entrance Gates Replace (Vehicle)	32	21	\$25,000										
702 Entrance Gates (Pedestrian)	30	19	\$1,700									1,700	

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 11 2024	Year 12 2025	Year 13 2026	Year 14 2027	Year 15 2028	Year 16 2029	Year 17 2030	Year 18 2031	Year 19 2032	Year 20 2033
703 Block Wall Repair Allowance	5	4	\$3,500				3,500					3,500	
<b>Landscape, Drainage</b>													
801 Irrigation Controller Replace	12	8	\$2,100										2,100
802 Backflow Replace	18	7	\$1,800										
803 Tree Remodel & Trim Allowance	Refer to Operating Budget												
804 Landscape Remodel Allowance	Refer to Operating Budget												
805 Residential Homes Drainage, Sewer	Exclusive use area (residential own)												
806 Drainage Retention Allowance	15	12	\$15,000		15,000								
<b>Other</b>													
901 Contingency Allowance	Refer to Operating Budget												
902 Mailboxes	15	4	\$10,240									10,240	
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$723,734	\$32,848	\$17,100	\$27,250	\$38,880	\$61,836	\$2,730	\$0	\$505,650	\$21,790	\$66,916

### Funding Assumptions

Projected Cash Reserves

Projected for 1/01/2014

Projected Reserves			\$238,695	\$261,973	\$309,536	\$350,459	\$382,950	\$391,898	\$489,539	\$601,066	\$1,554	\$104,758
Add: Special Assessment			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$64,120	\$69,250	\$76,175	\$83,792	\$92,171	\$101,388	\$111,527	\$122,680	\$134,948	\$148,443
Less: Reserve Expenditures	2.0%	inflation rate	\$40,842	\$21,687	\$35,251	\$51,301	\$83,223	\$3,748	\$0	\$722,193	\$31,744	\$99,434
<b>Cash Flow / Year End Reserves</b>			\$261,973	\$309,536	\$350,459	\$382,950	\$391,898	\$489,539	\$601,066	\$1,554	\$104,758	\$153,767
Fully Funded Reserves (Ideal Reserves)			\$635,457	\$660,547	\$706,758	\$741,161	\$761,004	\$749,832	\$820,670	\$897,941	\$241,338	\$277,103
Percent Funded (%)			41%	47%	50%	52%	51%	65%	73%	0%	43%	55%

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 21 2034	Year 22 2035	Year 23 2036	Year 24 2037	Year 25 2038	Year 26 2039	Year 27 2040	Year 28 2041	Year 29 2042	Year 30 2043
<b>Asphalt</b>													
101 Asphalt Slurry Seal Allowance	5	5	\$39,736					39,736					39,736
102 Asphalt Repair Allowance	5	5	\$10,000					10,000					10,000
103 Asphalt Replacement	28	18	\$496,700										
<b>Concrete</b>													
201 Concrete Entrance - G. Ford & Da Vall	6	2	\$14,500						14,500				
202 Concrete Street Curbs and Apron	20	11	\$25,000										
<b>Electrical, Lighting</b>													
301 Light Fixtures (common areas)	Refer to Operating Budget												
302 Battery backup GF (gate operators)	6	1	\$1,520					1,520					
303 Electrical Meter / Contingency	24	15	\$10,000										
<b>Mechanical</b>													
401 Gate Operators Gerald Ford Dr	12	1	\$13,000					13,000					
402 Gate Operators Da Valle Rd	12	2	\$13,000						13,000				
403 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730		2,730						2,730		
404 Gate Sensor, Loop System (G Ford)	6	1	\$2,730					2,730					
405 Intercom Gerald Ford Dr	12	11	\$3,924			3,924							
406 Intercom Da Valle Rd	12	11	\$3,924			3,924							
<b>Water Fountains</b>													
501 Water Fountain Pumps	Refer to Operating Budget												
502 Water Fountain Filters	12	7	\$2,100										
503 Water Fountain Resurface	11	2	\$10,000				10,000						
<b>Paint</b>													
601 Paint Metal Gates & Entrance Wall	3	3	\$2,100	2,100			2,100			2,100			2,100
602 Paint Block Walls	10	8	\$5,550								5,550		
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300				1,300				1,300
604 Refurbish Mailboxes	6	2	\$580						580				
<b>Fence, Gates</b>													
701 Entrance Gates Replace (Vehicle)	32	21	\$25,000	25,000									
702 Entrance Gates (Pedestrian)	30	19	\$1,700										

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

	Useful Life	Remain Life	Current Replace Cost	Year 21 2034	Year 22 2035	Year 23 2036	Year 24 2037	Year 25 2038	Year 26 2039	Year 27 2040	Year 28 2041	Year 29 2042	Year 30 2043
703 Block Wall Repair Allowance	5	4	\$3,500				3,500					3,500	
<b>Landscape, Drainage</b>													
801 Irrigation Controller Replace	12	8	\$2,100										
802 Backflow Replace	18	7	\$1,800					1,800					
803 Tree Remodel & Trim Allowance	Refer to Operating Budget												
804 Landscape Remodel Allowance	Refer to Operating Budget												
805 Residential Homes Drainage, Sewer	Exclusive use area (residential own)												
806 Drainage Retention Allowance	15	12	\$15,000							15,000			
<b>Other</b>													
901 Contingency Allowance	Refer to Operating Budget												
902 Mailboxes	15	4	\$10,240										
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$723,734	\$27,100	\$4,030	\$7,848	\$21,600	\$68,786	\$29,380	\$17,100	\$8,280	\$3,500	\$53,136

### Funding Assumptions

Projected Cash Reserves

Projected for 1/01/2014

Projected Reserves			\$153,767	\$258,166	\$382,863	\$488,321	\$559,629	\$542,224	\$578,960	\$627,083	\$682,247	\$738,654
Add: Special Assessment			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$145,474	\$130,927	\$117,834	\$106,051	\$95,445	\$85,901	\$77,311	\$69,580	\$62,622	\$61,369
Less: Reserve Expenditures	2.0%	inflation rate	\$41,075	\$6,230	\$12,376	\$34,742	\$112,851	\$49,165	\$29,188	\$14,416	\$6,215	\$96,249
<b>Cash Flow / Year End Reserves</b>			\$258,166	\$382,863	\$488,321	\$559,629	\$542,224	\$578,960	\$627,083	\$682,247	\$738,654	\$703,774
Fully Funded Reserves (Ideal Reserves)			\$245,805	\$274,700	\$341,031	\$403,764	\$446,309	\$411,432	\$442,243	\$495,502	\$566,377	\$648,547
Percent Funded (%)			105%	139%	143%	139%	121%	141%	142%	138%	130%	109%



### 30 Year Cash Flow Reserve Funding Projections

#### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

Year	Date	Projected Reserves	+	Reserve Contributions	+	Special Assessment	-	Reserve Disbursements	=	Year End Reserves	Fully Funded Reserves	Percent Funded
		Projected		+ Cash		+ Cash		- Expenses		Projected	Ideal	%
1	2014	\$60,184	+	\$29,700	+	\$0	-	\$17,250	=	\$72,634	\$309,555	23%
2	2015	\$72,634	+	\$32,076	+	\$0	-	\$40,971	=	\$63,739	\$348,446	18%
3	2016	\$63,739	+	\$34,642	+	\$0	-	\$2,229	=	\$96,153	\$358,843	27%
4	2017	\$96,153	+	\$37,413	+	\$0	-	\$24,322	=	\$109,244	\$409,869	27%
5	2018	\$109,244	+	\$40,407	+	\$0	-	\$54,913	=	\$94,738	\$440,303	22%
6	2019	\$94,738	+	\$43,639	+	\$0	-	\$3,829	=	\$134,548	\$441,084	31%
7	2020	\$134,548	+	\$47,130	+	\$0	-	\$9,362	=	\$172,316	\$494,946	35%
8	2021	\$172,316	+	\$50,901	+	\$0	-	\$26,632	=	\$196,585	\$545,220	36%
9	2022	\$196,585	+	\$54,973	+	\$0	-	\$6,693	=	\$244,865	\$579,883	42%
10	2023	\$244,865	+	\$59,370	+	\$0	-	\$65,540	=	\$238,695	\$636,596	37%
11	2024	\$238,695	+	\$64,120	+	\$0	-	\$40,842	=	\$261,973	\$635,457	41%
12	2025	\$261,973	+	\$69,250	+	\$0	-	\$21,687	=	\$309,536	\$660,547	47%
13	2026	\$309,536	+	\$76,175	+	\$0	-	\$35,251	=	\$350,459	\$706,758	50%
14	2027	\$350,459	+	\$83,792	+	\$0	-	\$51,301	=	\$382,950	\$741,161	52%
15	2028	\$382,950	+	\$92,171	+	\$0	-	\$83,223	=	\$391,898	\$761,004	51%
16	2029	\$391,898	+	\$101,388	+	\$0	-	\$3,748	=	\$489,539	\$749,832	65%
17	2030	\$489,539	+	\$111,527	+	\$0	-	\$0	=	\$601,066	\$820,670	73%
18	2031	\$601,066	+	\$122,680	+	\$0	-	\$722,193	=	\$1,554	\$897,941	0%
19	2032	\$1,554	+	\$134,948	+	\$0	-	\$31,744	=	\$104,758	\$241,338	43%
20	2033	\$104,758	+	\$148,443	+	\$0	-	\$99,434	=	\$153,767	\$277,103	55%
21	2034	\$153,767	+	\$145,474	+	\$0	-	\$41,075	=	\$258,166	\$245,805	105%
22	2035	\$258,166	+	\$130,927	+	\$0	-	\$6,230	=	\$382,863	\$274,700	139%
23	2036	\$382,863	+	\$117,834	+	\$0	-	\$12,376	=	\$488,321	\$341,031	143%
24	2037	\$488,321	+	\$106,051	+	\$0	-	\$34,742	=	\$559,629	\$403,764	139%
25	2038	\$559,629	+	\$95,445	+	\$0	-	\$112,851	=	\$542,224	\$446,309	121%
26	2039	\$542,224	+	\$85,901	+	\$0	-	\$49,165	=	\$578,960	\$411,432	141%
27	2040	\$578,960	+	\$77,311	+	\$0	-	\$29,188	=	\$627,083	\$442,243	142%
28	2041	\$627,083	+	\$69,580	+	\$0	-	\$14,416	=	\$682,247	\$495,502	138%
29	2042	\$682,247	+	\$62,622	+	\$0	-	\$6,215	=	\$738,654	\$566,377	130%
30	2043	\$738,654	+	\$61,369	+	\$0	-	\$96,249	=	\$703,774	\$648,547	109%

#### 30 Year Funding Assumptions

Average Inflation Rate Reserve Expenditures	2%
Average Reserve Funding (% increase per yr)	1%
Average Expenses Per Unit / Month	\$38
Average Funding Per Unit / Month	\$52
Average Percent Funded (next 30 yrs)	69%
Average Special Assessment (next 30 yrs)	\$0

Annual updates of this study are required in order to reconcile your actual costs with current projections.

## 30 Year Flow Chart

### Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

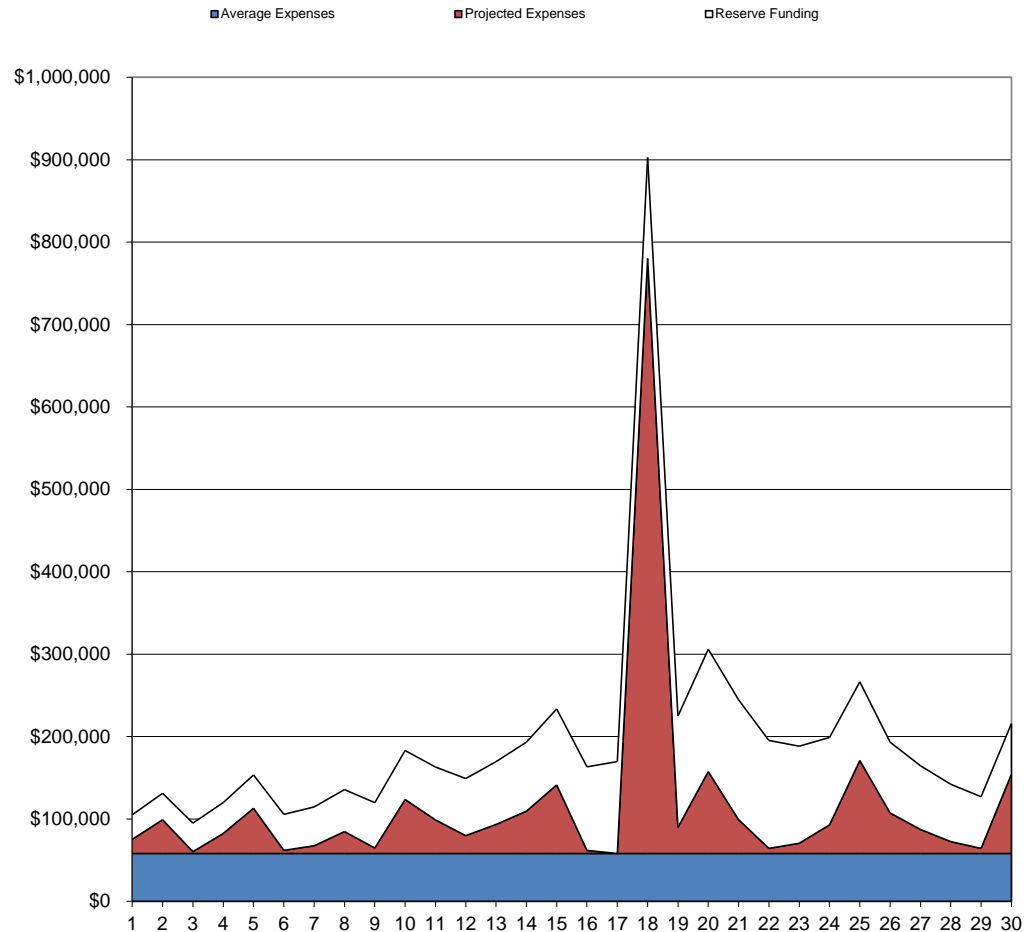
### 30 Year Funding Assumptions

Year	Average Expenses	Projected Expenses	Reserve Funding
1	\$58,122	\$17,250	\$29,700
2	\$58,122	\$40,971	\$32,076
3	\$58,122	\$2,229	\$34,642
4	\$58,122	\$24,322	\$37,413
5	\$58,122	\$54,913	\$40,407
6	\$58,122	\$3,829	\$43,639
7	\$58,122	\$9,362	\$47,130
8	\$58,122	\$26,632	\$50,901
9	\$58,122	\$6,693	\$54,973
10	\$58,122	\$65,540	\$59,370
11	\$58,122	\$40,842	\$64,120
12	\$58,122	\$21,687	\$69,250
13	\$58,122	\$35,251	\$76,175
14	\$58,122	\$51,301	\$83,792
15	\$58,122	\$83,223	\$92,171
16	\$58,122	\$3,748	\$101,388
17	\$58,122	\$0	\$111,527
18	\$58,122	\$722,193	\$122,680
19	\$58,122	\$31,744	\$134,948
20	\$58,122	\$99,434	\$148,443
21	\$58,122	\$41,075	\$145,474
22	\$58,122	\$6,230	\$130,927
23	\$58,122	\$12,376	\$117,834
24	\$58,122	\$34,742	\$106,051
25	\$58,122	\$112,851	\$95,445
26	\$58,122	\$49,165	\$85,901
27	\$58,122	\$29,188	\$77,311
28	\$58,122	\$14,416	\$69,580
29	\$58,122	\$6,215	\$62,622
30	\$58,122	\$96,249	\$61,369

### Reserve Funding Assumptions

Average Expenses per yr ( no inflation)	\$41,345
Average Expenses per yr ( + inflation)	\$58,122
Average Funding per yr (projected)	\$79,575
Total Members (units, homes)	128
Average Expenses Per Unit / Month (no inflation)	\$27
Average Expenses Per Unit / Month (+ inflation)	\$38
Average Funding Per Unit / Month (projected)	\$52
Inflation Allowance Reserve Expenses (next 30 yrs)	2%

Annual updates of this study are required in order to reconcile your actual costs with current projections.



# Assessment and Reserve Funding Disclosure Summary

## Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

This disclosure summary is required to be completed and distributed to all members per California CC 1365.2.5.

- (1) The monthly regular assessment per ownership interest will be (refer to association budget). This is the total amount of assessments plus reserve funding as approved by the Board of Directors for the next fiscal year.

- (2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and or members:

Date assessment is due:	<u>N/A</u>
Amount of Special Assessment:	<u>N/A</u>
Purpose of the assessment:	<u>N/A</u>

- (3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and or replacement of major components during the next 30 years?

Yes ? X (Refer to Reserve Study 30 Year Cash Flow Projection)

No ? \_\_\_\_\_

- (4) If the answer to # 3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board of directors or members?

Approximate date assessment is due:	<u>N/A</u>
Amount per month (or per year):	<u>N/A</u>

- (5) All major components are included in the reserve study and are included in its calculations (refer to Exhibit D).

- (6) Based on the method of calculation per California Civil Code 1365.2.5, the estimated amount required in the reserve fund is:

	<u>\$266,945</u>	Fully Funded Reserves
Projected Cash Reserves	<u>\$60,184</u>	Projected for 1/01/2014
Estimated Percent Funded (%)	<u>23%</u>	

Prepared by AssociationStudies.Com on (date): Report Date: 11/17/2013 (final)

- (7-A) Based on the method of calculation in paragraph (4) of subdivision (b) of California Civil Code 1365.2.5, the estimated amount required in the reserve fund at the end of each of the next five budget years is:

Year:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Fully Funded Reserves:	\$309,555	\$348,446	\$358,843	\$409,869	\$440,303

- (7-B) The projected reserve fund cash balance (next 5 years), taking into account only reserve assessments already approved by the Association (per approved HOA budget):

Year:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Reserve Funding:	\$29,700	N/A	N/A	N/A	N/A
Reserve Expenditures:	<u>\$17,250</u>	N/A	N/A	N/A	N/A
Cash Balance:	\$72,634	N/A	N/A	N/A	N/A
% Funded:	23%	N/A	N/A	N/A	N/A

- (7-C) If the reserve funding plan (per current Reserve Study) approved by the association is implemented, the projected reserve fund cash balance and percent funded will be:

Year:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Reserve Funding:	\$29,700	\$32,076	\$34,642	\$37,413	\$40,407
Reserve Expenditures:	<u>\$17,250</u>	<u>\$40,971</u>	<u>\$2,229</u>	<u>\$24,322</u>	<u>\$54,913</u>
Cash Balance:	\$72,634	\$63,739	\$96,153	\$109,244	\$94,738
% Funded:	23%	18%	27%	27%	22%

# Assessment and Reserve Funding Disclosure Summary

## Montage at Mission Hills HOA

Report Date: 11/17/2013 (final)

Fiscal Year: 1/01/14 - 12/31/14

(8)	This paragraph is added to include the requirements of California CC 1365, Section A (2 D):		
	Amount required in the reserve fund is:	\$266,945	Fully Funded Reserves
	Less: Accumulated cash reserves:	\$60,184	Projected for 1/01/2014
	Estimated current deficiency:	\$206,761	
	Estimated current deficiency per unit:	\$1,615	
	Amount of units (or members):	128	

Note: The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of this report. The estimates in this summary are subject to change. At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was (not applicable) percent per year. The long-term inflation rate to be applied to major component repair and replacement costs was 2% per year (refer to Exhibit E).

### **For the purposes of preparing California Civil Code 1365.2.5 (Disclosure Summary):**

- (1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.
- (2) "Major component" has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.
- (3) The Assessment and Reserve Funding Disclosure Summary form shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in the Assessment and Reserve Funding Disclosure Summary form is provided.
- (4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

Comments / Assumptions:

N/A - Not Applicable at this time

AB: Refer to Association Budget

Annual updates of this study are required in order to reconcile your actual costs with the projected expenses.

California Civil Code Information: [www.condobook.com](http://www.condobook.com), [www.davis-sterling.com](http://www.davis-sterling.com) or [www.leginfo.ca.gov](http://www.leginfo.ca.gov).