

Montage at Mission Hills Homeowners' Association
Gerald Ford Drive and Artisan Way
Cathedral City, California 92234



Reserve Study Update with Site Visit
January 1, 2017 (final)
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Table of Contents

Executive Summary	Page 3
Reserve Funding Options	Page 4
Assumptions, Limiting Conditions	Page 7
Disclosure Requirements, Qualifications	Page 8
Property Overview, Site Visit	Page 9
Reserve Study Advantages	Page 10
Definitions, Abbreviations	Page 11
California Civil Code Requirements	Page 12
Maintenance Plan, Cost Saving Tips	Page 20

Financial Exhibits

Reserve Funding Options	Exhibit A
Pro Forma Budget	Exhibit B
5 Year Plan	Exhibit C
Component Inventory Schedule	Exhibit D
30 Year Funding Plan	Exhibit E
30 Year Cash Flow	Exhibit F
30 Year Funding Assumptions	Exhibit G
California Disclosure Summary (required)	Exhibit H



Montage at Mission Hills Homeowners' Association Executive Summary

This reserve study update with site visit (Level 2) identifies any major components in the 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 provide a comprehensive business plan that will assist our clients to maintain and improve the overall appearance of the common areas.

Current Findings:

Report Date: 01/01/17 (final)

Total Members (units, homes)	128	
Projected Cash Reserves	\$98,743	projected for 01/01/17
Fully Funded Reserves (100%)	\$198,714	
Percent Funded	50%	

Reserve Funding (next fiscal yr):

Fiscal Year: 1/01/17 - 12/31/17

Reserve Funding	\$39,462	Threshold Method
Funding (per unit / month)	\$26	
Percent Funded	55%	

For the next fiscal year, our recommendation for the **Montage at Mission Hills Homeowners' Association** is to fund the reserves per the above summary. Reserve funding recommendations are based on spending projections (refer to Exhibit E) in the next few years. The age, overall condition and cash reserves were also considered. Refer to page 4 and Exhibit A for other available funding options that you may also want to consider. In the following years, annual updates are required 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** allows you to establish a long-term funding goal that maintains a predetermined level of reserves based on your spending projections. Threshold Funding could be less than or greater than "Fully Funded" reserves. This method is normally calculated by a fixed amount or by a percentage of the "Fully Funded" reserves. Threshold Funding is a flexible option that allows you to adjust your funding annually due to changes in your spending requirements.

California Civil Code: Keep in mind that "Fully Funded Reserves" is not a requirement per the California Civil Code. The current Civil Code does require a reserve funding plan on how the association will pay for any future obligations of major components with an expected remaining life of 30 years or less (refer to Section 5550 for more details). Exhibit H (Assessment and Reserve Funding Disclosure Summary) is also required to be distributed to members on an annual basis per California Civil Code 5570. For more information on California Civil Code requirements refer to **page 12**.

Reserve Funding Options (Exhibit A)

Each property will have different funding requirements mainly because of the age, condition, spending projections and amount of the current cash reserves. Annual updates are required to reconcile your actual costs with projected expenses. The following information will outline a brief description of the different funding options provided in this study:

Fully Funded Reserves: If your current reserves are Fully Funded (ideal reserves), this would mean that they are 100% funded. The Fully Funded Method requires your funding goals to be near or at 100% funded. To obtain the Fully Funded reserves, one would have to total up the replacement cost of each component based on a formula that quantifies the useful life, remaining life and cost. 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. Exhibit D (Component Inventory Schedule) calculates how each component is measured to determine the fully funded status.

The **Threshold Funding Method** allows you to establish a long-term funding goal that maintains a predetermined level of reserves based on your spending projections. Threshold Funding could be less than or greater than “Fully Funded” reserves. This method is normally calculated by a fixed amount or by a percentage of the “Fully Funded” reserves. Threshold Funding is a flexible option that allows you to adjust your funding annually due to changes in your spending requirements.

The **Cash Flow Method (Baseline Funding)** matches your spending projections while maintaining a reserve cash level above zero. This method may not provide fully funded (ideal) reserve levels. You will need to reconcile your cash flow (annually) with your spending priorities so you do not deplete your reserves to a low or negative balance.

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 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 State Civil Code's 5550 - 5570 (Davis-Stirling Act). Our recommended funding for your association will vary depending on the condition and the current amount in reserves.

A Special Assessment will be recommended on an as needed basis. A special assessment (or a loan) will allow you to increase your level of reserves or it can be used to fund any large projects such as asphalt replacement or re-roofing work. A Special Assessment can also help with urgent projects 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 substituted for 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 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 spending priorities in mind. Review your operating costs (Exhibit B) and any large remodel projects (Exhibit D) in order to outline your plan of action. Exhibits B, C, D and E in this study can help you get started.

Establish a **funding goal** of where you want your reserves to be in the next five years. If you have costly remodel projects (in the next 5 years) you should be close to “fully funded” (ideal) reserves for those specific components. Refer to Exhibits C, D and E for more details.

Plan your **cash flow** requirements for the next 5 years. Refer to Exhibits C and E as a guideline. These exhibits can help you plan your cash flow requirements on specific components that may require replacement or remodel work. If necessary, you may need to consider a special assessment (or a loan) if your cash requirements do not meet your projected expenses.

The following is a brief summary of your cash flow for the next 5 years per Exhibits C and E. Annual updates are required to reconcile your spending goals with projected costs.

Montage at Mission Hills HOA 5 Year Plan	5 Year Average (\$ per year)
Report Date: 01/01/17 (final)	
<u>Potential Income</u>	
Regular Assessment	\$306,955
Special Assessment	\$0
Other Income	\$2,028
Totals (5 Year Average)	\$308,983
<u>Projected Expenses</u>	
Operating Costs	\$267,081
Reserve Contributions	\$41,902
Totals (5 Year Average)	\$308,983
<u>Assumptions</u>	
Accumulated Reserves	\$133,167
Special Assessment	\$0
Reserve Contributions	\$41,902
Reserve Expenditures	\$26,738
Average Inflation Rate	2%
Average Percent Funded	53%

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

This section will outline any projected reserve expenses over the next 30 years. These exhibits will also highlight the cash flow each year after projected costs and funding contributions. Knowledge of these costs will allow our clients to plan and allocate resources to cover these projections. Only reserve funding components (operating costs are not included) are included in these exhibits. The following summary will briefly outline your average reserve funding requirements over the next 30 Years. Annual updates are required to reconcile your actual costs with current projections.

Montage at Mission Hills HOA

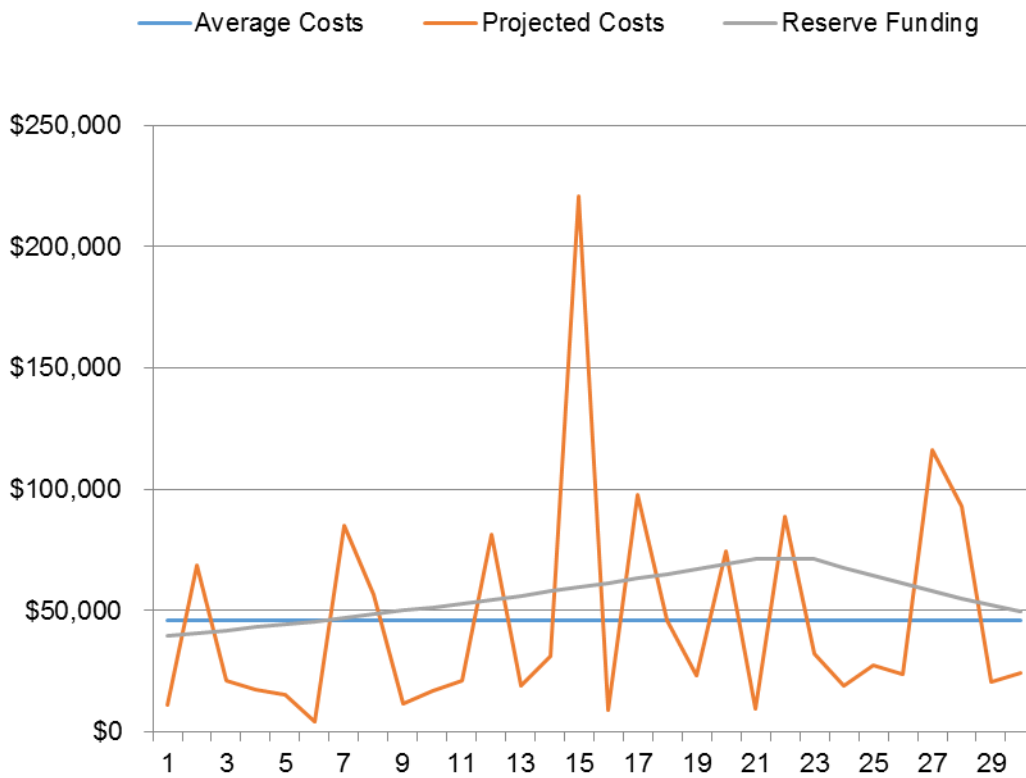
30 Year Average

30 Year Reserve Funding Assumptions

(\$ per year)

Report Date: 01/01/17 (final)

Accumulated Reserves	\$240,246
Reserve Contributions	\$56,089
Reserve Expenditures	\$46,251
Special Assessment	\$0
Inflation Rate Reserve Expenditures	2%
Average Reserve Funding (% increase per yr)	1%
Average Percent Funded	81%



Component Inventory Schedule (Exhibit D)

This 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 identify the useful life, the remaining useful life and the current replacement cost of each component. The following summary will briefly outline your current Inventory Schedule (major components):

Montage at Mission Hills HOA	Replacement	Fully Funded
Component Inventory Schedule	Cost	Reserves
Report Date: 01/01/17 (final)	(Current)	(Ideal)
Asphalt	\$204,044	\$101,754
Concrete	\$45,000	\$27,000
Electrical, Lighting	\$11,520	\$5,253
Mechanical	\$39,308	\$21,968
Water Fountains	\$15,560	\$2,092
Paint	\$9,728	\$3,908
Fence, Gates	\$30,200	\$13,131
Landscape, Drainage	\$47,900	\$11,575
Other	\$16,240	\$12,033
Totals	\$419,501	\$198,714
Projected Cash Reserves		\$98,743
Percent Funded (%)		50%

Property Overview (page 9)

The **Property Overview** will briefly summarize any specific conditions or recommendations for the property. The property overview will also allow our clients to determine if an appropriate plan of action is necessary to correct any specific issues. 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 20)

The **Maintenance Plan** will provide many useful recommendations and cost-saving tips. This section also provides helpful guidelines about 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). If necessary, 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 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 Guide to Construction Costs. The calculation of long-term income taxes was not included in this report.

When reviewing this study, please contact us if you notice any errors or observe something unusual. If you are aware of any property issues (defective conditions, geological or structural problems) please contact us and we will include this information the final report. Some of you have lived in the community for years and your suggestions can improve the findings in this study. We cannot assume any responsibility for events that occurred after the date of the site visit (if applicable). If you desire to make any revisions (or changes) please contact us within 60 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 client 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 client shall have the right to distribute copies to any owners, 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 Reserve Study is effective for one year (from the completion date of this report). 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 provides Reserve Studies and Business Plans for common interest developments, condominiums, country clubs, golf courses, apartments, schools, churches, commercial facilities and governmental agencies.

We have successfully completed more than 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). This study will also follow the recommended guidelines of the National Association of Professional Reserve Analysts (APRA). A copy of these guidelines is available upon request.

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 if you have any questions or would like to obtain our company resume or proposal. Our websites are www.AssociationStudies.com and or www.RSAdata.com . Our fax number is 877-339-3359.



Property Overview

Montage at Mission Hills Homeowners' 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.

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	5/28/16
Units / Members	128
Year Built	2002 - 2004 (approximate date)
Overall Condition	The overall appearance and condition of the common areas are in very good condition in relation to the age and curb appeal. The private homes are separately owned. Each owner is responsible for their own home maintenance (including paint, re-roofing and fencing).
Neighborhood	The overall condition and appearance of the neighborhood properties near the property is very good. Most of the properties in the neighborhood consist of single family homes. There are community parks, shopping facilities, restaurants, hotels and schools within a few miles of the property.
Parking	Enclosed garages with ample street parking
Topography	Mostly Level
Drainage	No surface drainage problems were observed or reported. Please note that all drain channels (and any sump pumps if installed) must be checked and cleared annually to prevent clogging and or flooding problems.
Termite Infestation	An inspection for termite infestation is recommended at least once every 5 years for the common areas. The results will allow the owners to determine if any treatment or repairs are needed. The exclusive areas (residential homes) are maintained by each owner.
Deferred Maintenance Maintenance Plan	Not applicable. A good rule is to take quick steps to cure 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 Accountant (CPA) reporting requirements
- Improve the appearance, property values & curb appeal
- Requirements of your governing documents (By Laws, CC& Rs)
- Owner, Seller or Buyer requirements (required in some 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 members and owners
- Planning, controlling and organizing your assets and goals
- Provides financial stability (long term 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 Funding.
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.
Components	The elements that form the building blocks of a Reserve Study. Each component has a useful life, a remaining life and a replacement cost. Components are normally identified as a common area expense per Association (or owner) requirements.
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.
Fully Funded Reserves (ideal reserves)	An ideal funding model for your cash reserves. 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. Fully Funded Reserves = Current Cost X Effective Age divided by the Useful Life.
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).
Threshold Funding	This method allows you to establish a long term funding goal that maintains a predetermined level of reserves based on your spending projections. This option is normally calculated by a fixed amount or by a percentage.
Preventative Maintenance	A practice that intends to preserve the performance expected from the component, equipment or system. Refer to the "Maintenance Plan" section in this report.
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.
Repair Allowance	An expense allowance is provided for any repairs or maintenance on an as-needed (or when-needed) basis. Also referred to as "contingency allowance." For example, any concrete cracks on sidewalks can be repaired on an as-needed basis.
Abbreviations	<p>SF = Square Feet Square = 100 square feet HVAC = Heating, Venting, Air Conditioning SY = Square Yards LF = Linear Feet HP = Horse Power</p> <p>BTU = British Thermal Units. Measures units / per hour for heating or cooling.</p> <p>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</p> <p>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</p>

California Civil Code Requirements

Current requirements for California Associations: The following pages contain selected sections of the Davis-Stirling Act (sections 5300 through 5570) in order to focus on the financial reporting requirements which include reserve funding and pro forma operating budgets.

Annual Reporting Requirements (Section 5300)

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

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

- (1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.
- (2) A summary of the association's reserves, prepared pursuant to Section 5565.
- (3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of Section 5550. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.
- (4) A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.
- (5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to Section 5560, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.
- (6) A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.
- (7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described in paragraph (4) of subdivision (b) of Section 5570, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.
- (8) A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.
- (9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report.



The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement:

"This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage."

(10) When the common interest development is a condominium project, a statement describing the status of the common interest development as a Federal Housing Administration (FHA)-approved condominium project pursuant to **FHA guidelines**, including whether the common interest development is an FHA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form: "Certification by the **Federal Housing Administration** may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development [is/is not (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the **Federal Housing Administration**."

(11) When the common interest development is a condominium project, a statement describing the status of the common interest development as a federal Department of Veterans Affairs (VA)-approved condominium project pursuant to **VA guidelines**, including whether the common interest development is a VA-approved condominium project. The statement shall be in at least 10-point font on a separate piece of paper and in the following form: "Certification by the federal **Department of Veterans Affairs** may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest. This common interest development [is/is not (circle one)] a condominium project. The association of this common interest development [is/is not (circle one)] certified by the federal **Department of Veterans Affairs**."

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

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

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

(f) This section (paragraph's 10 & 11) shall become operative on July 1, 2016.

Editor's note: Paragraphs 1 and 2: Exhibit's A, B, C, D, E and H and the Executive Summary will provide details for this section.



Paragraphs 3, 4, 5, 6, 7 and 8: These sections are to be reviewed and adopted by the Board of Directors in a planning meeting pursuant to this section. Refer to the Executive Summary (page 3) for a summary of the type of method used to fund the reserve funding calculations.

If applicable, the Board of Directors shall identify any major components that will not be repaired or replaced with justification for this action (refer to section 5570 or Exhibit H). This section also requires a plan that includes the use of any special assessments or loans (including dates and specific time frames). 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).

Review of Financial Statement (Section 5305)

Unless the governing documents impose more stringent standards, a review of the financial statement of the association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the association exceeds seventy-five thousand dollars (\$75,000). A copy of the review of the financial statement shall be distributed to the members within 120 days after the close of each fiscal year, by individual delivery pursuant to Section 4040.

Delivery of Full Report or Summary of Annual Disclosures (Section 5320)

(a) When a report is prepared pursuant to Section 5300 or 5310, the association shall deliver one of the following documents to all members, by individual delivery pursuant to Section 4040:

(1) The full report.

(2) A summary of the report. The summary shall include a general description of the content of the report. Instructions on how to request a complete copy of the report at no cost to the member shall be printed in at least 10-point boldface type on the first page of the summary.

(b) Notwithstanding subdivision (a), if a member has requested to receive all reports in full, the association shall deliver the full report to that member, rather than a summary of the report.

Expenditure of Reserve Accounts (Section 5510)

(a) The signatures of at least two persons, who shall be directors, or one officer who is not a director and one, who is a director, shall be required for the withdrawal of moneys from the association's reserve accounts.

(b) The board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

Borrowing from Reserve Accounts (Section 5515)

(a) Notwithstanding Section 5510, the board may authorize the temporary transfer of moneys from a reserve fund to the association's general operating fund to meet short-term cashflow requirements or other expenses, if the board has provided notice of the intent to consider the transfer in a board meeting notice provided pursuant to Section 4920.

(b) The notice shall include the reasons the transfer is needed, some of the options for repayment, and whether a special assessment may be considered.



(c) If the board authorizes the transfer, the board shall issue a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the moneys will be repaid to the reserve fund.

(d) The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the board may, after giving the same notice required for considering a transfer, and, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration.

(e) The board shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is subject to the limitation imposed by Section 5605. The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

Use of Reserve Accounts; Notice to Members (Section 5520)

(a) When the decision is made to use reserve funds or to temporarily transfer moneys from the reserve fund to pay for litigation pursuant to subdivision (b) of Section 5510, the association shall provide general notice pursuant to Section 4045 of that decision, and of the availability of an accounting of those expenses.

(b) Unless the governing documents impose more stringent standards, the association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by members of the association at the association's office.

Reserve Study Requirements (Section 5550):

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

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

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

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

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

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

(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less, not including those components that the board has determined will not be replaced or repaired.

Editor's note: Paragraphs 1, 2, 3, 4 and 5: Exhibit's A, B, C, D, E and H and the Executive Summary for this report will provide details for this section. Exhibit C will provide a cash flow summary after subtracting the total reserve funds (per paragraph 4). These exhibits can also assist with your planning requirements. The funding plan should include any funding assumptions such as special assessments or loans.

Reserve Funding Plan (Section 5560):

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

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

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

Editor's note: Exhibits A, B, C, D, E and H can assist with your planning requirements. The funding plan should include any funding assumptions such as the use of a special assessment or loan.

Reporting Requirements (Section 5565):

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

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

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

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

(2) The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components.

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

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

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

Editor's note: Exhibits A, B, C, D, E and H and the Executive Summary will provide details for this section. If applicable, a written summary for per paragraph 3 is required (such as construction defect settlement funds). 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.

Assessment and Reserve Funding Disclosure (Section 5570):

Note: Refer to **Exhibit H** for the required calculations (located at the end of this report).

The disclosures in this article are to be summarized and distributed annually to all association members with the annual pro forma operating budget summary.

(a) The disclosures required by this article with regard to an association or a property shall be summarized on the following form:

(1) The regular assessment per ownership interest is \$_____ per _____. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page _____ of the attached summary. **(refer to Exhibit H)**

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:

Date assessment will be due:	Amount per ownership interest per month or year (If assessments are variable, see note immediately below):	Purpose of the assessment:
	Refer to Exhibit H at the end of this report	

*Editor's note: Disclose any additional assessments or association loans if it is not stated in question #1. **(refer to Exhibit H for details)**. If assessments vary by size, percentage or type, the assessment applicable to this section must be provided on a separate exhibit.*

(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 _____ No _____ **(refer to Exhibit H for details)**

*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.*

(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 the members?

Approximate date assessment will be due:	Amount per ownership interest per month or year:
Refer to Exhibit H	Refer to Exhibit H

*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. 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 or structural work.*

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$____, based in whole or in part on the last reserve study or update prepared by ____ as of ____ (month), ____ (year). The projected reserve fund cash balance at the end of the current fiscal year is \$____, resulting in reserves being ____ percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$____. (**Refer to Exhibit H** at the end of this report)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$____, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$____, leaving the reserve at ____ 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 \$____, leaving the reserve at ____ percent funding. (**Refer to Exhibit H** at the end of this report)

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 5570. 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 a 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 (Section 5570) 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 this Exhibit 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.*

Remarks: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was ____ percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was ____ percent per year. (Refer to **Exhibit H** at the end of this report)

Editor's note: Refer to Exhibit H and the Executive Summary Section of this report for more details on long term interest and inflation rates calculated in this report.

(b) For the purposes of preparing a summary pursuant to this section:

(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 5550. 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 form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) 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.

The financial representations set forth in this summary are based on the best estimates of the preparer as of the date of this report. Keep in mind that annual updates are required in order to reconcile actual costs with the projected expenses in this report.

*Editor's note: **Refer to Exhibit H** for the required calculations. Also, feel to contact us if you have any questions. For the final report, **we will provide a digital version** of this form so that you can make your adjustments and send it to the association members.*

Subject to change: Please note that this is only a partial checklist of sections 5300 through 5570. Keep in mind that these codes are subject to change. For complete information on the California Civil Codes go to www.condobook.com, www.davis-sterling.com, or www.leginfo.ca.gov.

Maintenance Plan

Montage at Mission Hills Homeowners' Association

This Maintenance Plan will provide many useful recommendations and cost-saving tips. Helpful guidelines that will extend the useful life of your building components and improve the overall appearance of the common areas are also included. Maintenance should be proactive and not reactive. Always plan ahead. If necessary, a plan of action will be needed to correct any priority 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 is normally 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. Our recommendations include service maintenance for all of your equipment such as elevators, drainage cleanouts, fire alarm systems and 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 about 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 or repair allowances provided in 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.

Our opinions of the "useful life" and "remaining useful life" 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 of where your property is located. For example, wrought iron will rust about twice as fast near the ocean then in the desert. This study does not factor in any damages caused by flooding, storms, earthquakes or similar events.

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. In some cases, there may be areas that are not accessible or visible and a replacement allowance may not be included in this study for these components. For some components a repair or contingency allowance (not a replacement allowance) will be recommended. Some of these components may include (but not limited to) sewer repairs, drainage repairs, plumbing repairs, concrete repairs, elevator repairs, lake liner repairs, planter liner repairs, electrical wiring repairs and slope repairs.

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.

Asphalt Paving Maintenance

An allowance is provided for asphalt maintenance in the common areas. Please contact us if you have any recent bids. Adjustments for this study can be made in order to meet your specific work schedule and estimates. The following information will provide an overview of how you can maintain and prolong the useable life of your asphalt.

Asphalt Slurry Seal: The estimated useable life for asphalt slurry seal coating is about 4 – 6 years and this will depend on normal weather conditions. The current estimated cost for 2 coats of slurry seal coating will range from \$.10 to \$.30 per SF mainly because of the size of the job. You may need to add an allowance for any crack repair work, sub base repairs (holes) and re-stripe work. Before you seal it is important to clean the asphalt 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 or replacement costs.



Asphalt Repairs, Overlay or Replacement Work: About once every 20 years (more or less) there will be a need for replacement or asphalt overlay work. Asphalt repair work will be needed on a more frequent schedule. The frequency for repairs is ongoing and will depend on weather conditions and your maintenance schedule. Street “pot holes” can occur 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 about asphalt maintenance and replacement costs go to: www.sealcoatmfg.org. This is the official website for Asphalt Seal Coat Manufacturers Association (non-profit Association that provides professional and educational resources).

Concrete Maintenance

A **repair allowance** is provided for any concrete maintenance for the common areas. Please contact us if you have any historical expenses for concrete repairs in the common areas. Adjustments for this study can be made to meet your specific needs. The following information will provide an overview of how you can maintain and prolong the useable life for concrete. The exclusive areas (home driveways) are maintained by the property owners. Good maintenance includes cleaning, sealing and as needed repairs. This will extend the useful life and will provide a clean, safe and nice appearance. Concrete repairs may include grinding for any 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.



Concrete replacement costs will depend on the size of the job and specific requirements such as thickness and reinforcement material. Replacement costs for concrete are normally not included in the study unless the estimated useable life is less than 30 years. 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, amount of usage, and quality. You can expect a useable life of 30 – 50 years for most sidewalks, curbing and driveways. In heavy traffic areas (or on a steep hill) you can expect a shorter usable life. 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 Association). The City (or public agency) may not maintain the sidewalks because the property owner has title to the land up to the street curb, including sidewalks and easements. Ongoing maintenance and inspections of concrete in the common areas can help to avoid trip and fall accidents.

Electrical and Lighting Maintenance

The replacement costs for common area light fixtures and ballasts are located in the association's operating budget. The exclusive use areas (homes) are maintained by the property owners. There was no testing of any electrical components when the site visit was conducted.



Replacement of exterior light fixtures should include safety and energy efficiency. Choosing the right type of light fixtures may require professional assistance. People need to have adequate lighting for safety reasons and to be aware if someone is approaching. Avoid the installation of lights that produce "glare" that can distort the ability to see color. There are many new energy lighting fixtures on the market that can reduce your electric costs and increase light intensity (without glare). For example, a new "LED" (high brightness) wall mounted fixture with 64 watts, can replace up to 400 watts of a standard light bulb. For more information, you can visit the Energy Cost Savings Council at www.plugin.org, the National Lighting Bureau at www.nlb.org or the Association of Energy Engineers at www.aeecenter.org.

A **contingency allowance** is provided to assist with some of the electrical wiring and lighting maintenance in the common areas. Electrical repairs (or replacement) may include some of the following: circuit breakers, low voltage transformers, meters, timers, power inverter equipment, solar cells and underground wiring. High voltage transformers are normally maintained by the utility provider. Any repairs or replacement work can be completed on an as-needed basis. The electrical and lighting contingency is normally based on the age and size of the property, any historical expense records and the overall condition. This expense can be increased as the property matures and your costs are escalating. For more resource information you contact the National Electrical Contractors Association at www.necaconnection.org and the US National Electrical Code which is published by the National Fire Protection Association at www.catalog.nfpa.org.

Mechanical Equipment

An allowance is provided for replacement of any mechanical equipment in the common areas. There was no testing of any mechanical equipment when the site visit was conducted. Please contact us if you have any recent bids. Adjustments for this study can be made in order to meet with your specific estimates and installation work.

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 optional "back-up" system with a chargeable battery is available for most operator systems. If interested, contact your vendor for costs and recommendations.



An allowance is also provided 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 15 - 20 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, www.SentexSystems.com, www.doorking.com and www.rytecdors.com.



Water Fountains

A remodel allowance is provided for any major components that will need replacement within the next 30 years such as mechanical pumps and masonry work. Some of these costs are located in your Operating Budget. Good maintenance and balanced water chemicals is very critical for the overall life and appearance of the water feature. Occasional repairs and improvements for the water system can be done on an as-needed basis. Maintenance will also include cleaning the inlet and outlet piping for any unwanted organisms (sludge, dirt or rock removal). Water circulation pumps and motors are sometimes difficult to predict and are subject to fail at any time. Inspections will also determine if there is a need to upgrade the pumps sizes if necessary. Maintenance will also include checking for loose parts, faulty wires, dirty motors/pumps and rusted control panel components. There was no testing or probing of any water fountain components when the site visit was conducted.



Paint Maintenance

The paint allowance provided in this study includes surface preparation work and primer coats for the common areas (gates and walls). Some of the property's current bids and historical costs are also reflected in this report. The exclusive areas (homes) are maintained by the property owners. Please contact us if you have 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, number of coats and surface preparation. Expect to pay about \$1.25 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 on wall cover resources and current events, you can contact the American Coatings Association (ACA) at www.paint.org.



Entrance Gates Maintenance

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

Metal Gates: A replacement allowance is provided for any exterior metal gates the common areas (not required at this time, the expected life exceeds 30 years. 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). When replacement is near, you may want to choose an alternative metal fence (or railing) for your replacement work. Metal anodizing provides a natural oxide layer (seal) on the surface of metal. Anodizing increases corrosion resistance and wear resistance. It also provides better adhesion for paint primers and glues

than bare metal. Other choices include aluminum, galvanized or stainless steel. For more information on metal anodizing you can visit the web site of www.anodizing.org.



Masonry Blockwalls or Retaining Walls: 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 walls are 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.



Landscape 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 use areas (homes) are maintained by the property owners. Please contact us if you have an ongoing tree maintenance program with estimates. Adjustments for this study can be made to meet your specific schedule. 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.



Landscape Remodel Allowance: Most of your landscape remodel improvements should focus on entrance or high traffic areas to provide “curb appeal.” For example, remodels 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 a 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.

Irrigation Controllers: Current “smart” technology for irrigation include controllers which can reconcile weather data and plant type that will 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, www.etwater.com, 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,



Tree Maintenance: Tree trimming is normally provided in the operating budget because the costs are based on historical expenses. Please contact us if you want to add a reserve funding allowance for trimming. The exclusive areas (trees near homes) are maintained by the 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 injuries and or damage to your sidewalks or building. For more information, visit Tree Care Industry Association at: 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 in the common areas. Occasional improvements for the storm drainage can be completed on an as needed basis. Some of these costs may include piping (dry well) replacement work, metal grates, drain covers, concrete repairs and clearing any clogged outlets. The allowances in this study can be adjusted as the Association matures and the needs are greater. Good maintenance will include inspections by a Civil Engineer to determine if there is a need to upgrade the drainage system. Clean any clogged channels or outlet basins on an annual basis. In some cases, sump pumps could be added in low spots in order to assist with flooding problems. There was no forensic testing or probing of any storm drainage when the site visit was conducted.

Other Components / Contingency

A **contingency allowance** is recommended for any unexpected expenses such as construction defects, structural restoration, geological surveys, slope repairs, sewer-lines, drainage, stucco, furniture and any other remodel projects not included in this report. The exclusive use areas (residential homes) are maintained by the property owner. 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: A replacement allowance is provided for any 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, www.letterlocker.com or 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. Painting the wood and polishing the metal on a regular basis will increase the appearance and the usable life. If you need more information about custom signage replacement estimates or upgrades, you can contact: www.Seton.com, www.SignsNow.com or 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: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

Current Findings:

Total Members (units, homes)	128	
Projected Cash Reserves	\$98,743	projected for 01/01/17
Fully Funded Reserves (100%)	\$198,714	
Percent Funded	50%	

Reserve Funding (next fiscal yr):	Amount	Per Unit / Month	
Reserve Funding	\$39,462	\$26	Threshold Method
Add: Special Assessment	\$0	\$0	
Percent Funded	55%		

Funding Assumptions (next fiscal yr):

Projected Reserves (start of fiscal year)	\$98,743
Add: Special Assessment	\$0
Add: Reserve Funding	\$39,462
Less: Reserve Expenditures	\$11,080
= Projected Reserves (at year end)	\$127,125
Fully Funded Reserves	\$232,025
Percent Funded	55%

Reserve Funding Options (1st year)	Per Unit / Month	Per Unit / Year	Amount	Percent Funded	Yr End Reserves
Fully Funded Method (100%)	\$94	\$1,128	\$144,362	100%	\$232,025
Threshold Method (75%)	\$56	\$675	\$86,356	75%	\$174,019
Threshold Method (50%)	\$18	\$221	\$28,349	50%	\$116,012
Threshold Method (current budget)	\$26	\$308	\$39,462	55%	\$127,125
Straight Line Method	\$22	\$260	\$33,311	52%	\$120,974
Cash Flow Method (5 Year Average)	\$17	\$209	\$26,738	49%	\$114,401
Cash Flow Method (30 Year Average)	\$22	\$263	\$33,625	52%	\$121,288

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 (Baseline) 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 to reconcile your actual costs with current projections.

5 Year Pro Forma Budget

Montage at Mission Hills HOA

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

	Approved Budget 2017	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Annual Increase	Remarks Source/Code
Potential Income							(% per Yr)	
2001 Regular Assessment	\$299,520	\$299,520	\$303,137	\$306,853	\$310,671	\$314,593	1%	P
2002 Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0		N/B
2003 Interest Income	\$330	\$330	\$330	\$330	\$330	\$330	0%	H
2004 Collection Reimbursement	\$150	\$150	\$150	\$150	\$150	\$150	0%	H
2005 Late Assessment	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	\$1,050	0%	H
2006 Late Admin Fee	\$498	\$498	\$498	\$498	\$498	\$498	0%	H
Total Potential Income	\$301,548	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%	P
Administrative Expenses								
4001 Licenses	\$200	\$200	\$206	\$212	\$219	\$225	3%	H
4002 Audit	\$1,400	\$1,400	\$1,442	\$1,485	\$1,530	\$1,576	3%	H
4003 Legal Services	\$2,000	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	3%	H
4004 CAI Membership	\$760	\$760	\$783	\$806	\$830	\$855	3%	H
4005 Meeting & Board Expense	\$800	\$800	\$800	\$800	\$800	\$800	0%	H
4006 Mission Hills Social Membership	\$136,320	\$136,320	\$136,320	\$136,320	\$136,320	\$136,320	0%	H
4007 PPM Late Admin Fee	\$400	\$400	\$400	\$400	\$400	\$400	0%	H
4008 Management Services	\$30,744	\$30,744	\$31,666	\$32,616	\$33,595	\$34,603	3%	H
4009 Smartweb Violation Service	\$440	\$440	\$453	\$467	\$481	\$495	3%	H
4010 End of Year Closing	\$626	\$626	\$626	\$626	\$626	\$626	0%	H
4011 Printing/Postage	\$4,255	\$4,255	\$4,255	\$4,255	\$4,255	\$4,255	0%	H
4012 Miscellaneous Contingency	\$5,234	\$5,234	\$5,234	\$5,234	\$5,234	\$5,234	0%	H
Insurance & Taxes								
5001 Insurance	\$3,768	\$3,768	\$3,843	\$3,920	\$3,999	\$4,079	2%	H
5002 Franchise Tax	\$10	\$10	\$10	\$10	\$10	\$10	0%	H
5003 State Required Forms	\$100	\$100	\$100	\$100	\$100	\$100	0%	H
Maintenance								
6001 Landscape Contract	\$17,100	\$17,100	\$17,442	\$17,791	\$18,147	\$18,510	2%	H
6002 Landscape Extras	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	0%	H
6003 Sprinkler Maintenance	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	0%	H
6004 Tree Trimming	\$6,300	\$6,300	\$6,426	\$6,555	\$6,686	\$6,819	2%	H
6005 Tree Removal	\$500	\$500	\$510	\$520	\$531	\$541	2%	H
6006 New Plants	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200	0%	H
6007 Seed/Scalp/Fertilizer	\$75	\$75	\$75	\$75	\$75	\$75	0%	H

5 Year Pro Forma Budget

Montage at Mission Hills HOA

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

	Approved Budget 2017	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Annual Increase	Remarks Source/Code
6008 Contract Maintenance	\$2,400	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	2%	H
6009 Equipment Repair	\$200	\$200	\$200	\$200	\$200	\$200	0%	H
6010 Painting - Touch Up	\$500	\$500	\$500	\$500	\$500	\$500	0%	H
6011 Grounds Misc.	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	0%	H
6012 Retention Basin Well Pumping	\$2,400	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	2%	H
6013 Street Sweeping	\$4,770	\$4,770	\$4,865	\$4,963	\$5,062	\$5,163	2%	H
6014 Holiday Décor	\$3,467	\$3,467	\$3,467	\$3,467	\$3,467	\$3,467	0%	H
6015 Electrical/Lighting/Relamping	\$7,464	\$7,464	\$7,613	\$7,766	\$7,921	\$8,079	2%	H
6016 Pest Control	\$2,100	\$2,100	\$2,142	\$2,185	\$2,229	\$2,273	2%	H
6017 Signs	\$200	\$200	\$200	\$200	\$200	\$200	0%	H
6018 Security/key/clickers	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300	0%	H
6019 Gate Metal/Motor/Arm Repairs	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	0%	H
Utilities								
7001 Electricity	\$10,198	\$10,198	\$10,504	\$10,819	\$11,144	\$11,478	3%	H
7002 Mailbox Lighting Electricity	\$128	\$128	\$132	\$136	\$140	\$144	3%	H
7003 Gate Telephone	\$1,635	\$1,635	\$1,684	\$1,735	\$1,787	\$1,840	3%	H
7004 Water	\$2,392	\$2,392	\$2,464	\$2,538	\$2,614	\$2,692	3%	H
Reserve Contributions	\$39,462	\$39,462	\$40,646	\$41,865	\$43,121	\$44,415	3%	Exhibit C & E
Total Expenses	\$301,548	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%	P
Net Income	\$0	\$0	\$0	\$0	\$0	\$0		

5 Year Pro Forma Budget

Montage at Mission Hills HOA

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

	Approved Budget 2017	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Annual Increase	Remarks Source/Code
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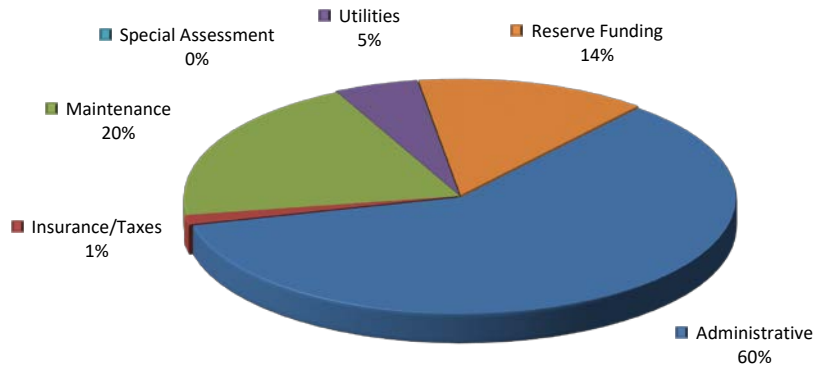
Per Unit Summary

Total Operating Exp & Reserves	\$301,548	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%	P
Less: Other Income	-\$2,028	-\$2,028	-\$2,028	-\$2,028	-\$2,028	-\$2,028	0%	P
Total Exp (less other income)	\$299,520	\$299,520	\$303,137	\$306,853	\$310,671	\$314,593	1%	P
Number of Units / Members	128	128	128	128	128	128		member units
\$ Per Unit / Month	\$196	\$196	\$199	\$201	\$204	\$206	1%	P
\$ Per Unit (less other income)	\$195	\$195	\$197	\$200	\$202	\$205	1%	P

	Average	%	Per Unit / Yr	Per Unit / Mo
Administrative	\$185,377	60%	\$1,448	\$121
Insurance/Taxes	\$4,032	1%	\$31	\$3
Maintenance	\$62,432	20%	\$488	\$41
Utilities	\$15,240	5%	\$119	\$10
Special Assessment	\$0	0%	\$0	\$0
Reserve Funding	\$41,902	14%	\$327	\$27
5 Year Average	\$308,983	100%	\$2,414	\$201

5 Yr Average less other income:

\$2,398 \$200



Assumptions

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

Inflation Allowance (Operating)	2%
Inflation Allowance Reserve Funding	3%
Inflation Allowance Reserve Expenditures	2%
Special Assessment	\$0

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

5 Year Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Year 1	Year 2	Year 3	Year 4	Year 5	Annual Increase
	2017	2018	2019	2020	2021	(% per Yr)

Potential Income

Regular Assessment	\$299,520	\$303,137	\$306,853	\$310,671	\$314,593	1%
Special Assessment	\$0	\$0	\$0	\$0	\$0	
Interest + Other Income	\$2,028	\$2,028	\$2,028	\$2,028	\$2,028	0%
Total Income	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%

Projected Expenses

Administrative	\$183,179	\$184,245	\$185,344	\$186,475	\$187,640	1%
Insurance/Taxes	\$3,878	\$3,953	\$4,030	\$4,109	\$4,189	2%
Maintenance	\$60,676	\$61,537	\$62,415	\$63,310	\$64,223	1%
Utilities	\$14,353	\$14,784	\$15,227	\$15,684	\$16,154	3%
Reserve Contributions	\$39,462	\$40,646	\$41,865	\$43,121	\$44,415	3%
Total Expenses	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%

Percent Funded (%)

Projected Reserves	\$98,743	\$127,125	\$99,081	\$119,679	\$145,384	10%
Add: Special Assessment	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Contributions	\$39,462	\$40,646	\$41,865	\$43,121	\$44,415	3%
Less: Reserve Expenditures	\$11,080	\$68,690	\$21,267	\$17,416	\$15,235	4%
Cash Flow / Year End Reserves	\$127,125	\$99,081	\$119,679	\$145,384	\$174,565	9%
Fully Funded Reserves (Ideal Reserves)	\$232,025	\$264,528	\$235,104	\$254,171	\$278,267	5%
Percent Funded (%)	55%	37%	51%	57%	63%	4%

Cost Per Unit

Total Operating Exp & Reserves	\$301,548	\$305,165	\$308,881	\$312,699	\$316,621	1%
Less: Other Income	-\$2,028	-\$2,028	-\$2,028	-\$2,028	-\$2,028	0%
Total Exp (less other income)	\$299,520	\$303,137	\$306,853	\$310,671	\$314,593	1%
Number of Units / Members	128	128	128	128	128	n/a
\$ Per Unit / Month	\$196	\$199	\$201	\$204	\$206	1%
\$ Per Unit (less other income)	\$195	\$197	\$200	\$202	\$205	1%

Assumptions

Average Inflation Rate Operating Expenses	2%
Average Reserve Funding (% increase per yr)	3%
Average Inflation Rate Reserve Expenditures	2%
Special Assessment	\$0

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

Component Inventory Schedule

Montage at Mission Hills HOA

										Current	Fully Funded	Straight Line	
Report Date: 01/01/17 (final)		Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Replacement	Reserves	Funding	Remarks
Fiscal Year: 1/01/17 - 12/31/17		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Cost	(Current)	(Cost / UL)	
Asphalt													
101	Asphalt Slurry Seal Allowance	198,680	SF	\$0.21	2013	5	2	A/C	good	\$41,723	\$25,034	\$8,345	
102	Asphalt Repair Allowance	1	allowance	\$10,000	2013	5	2	H/C	RA	\$10,000	\$6,000	\$2,000	repair allowance
103	Asphalt Replacement	66,227	SF	\$2.30	2003	28	15	B/C	good	\$152,321	\$70,721	\$5,440	
Concrete													
201	Concrete Entrance - G. Ford & Da Vall	2	allowance	\$10,000	as needed	20	8	H/C	AN	\$20,000	\$12,000	\$1,000	clean, seal & repair
202	Concrete Street Curbs and Apron	5	streets	\$5,000	as needed	20	8	B/C	AN	\$25,000	\$15,000	\$1,250	clean, seal & repair
Electrical, Lighting													
301	Light Fixtures (common areas)	Refer to Operating Budget (ongoing maintenance)											
302	Battery backup GF (gate operators)	2	allowance	\$760	2015	6	5	H/C	AN	\$1,520	\$253	\$253	
303	Electrical Contingency Allowance	1	allowance	\$10,000	2004	24	12	H/C	AN	\$10,000	\$5,000	\$417	contingency allowance
Mechanical													
401	Gate Operators Gerald Ford (entrance)	2	allowance	\$3,250	2015	12	11	B/C	AN	\$6,500	\$542	\$542	
402	Gate Operators Gerald Ford (Exit)	2	allowance	\$3,250	2002	12	1	B/C	AN	\$6,500	\$5,958	\$542	
403	Gate Operators Da Valle Rd	4	allowance	\$3,250	2004	12	2	B/C	AN	\$13,000	\$10,833	\$1,083	
404	Gate Sensor, Loop System (Da Vall)	2	allowance	\$1,365	2015	6	4	H/C	AN	\$2,730	\$910	\$455	
405	Gate Sensor, Loop System (G Ford)	2	allowance	\$1,365	2016	6	5	H/C	AN	\$2,730	\$455	\$455	
406	Intercom Gerald Ford Dr	1	allowance	\$3,924	2012	12	7	H/C	AN	\$3,924	\$1,635	\$327	
407	Intercom Da Valle Rd	1	allowance	\$3,924	2012	12	7	H/C	AN	\$3,924	\$1,635	\$327	
Water Fountains													
501	Water Fountain Pumps	4	allowance	\$865	2015	5	4	H/C	AN	\$3,460	\$692	\$692	
502	Water Fountain Filters	2	allowance	\$1,050	2008	12	4	H/C	AN	\$2,100	\$1,400	\$175	
503	Water Fountains Resurface	2	allowance	\$5,000	2015	10	10	A/C	good	\$10,000	\$0	\$1,000	resurface allowance
Paint													
601	Paint Metal Gates & Sign Posts	1	allowance	\$2,300	2016	3	3	H/C	good	\$2,300	\$0	\$767	paint & prep allowance

Component Inventory Schedule

Montage at Mission Hills HOA

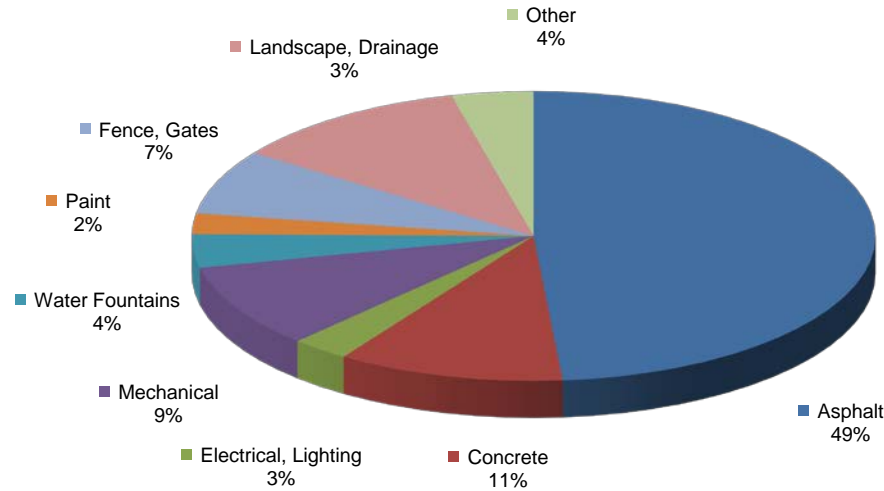
Report Date: 01/01/17 (final)		Quantity	Measure	Cost	Start Date	Useful	Remain	Source	Condition	Current	Fully Funded	Straight Line	Remarks
Fiscal Year: 1/01/17 - 12/31/17		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement Cost	Reserves (Current)	Funding (Cost / UL)	
602	Paint Block Walls	2,860	LF	\$1.94	2011	10	5	H/C	good	\$5,548	\$2,774	\$555	paint & prep allowance
603	Paint Entrance Monument Signs	1	allowance	\$1,300	2014	4	2	H/C	good	\$1,300	\$650	\$325	paint & prep allowance
604	Paint / Refurbish Mailboxes	1	allowance	\$580	2017	6	1	H/C	AN	\$580	\$483	\$97	paint & prep allowance
Fence, Gates													
701	Entrance Gates Replace (Vehicle)	5	allowance	\$5,000	2002	32	18	B/C	good	\$25,000	\$10,938	\$781	
702	Entrance Gates (Pedestrian)	2	allowance	\$850	2002	30	16	B/C	good	\$1,700	\$793	\$57	
703	Block Wall Repair Allowance	1	allowance	\$3,500	as needed	5	3	B/C	RA	\$3,500	\$1,400	\$700	repair allowance
Landscape, Drainage													
801	Irrigation Timers	2	allowance	\$1,050	2015	12	11	H/C	AN	\$2,100	\$175	\$175	
802	Backflow Replace	2	allowance	\$900	2002	18	4	B/C	AN	\$1,800	\$1,400	\$100	
803	Tree Trim & Removal	Refer to Operating Budget (ongoing maintenance)											
804	Palm Tree Replace Allowance	1	allowance	\$4,000	as needed	2	1	H/C	AN	\$4,000	\$2,000	\$2,000	contingency allowance
805	Landscape Remodel Allowance	1	allowance	\$10,000	2013	10	7	B/C	AN	\$10,000	\$3,000	\$1,000	refurbish allowance
806	Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)											
807	Drainage Retention Allowance	1	allowance	\$30,000	2012	24	20	H/C	AN	\$30,000	\$5,000	\$1,250	contingency allowance
Other													
901	Contingency Allowance	Refer to Operating Budget (ongoing maintenance)											
902	Mailboxes Replace	128	boxes	\$80	2002	17	3	B/C	AN	\$10,240	\$8,433	\$602	
903	Monument Signage	5	allowance	\$1,200	as needed	10	4	B/C	good	\$6,000	\$3,600	\$600	
Totals										\$419,501	\$198,714	\$33,311	

Component Inventory Schedule

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17



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

Inventory Schedule	Current Replace Cost	Fully Funded Reserves	% Replace Cost
Asphalt	\$204,044	\$101,754	49%
Concrete	\$45,000	\$27,000	11%
Electrical, Lighting	\$11,520	\$5,253	3%
Mechanical	\$39,308	\$21,968	9%
Water Fountains	\$15,560	\$2,092	4%
Paint	\$9,728	\$3,908	2%
Fence, Gates	\$30,200	\$13,131	7%
Landscaping, Drainage	\$47,900	\$11,575	11%
Other	\$16,240	\$12,033	4%
Totals	\$419,501	\$198,714	100%
Projected Cash Reserves		\$98,743	
Percent Funded (%)		50%	

Source Code

A/C : Allowance provided by client (bid or contingency)
 B/C : Cost Contingency Allowance (estimate, bid analysis)
 H/C : Historical Data, Contingency Allowance
 CR: Client Requirements (provided by client)
 PRS: Prior Reserve Study (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
 WA: Water Proofing Allowance
 AN: Repair or replace when needed

Condition Code

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

Condition Code

RMA : Remodel Allowance
 PM : Preventive Maintenance
 DM : Deferred Maintenance
 RA: Repair Allowance
 RS: Resurface Allowance
 PS: Proposed Schedule

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026
Asphalt													
101 Asphalt Slurry Seal Allowance	5	2	\$41,723		41,723					41,723			
102 Asphalt Repair Allowance	5	2	\$10,000		10,000					10,000			
103 Asphalt Replacement	28	15	\$152,321										
Concrete													
201 Concrete Entrance - G. Ford & Da Vall	20	8	\$20,000								20,000		
202 Concrete Street Curbs and Apron	20	8	\$25,000								25,000		
Electrical, Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget (ongoing maintenance)												
302 Battery backup GF (gate operators)	6	5	\$1,520					1,520					
303 Electrical Contingency Allowance	24	12	\$10,000										
Mechanical													
401 Gate Operators Gerald Ford (entrance)	12	11	\$6,500										
402 Gate Operators Gerald Ford (Exit)	12	1	\$6,500	6,500									
403 Gate Operators Da Valle Rd	12	2	\$13,000		13,000								
404 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730				2,730						2,730
405 Gate Sensor, Loop System (G Ford)	6	5	\$2,730					2,730					
406 Intercom Gerald Ford Dr	12	7	\$3,924							3,924			
407 Intercom Da Valle Rd	12	7	\$3,924							3,924			
Water Fountains													
501 Water Fountain Pumps	5	4	\$3,460				3,460					3,460	
502 Water Fountain Filters	12	4	\$2,100				2,100						
503 Water Fountains Resurface	10	10	\$10,000										10,000
Paint													
601 Paint Metal Gates & Sign Posts	3	3	\$2,300			2,300			2,300			2,300	
602 Paint Block Walls	10	5	\$5,548					5,548					
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300				1,300				1,300
604 Paint / Refurbish Mailboxes	6	1	\$580	580						580			
Fence, Gates													
701 Entrance Gates Replace (Vehicle)	32	18	\$25,000										

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	Year 6 2022	Year 7 2023	Year 8 2024	Year 9 2025	Year 10 2026
702 Entrance Gates (Pedestrian)	30	16	\$1,700										
703 Block Wall Repair Allowance	5	3	\$3,500			3,500					3,500		
Landscape, Drainage													
801 Irrigation Timers	12	11	\$2,100										
802 Backflow Replace	18	4	\$1,800				1,800						
803 Tree Trim & Removal	Refer to Operating Budget (ongoing maintenance)												
804 Palm Tree Replace Allowance	2	1	\$4,000	4,000		4,000		4,000		4,000		4,000	
805 Landscape Remodel Allowance	10	7	\$10,000							10,000			
806 Residential Homes Drainage, Sewer	Exclusive use area (residential owner responsibility)												
807 Drainage Retention Allowance	24	20	\$30,000										
Other													
901 Contingency Allowance	Refer to Operating Budget (ongoing maintenance)												
902 Mailboxes Replace	17	3	\$10,240			10,240							
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$419,501	\$11,080	\$66,023	\$20,040	\$16,090	\$13,798	\$3,600	\$74,151	\$48,500	\$9,760	\$14,030
Funding Assumptions													
Projected Cash Reserves	projected for 01/01/17			\$98,743									
Projected Reserves				\$98,743	\$127,125	\$99,081	\$119,679	\$145,384	\$174,565	\$216,258	\$178,201	\$169,909	\$208,234
Add: Special Assessment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions				\$39,462	\$40,646	\$41,865	\$43,121	\$44,415	\$45,747	\$47,120	\$48,533	\$49,989	\$51,489
Less: Reserve Expenditures	2.0%	inflation rate		\$11,080	\$68,690	\$21,267	\$17,416	\$15,235	\$4,054	\$85,176	\$56,825	\$11,664	\$17,102
Cash Flow / Year End Reserves				\$127,125	\$99,081	\$119,679	\$145,384	\$174,565	\$216,258	\$178,201	\$169,909	\$208,234	\$242,621
Fully Funded Reserves (Ideal Reserves)				\$232,025	\$264,528	\$235,104	\$254,171	\$278,267	\$305,806	\$346,051	\$305,121	\$293,071	\$327,641
Percent Funded (%)				55%	37%	51%	57%	63%	71%	51%	56%	71%	74%

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 11 2027	Year 12 2028	Year 13 2029	Year 14 2030	Year 15 2031	Year 16 2032	Year 17 2033	Year 18 2034	Year 19 2035	Year 20 2036
Asphalt													
101 Asphalt Slurry Seal Allowance	5	2	\$41,723		41,723					41,723			
102 Asphalt Repair Allowance	5	2	\$10,000		10,000					10,000			
103 Asphalt Replacement	28	15	\$152,321					152,321					
Concrete													
201 Concrete Entrance - G. Ford & Da Vall	20	8	\$20,000										
202 Concrete Street Curbs and Apron	20	8	\$25,000										
Electrical, Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget (ongoing)												
302 Battery backup GF (gate operators)	6	5	\$1,520	1,520						1,520			
303 Electrical Contingency Allowance	24	12	\$10,000		10,000								
Mechanical													
401 Gate Operators Gerald Ford (entrance)	12	11	\$6,500	6,500									
402 Gate Operators Gerald Ford (Exit)	12	1	\$6,500			6,500							
403 Gate Operators Da Valle Rd	12	2	\$13,000				13,000						
404 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730						2,730				
405 Gate Sensor, Loop System (G Ford)	6	5	\$2,730	2,730						2,730			
406 Intercom Gerald Ford Dr	12	7	\$3,924									3,924	
407 Intercom Da Valle Rd	12	7	\$3,924									3,924	
Water Fountains													
501 Water Fountain Pumps	5	4	\$3,460				3,460					3,460	
502 Water Fountain Filters	12	4	\$2,100						2,100				
503 Water Fountains Resurface	10	10	\$10,000										10,000
Paint													
601 Paint Metal Gates & Sign Posts	3	3	\$2,300		2,300			2,300			2,300		
602 Paint Block Walls	10	5	\$5,548					5,548					
603 Paint Entrance Monument Signs	4	2	\$1,300				1,300				1,300		
604 Paint / Refurbish Mailboxes	6	1	\$580			580						580	
Fence, Gates													
701 Entrance Gates Replace (Vehicle)	32	18	\$25,000								25,000		

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 11 2027	Year 12 2028	Year 13 2029	Year 14 2030	Year 15 2031	Year 16 2032	Year 17 2033	Year 18 2034	Year 19 2035	Year 20 2036
702 Entrance Gates (Pedestrian)	30	16	\$1,700						1,700				
703 Block Wall Repair Allowance	5	3	\$3,500			3,500					3,500		
Landscape, Drainage													
801 Irrigation Timers	12	11	\$2,100	2,100									
802 Backflow Replace	18	4	\$1,800										
803 Tree Trim & Removal	Refer to Operating Budget (ongoing												
804 Palm Tree Replace Allowance	2	1	\$4,000	4,000		4,000		4,000		4,000		4,000	
805 Landscape Remodel Allowance	10	7	\$10,000							10,000			
806 Residential Homes Drainage, Sewer	Exclusive use area (residential own												
807 Drainage Retention Allowance	24	20	\$30,000										30,000
Other													
901 Contingency Allowance	Refer to Operating Budget (ongoing												
902 Mailboxes Replace	17	3	\$10,240										10,240
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$419,501	\$16,850	\$64,023	\$14,580	\$23,760	\$164,170	\$6,530	\$69,973	\$32,100	\$15,888	\$50,240

Funding Assumptions

Projected Cash Reserves projected for 01/01/17

Projected Reserves			\$242,621	\$274,704	\$248,132	\$285,534	\$312,135	\$150,874	\$203,390	\$168,736	\$188,114	\$232,150
Add: Special Assessment			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$53,034	\$54,625	\$56,263	\$57,951	\$59,690	\$61,481	\$63,325	\$65,225	\$67,181	\$69,197
Less: Reserve Expenditures	2.0%	inflation rate	\$20,951	\$81,196	\$18,861	\$31,351	\$220,951	\$8,964	\$97,979	\$45,847	\$23,146	\$74,654

Cash Flow / Year End Reserves

			\$274,704	\$248,132	\$285,534	\$312,135	\$150,874	\$203,390	\$168,736	\$188,114	\$232,150	\$226,693
Fully Funded Reserves (Ideal Reserves)			\$358,167	\$386,206	\$354,201	\$386,000	\$406,574	\$235,064	\$277,265	\$230,447	\$236,820	\$267,446
Percent Funded (%)			77%	64%	81%	81%	37%	87%	61%	82%	98%	85%

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 21 2037	Year 22 2038	Year 23 2039	Year 24 2040	Year 25 2041	Year 26 2042	Year 27 2043	Year 28 2044	Year 29 2045	Year 30 2046
Asphalt													
101 Asphalt Slurry Seal Allowance	5	2	\$41,723		41,723					41,723			
102 Asphalt Repair Allowance	5	2	\$10,000		10,000					10,000			
103 Asphalt Replacement	28	15	\$152,321										
Concrete													
201 Concrete Entrance - G. Ford & Da Vall	20	8	\$20,000									20,000	
202 Concrete Street Curbs and Apron	20	8	\$25,000									25,000	
Electrical, Lighting													
301 Light Fixtures (common areas)	Refer to Operating Budget (ongoing)												
302 Battery backup GF (gate operators)	6	5	\$1,520			1,520						1,520	
303 Electrical Contingency Allowance	24	12	\$10,000										
Mechanical													
401 Gate Operators Gerald Ford (entrance)	12	11	\$6,500			6,500							
402 Gate Operators Gerald Ford (Exit)	12	1	\$6,500					6,500					
403 Gate Operators Da Valle Rd	12	2	\$13,000						13,000				
404 Gate Sensor, Loop System (Da Vall)	6	4	\$2,730		2,730						2,730		
405 Gate Sensor, Loop System (G Ford)	6	5	\$2,730			2,730						2,730	
406 Intercom Gerald Ford Dr	12	7	\$3,924										
407 Intercom Da Valle Rd	12	7	\$3,924										
Water Fountains													
501 Water Fountain Pumps	5	4	\$3,460				3,460					3,460	
502 Water Fountain Filters	12	4	\$2,100								2,100		
503 Water Fountains Resurface	10	10	\$10,000										10,000
Paint													
601 Paint Metal Gates & Sign Posts	3	3	\$2,300	2,300			2,300			2,300			2,300
602 Paint Block Walls	10	5	\$5,548					5,548					
603 Paint Entrance Monument Signs	4	2	\$1,300		1,300				1,300				1,300
604 Paint / Refurbish Mailboxes	6	1	\$580					580					
Fence, Gates													
701 Entrance Gates Replace (Vehicle)	32	18	\$25,000										

30 Year Reserve Funding Plan

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

	Useful Life	Remain Life	Current Replace Cost	Year 21 2037	Year 22 2038	Year 23 2039	Year 24 2040	Year 25 2041	Year 26 2042	Year 27 2043	Year 28 2044	Year 29 2045	Year 30 2046
702 Entrance Gates (Pedestrian)	30	16	\$1,700										
703 Block Wall Repair Allowance	5	3	\$3,500			3,500					3,500		
Landscape, Drainage													
801 Irrigation Timers	12	11	\$2,100			2,100							
802 Backflow Replace	18	4	\$1,800		1,800								
803 Tree Trim & Removal	Refer to Operating Budget (ongoing												
804 Palm Tree Replace Allowance	2	1	\$4,000	4,000		4,000		4,000		4,000		4,000	
805 Landscape Remodel Allowance	10	7	\$10,000							10,000			
806 Residential Homes Drainage, Sewer	Exclusive use area (residential own												
807 Drainage Retention Allowance	24	20	\$30,000										
Other													
901 Contingency Allowance	Refer to Operating Budget (ongoing												
902 Mailboxes Replace	17	3	\$10,240										
903 Monument Signage	10	4	\$6,000				6,000						
Totals			\$419,501	\$6,300	\$57,553	\$20,350	\$11,760	\$16,628	\$14,300	\$68,023	\$53,330	\$11,710	\$13,600

Funding Assumptions

Projected Cash Reserves projected for 01/01/17

Projected Reserves			\$226,693	\$288,417	\$270,714	\$309,897	\$358,691	\$395,734	\$432,911	\$374,856	\$337,157	\$368,754
Add: Special Assessment			\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions			\$71,273	\$71,273	\$71,273	\$67,709	\$64,324	\$61,107	\$58,052	\$55,150	\$52,392	\$49,772
Less: Reserve Expenditures	2.0%	inflation rate	\$9,549	\$88,975	\$32,090	\$18,915	\$27,281	\$23,930	\$116,107	\$92,849	\$20,795	\$24,635

Cash Flow / Year End Reserves

			\$288,417	\$270,714	\$309,897	\$358,691	\$395,734	\$432,911	\$374,856	\$337,157	\$368,754	\$393,892
Fully Funded Reserves (Ideal Reserves)			\$247,135	\$293,836	\$261,486	\$287,562	\$328,669	\$363,159	\$402,871	\$350,494	\$321,953	\$367,519
Percent Funded (%)			117%	92%	119%	125%	120%	119%	93%	96%	115%	107%

30 Year Cash Flow Reserve Funding Projections

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

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	2017	\$98,743	+	\$39,462	+	\$0	-	\$11,080	=	\$127,125	\$232,025	55%
2	2018	\$127,125	+	\$40,646	+	\$0	-	\$68,690	=	\$99,081	\$264,528	37%
3	2019	\$99,081	+	\$41,865	+	\$0	-	\$21,267	=	\$119,679	\$235,104	51%
4	2020	\$119,679	+	\$43,121	+	\$0	-	\$17,416	=	\$145,384	\$254,171	57%
5	2021	\$145,384	+	\$44,415	+	\$0	-	\$15,235	=	\$174,565	\$278,267	63%
6	2022	\$174,565	+	\$45,747	+	\$0	-	\$4,054	=	\$216,258	\$305,806	71%
7	2023	\$216,258	+	\$47,120	+	\$0	-	\$85,176	=	\$178,201	\$346,051	51%
8	2024	\$178,201	+	\$48,533	+	\$0	-	\$56,825	=	\$169,909	\$305,121	56%
9	2025	\$169,909	+	\$49,989	+	\$0	-	\$11,664	=	\$208,234	\$293,071	71%
10	2026	\$208,234	+	\$51,489	+	\$0	-	\$17,102	=	\$242,621	\$327,641	74%
11	2027	\$242,621	+	\$53,034	+	\$0	-	\$20,951	=	\$274,704	\$358,167	77%
12	2028	\$274,704	+	\$54,625	+	\$0	-	\$81,196	=	\$248,132	\$386,206	64%
13	2029	\$248,132	+	\$56,263	+	\$0	-	\$18,861	=	\$285,534	\$354,201	81%
14	2030	\$285,534	+	\$57,951	+	\$0	-	\$31,351	=	\$312,135	\$386,000	81%
15	2031	\$312,135	+	\$59,690	+	\$0	-	\$220,951	=	\$150,874	\$406,574	37%
16	2032	\$150,874	+	\$61,481	+	\$0	-	\$8,964	=	\$203,390	\$235,064	87%
17	2033	\$203,390	+	\$63,325	+	\$0	-	\$97,979	=	\$168,736	\$277,265	61%
18	2034	\$168,736	+	\$65,225	+	\$0	-	\$45,847	=	\$188,114	\$230,447	82%
19	2035	\$188,114	+	\$67,181	+	\$0	-	\$23,146	=	\$232,150	\$236,820	98%
20	2036	\$232,150	+	\$69,197	+	\$0	-	\$74,654	=	\$226,693	\$267,446	85%
21	2037	\$226,693	+	\$71,273	+	\$0	-	\$9,549	=	\$288,417	\$247,135	117%
22	2038	\$288,417	+	\$71,273	+	\$0	-	\$88,975	=	\$270,714	\$293,836	92%
23	2039	\$270,714	+	\$71,273	+	\$0	-	\$32,090	=	\$309,897	\$261,486	119%
24	2040	\$309,897	+	\$67,709	+	\$0	-	\$18,915	=	\$358,691	\$287,562	125%
25	2041	\$358,691	+	\$64,324	+	\$0	-	\$27,281	=	\$395,734	\$328,669	120%
26	2042	\$395,734	+	\$61,107	+	\$0	-	\$23,930	=	\$432,911	\$363,159	119%
27	2043	\$432,911	+	\$58,052	+	\$0	-	\$116,107	=	\$374,856	\$402,871	93%
28	2044	\$374,856	+	\$55,150	+	\$0	-	\$92,849	=	\$337,157	\$350,494	96%
29	2045	\$337,157	+	\$52,392	+	\$0	-	\$20,795	=	\$368,754	\$321,953	115%
30	2046	\$368,754	+	\$49,772	+	\$0	-	\$24,635	=	\$393,892	\$367,519	107%

30 Year Funding Assumptions

Average Inflation Rate Reserve Expenditures	2%
Average Reserve Funding (% increase per yr)	1%
Average Expenses Per Unit / Month	\$30
Average Funding Per Unit / Month	\$37
Average Percent Funded (next 30 yrs)	81%
Special Assessment (average / yr)	\$0

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

30 Year Flow Chart Reserve Funding Projections

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

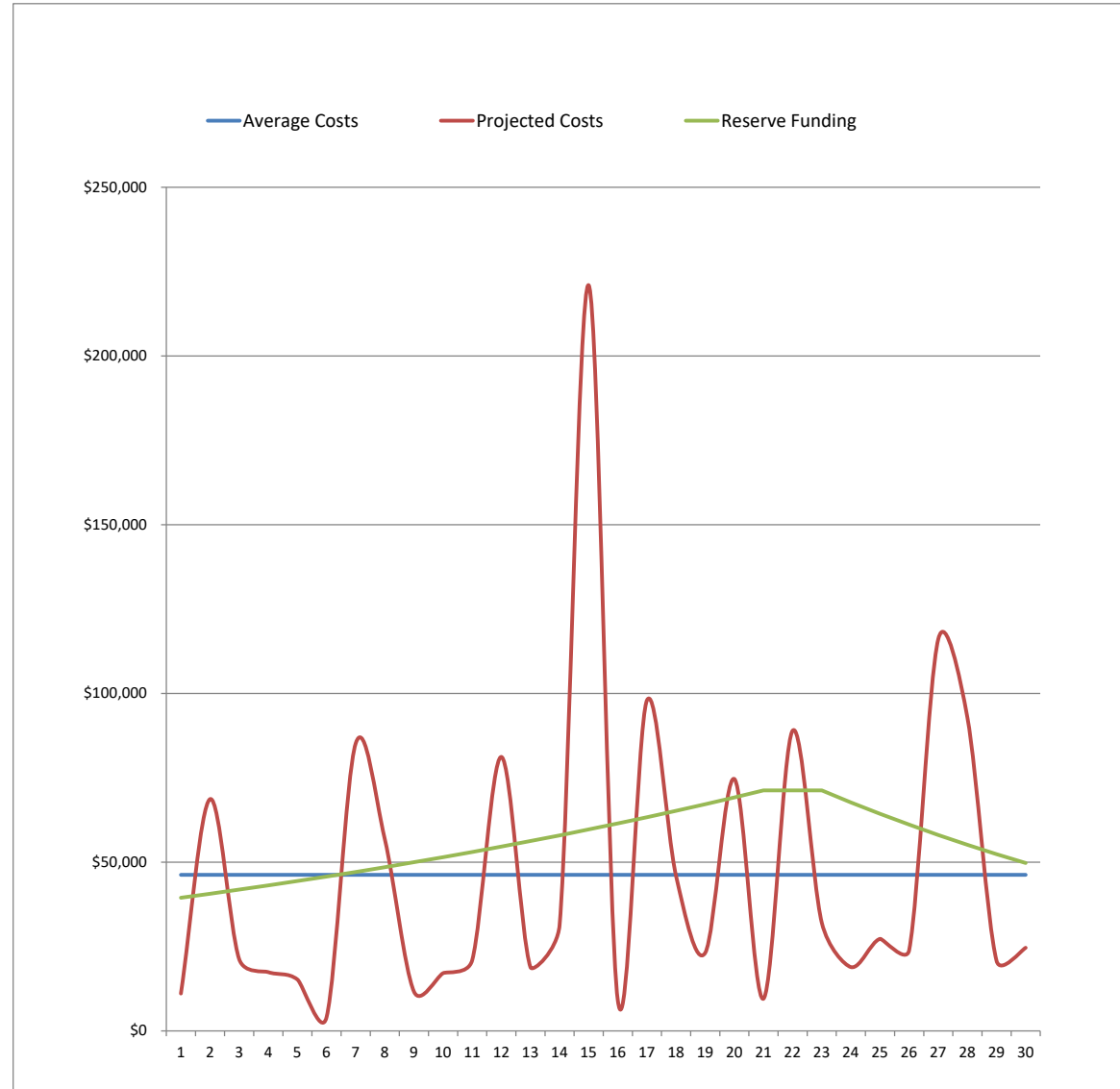
Fiscal Year: 1/01/17 - 12/31/17

Year	Average Costs	Projected Costs	Reserve Funding
1	\$46,251	\$11,080	\$39,462
2	\$46,251	\$68,690	\$40,646
3	\$46,251	\$21,267	\$41,865
4	\$46,251	\$17,416	\$43,121
5	\$46,251	\$15,235	\$44,415
6	\$46,251	\$4,054	\$45,747
7	\$46,251	\$85,176	\$47,120
8	\$46,251	\$56,825	\$48,533
9	\$46,251	\$11,664	\$49,989
10	\$46,251	\$17,102	\$51,489
11	\$46,251	\$20,951	\$53,034
12	\$46,251	\$81,196	\$54,625
13	\$46,251	\$18,861	\$56,263
14	\$46,251	\$31,351	\$57,951
15	\$46,251	\$220,951	\$59,690
16	\$46,251	\$8,964	\$61,481
17	\$46,251	\$97,979	\$63,325
18	\$46,251	\$45,847	\$65,225
19	\$46,251	\$23,146	\$67,181
20	\$46,251	\$74,654	\$69,197
21	\$46,251	\$9,549	\$71,273
22	\$46,251	\$88,975	\$71,273
23	\$46,251	\$32,090	\$71,273
24	\$46,251	\$18,915	\$67,709
25	\$46,251	\$27,281	\$64,324
26	\$46,251	\$23,930	\$61,107
27	\$46,251	\$116,107	\$58,052
28	\$46,251	\$92,849	\$55,150
29	\$46,251	\$20,795	\$52,392
30	\$46,251	\$24,635	\$49,772

Reserve Funding Assumptions

Average Costs per yr (no inflation)	\$33,625
Average Costs per yr (+ inflation)	\$46,251
Average Funding per yr (projected)	\$56,089
Total Members (units, homes)	128
Average Costs Per Unit / Month (no inflation)	\$22
Average Costs Per Unit / Month (+ inflation)	\$30
Average Funding Per Unit / Month (projected)	\$37
Projected Inflation Allowance (next 30 yrs)	2%

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



Assessment and Reserve Funding Disclosure Summary

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

This disclosure summary is required to be completed and distributed to all members per California Civil Code 5570.

- (1) The monthly regular assessment per ownership interest will be \$195 per member. 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 Exhibits E & F for funding projections

No ? _____

Annual updates are required to reconcile your actual costs with current funding projections.

- (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 .

- (6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 (Civil Code), the amount required in the reserve fund is:

	<u>\$198,714</u>	Fully Funded Reserves
Projected Cash Reserves	<u>\$98,743</u>	projected for 01/01/17
Estimated Percent Funded (%)	<u>50%</u>	

Prepared by AssociationStudies.Com Report Date: 01/01/17 (final)

- (7-A) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 (Civil Code), the estimated amount required in the reserve fund at the end of each of the next five budget years is:

Year:	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Fully Funded Reserves:	\$232,025	\$264,528	\$235,104	\$254,171	\$278,267

- (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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Reserve Funding:	\$39,462	N/A	N/A	N/A	N/A
Reserve Expenditures:	<u>\$11,080</u>	N/A	N/A	N/A	N/A
Cash Balance:	\$127,125	N/A	N/A	N/A	N/A
% Funded:	55%	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>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Reserve Funding:	\$39,462	\$40,646	\$41,865	\$43,121	\$44,415
Reserve Expenditures:	<u>\$11,080</u>	\$68,690	\$21,267	\$17,416	\$15,235
Cash Balance:	\$127,125	\$99,081	\$119,679	\$145,384	\$174,565
% Funded:	55%	37%	51%	57%	63%

Assessment and Reserve Funding Disclosure Summary

Montage at Mission Hills HOA

Report Date: 01/01/17 (final)

Fiscal Year: 1/01/17 - 12/31/17

(8)	This paragraph is added to include the requirements of Civil Code 5565, paragraph (d):		
	Amount required in the reserve fund is:	\$198,714	Fully Funded Reserves
	Less: Accumulated cash reserves:	<u>\$98,743</u>	projected for 01/01/17
	Estimated current deficiency:	\$99,971	
	Estimated current deficiency per unit:	\$781	
	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.

For the purposes of preparing California Civil Code 5570 (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 5570. 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.

Assumptions:

N/A - Not Applicable at this time

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

California Civil Code Information: www.condobook.com, www.davis-sterling.com or www.leginfo.ca.gov.