

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



**Reserve Study Update with Site Visit (Level 2)**  
Fiscal Year: January 1, 2020 – Dec 31, 2020  
Prepared by: Association Studies, LLC  
877-339-3360 (off) 877-339-3359 (fax)

## Table of Contents

Executive Summary	Page 3
Reserve Funding Options	Page 4
Assumptions, Limiting Conditions	Page 8
Disclosure Requirements, Qualifications	Page 9
Property Overview, Site Visit	Page 10
Reserve Study Advantages	Page 11
Definitions, Abbreviations	Page 12
California Civil Code Requirements	Page 15
Maintenance Plan, Cost Saving Tips	Page 23

### Financial Exhibits

Reserve Funding Assumptions	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 Funding Projections	Exhibit F
30 Year Flow Chart	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: 11/13/19 (final)

Total Members (units, homes)	128	
Current Cash Reserves	\$124,848	as of 10/31/19
Fully Funded Reserves (100%)	\$765,907	
Percent Funded	16%	

### Reserve Funding (next fiscal yr):

Fiscal Year: 1/01/20 - 12/31/20

Reserve Funding (per yr)	\$93,480	Threshold Funding
Funding (per unit/per month)	\$61	
Percent Funded	12%	

For the next fiscal year, our recommendation for the **Montage at Mission Hills Homeowners' Association** is to fund the reserves per the above summary. Refer to page 4 and Exhibit A for other available funding goals that you may also want to consider. 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 Montage at Mission Hills Association.

This report will follow the Reserve Study guidelines of **California Civil Code 5550 and 5570 (Davis-Stirling Act)**. Our recommended funding for your association will depend on the overall condition, age, spending priorities and the current amount in reserves. Keep in mind that Fully Funded Reserves is not a requirement in California. The Civil Code, however, does require a reserve funding plan of 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 5300). 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 15.



## Reserve Funding Goals and Methods (Exhibit A)

Each property will have different funding needs mainly because of the age, condition, spending projections and amount of the current cash reserves. The following summary provides an overview of Reserve Funding Goals and Methods approved by the National Association of Professional Reserve Analysts (APRA). A copy of these Standards is available upon request.

**Fully Funded Reserves:** If your current reserves are Fully Funded (ideal reserves), this would mean that they are 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.

**Cash Flow Method:** Contributions to the Reserve Fund are designed to offset any variable annual expenditures (projected spending) from the Reserve Fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

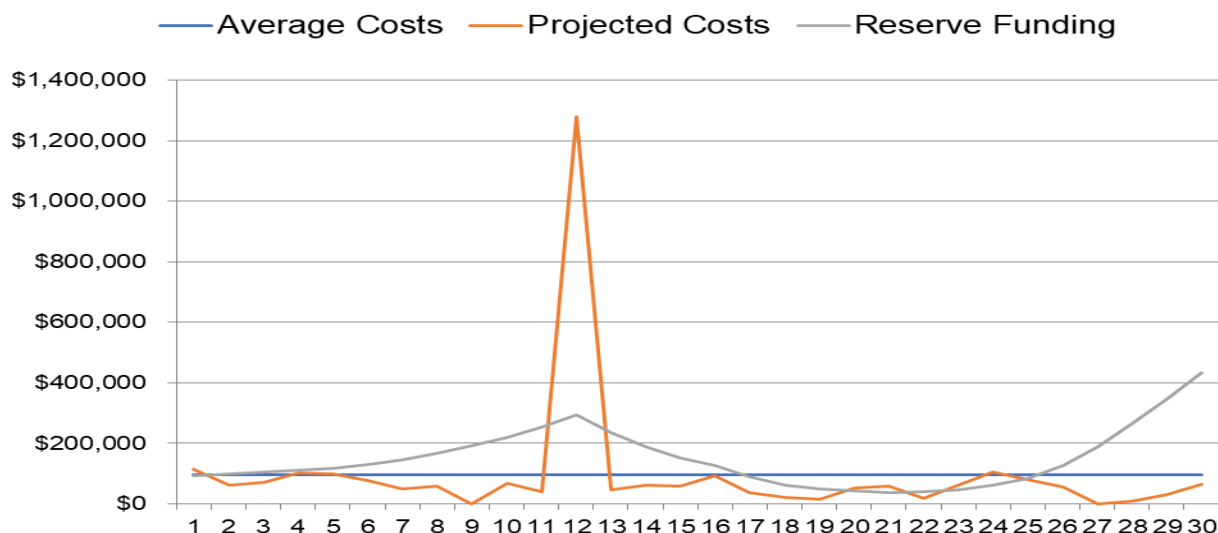
**Component Method:** Calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual Components (Examples are Straight Line or Fully Funding goals).

**Straight-Line Funding Goal:** A formula used to calculate the annual Reserve Fund contribution for a specific component (projected replacement cost divided by the useful life). You will need to reconcile your cash flow (annually) with your spending priorities or goals.

**Baseline Funding** establishes a spending goal of keeping the Reserve cash balance above zero. Keep in mind that you will also need to reconcile your cash flow (annually) with your spending priorities mainly because your Reserve balance can quickly drop to a negative balance.

**Threshold Funding** allows you to establish a goal that maintains a Reserve Balance above a specified dollar or "Percent Funded" amount. This goal is a flexible option that allows you to adjust your funding annually due to changes in your spending requirements.

The financial projections in this report are based on the Cashflow Method. The following chart will highlight your association costs and funding needs in the next 30 years (refer to Exhibits' E & F).



## Pro Forma Operating Budget (Exhibit B)

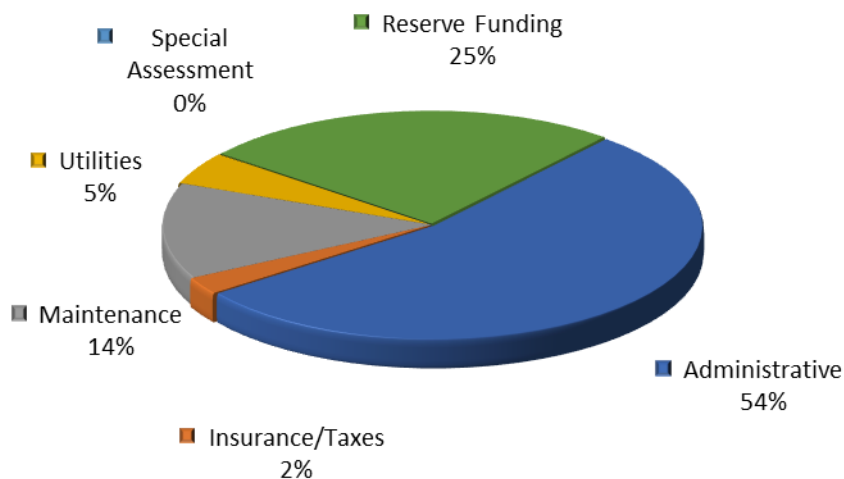
The **5 Year Pro Forma Operating Budget** (optional schedule) is an overview of the projected operating and reserve funding expenses. It is not intended to be substituted for your actual budget. This exhibit is designed as a planning tool to help you reconcile your operating expenses with reserve funding costs. The operating expenses in Exhibit B were obtained from your current budget and adjusted for inflation. A review of this Exhibit can also help to discover any potential cost savings over the next 5 years.

The following is a summary of your average costs (operating and reserve funding) over the next 5 years per Exhibit B. Annual updates are required to reconcile your projected revenue and expenses.

### Montage at Mission Hills HOA

### 5 Year Average

5 Year Pro Forma Budget	(\$ per year)	%
Report Date: 11/13/19 (final)		
Administrative	\$221,968	54%
Insurance/Taxes	\$10,276	2%
Maintenance	\$56,462	14%
Utilities	\$19,213	5%
Special Assessment	\$0	0%
Reserve Funding	\$105,392	25%
	<b>\$413,311</b>	<b>100%</b>



When reviewing your Operating Budget (Exhibit B), look for any expenses that are duplicated with the Inventory Component Schedule (Exhibit D) such as tree trimming and gate repairs. Also, keep in mind that if you plan on borrowing funds from the reserve account (to pay for operating expenses), you may want to review California Civil Code Section #5515 for specific requirements.

## 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 or painting. Both operating and reserve expenses are identified to highlight your spending requirements. The following is a brief scenario of how you can manage your cash flow in the next 5 years.

Develop a **5 Year Plan** with your specific goals, and spending priorities in mind. Review your operating costs (Exhibit B), and any remodel projects (Exhibit D). Exhibits' B, C, D, and E in this study can help you organized this task.

Establish a funding goal for the next five years. Determine your goal by reviewing which projects are important (based on priority). Refer to Exhibits' C, D, and E for specific details on any projected costs.

Organize your cash flow requirements in the next 5 years. Exhibits' C and E can help you plan your cash flow on projects requiring maintenance or replacement work. If necessary, you may need to consider a special assessment (if your cash requirements do not meet your projected expenses).

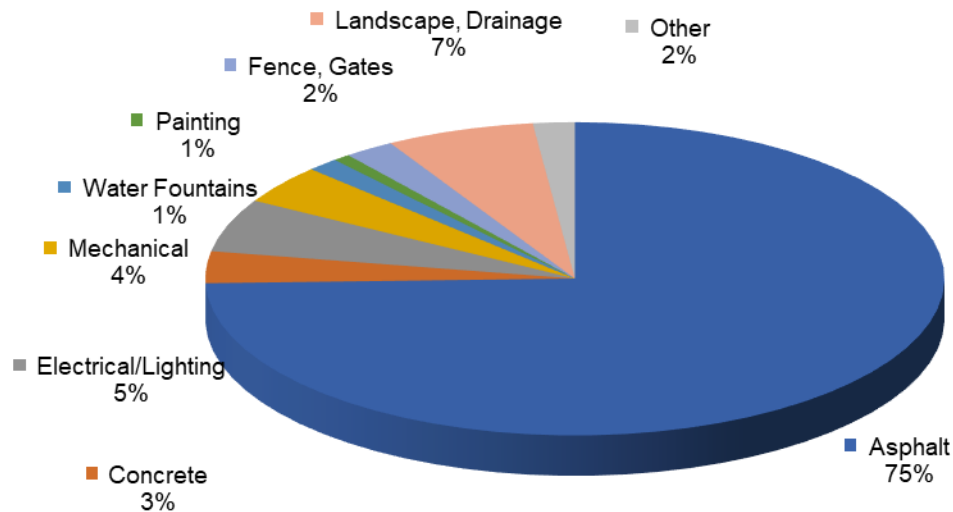
The following is a summary of your average projected cash flow in the next 5 years per Exhibits' C and E. Annual updates are required to reconcile your spending goals with projected costs.

<b>Montage at Mission Hills HOA</b>	<b>5 Year Average</b>
<b>5 Year Plan</b>	<b>(\$ per year)</b>
Report Date: 11/13/19 (final)	
<u>Potential Income</u>	
Regular Assessment	\$409,516
Special Assessment	\$0
Other Income	\$3,795
Totals (5 Year Average)	\$413,311
<u>Projected Expenses</u>	
Operating Costs	\$307,920
Reserve Contributions	\$105,392
Totals (5 Year Average)	\$413,311
<u>Assumptions</u>	
Projected Reserves	\$162,598
Special Assessment	\$0
Reserve Contributions	\$105,392
Reserve Expenditures	\$89,142
Inflation Rate	4%
Percent Funded	17%

## 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).

<b>Montage at Mission Hills HOA</b>	Replacement	Fully Funded	Percent
<b>Component Inventory Schedule</b>	<b>Cost</b>	<b>Reserves</b>	<b>%</b>
Report Date: 11/13/19 (final)	(Current)	(Ideal)	(% of cost)
Asphalt	\$1,024,420	\$567,657	75%
Concrete	\$45,000	\$36,000	3%
Electrical/Lighting	\$75,520	\$49,622	5%
Mechanical	\$55,400	\$35,824	4%
Water Fountains	\$19,020	\$12,328	1%
Painting	\$10,450	\$6,575	1%
Fence, Gates	\$30,200	\$17,506	2%
Landscape, Drainage	\$89,430	\$23,520	7%
Other	\$25,160	\$16,875	2%
Totals	\$1,374,600	\$765,907	100%
Current Cash Reserves		\$124,848	
Percent Funded (%)		16%	



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

This section will outline any projected reserve expenses (and funding contributions) over the next 30 years. 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 funding costs 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: 11/13/19 (final)

Accumulated Reserves	\$499,736
Reserve Contributions	\$150,530
Reserve Expenditures	\$96,478
Special Assessment	\$0
Inflation Rate (reserve expenditures)	2%
Reserve Funding (% increase per yr)	8%
Percent Funded	62%

### Property Overview (page 10)

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 23)

The **Maintenance Plan** will provide many useful recommendations (and cost-saving tips) for any components in the common areas where the owners are obligated to repair, replace, restore or maintain in the next 30 years. Helpful guidelines that will extend the useful life of your building components and improve the overall appearance (curb appeal) are also included. Maintenance should be proactive and not reactive. If necessary, your plan should include a directive to correct any priority issues in a timely manner such as street 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. A Maintenance Plan and your ability to implement important decisions will play a vital role to the success of your Association.

### Assumptions, Limiting Conditions and Exclusions

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds (not applicable in this report). The interest allowance in this study (if provided by client) is itemized in the operating budget (refer to Exhibit B). The assumed long-term inflation rate to be applied to major component repair and replacement costs is at 2% percent per year (refer to 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 is 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 in 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: Client can distribute copies to owners, potential buyers, mortgage lenders and accountants (as required by statutory requirements). If copies of this study are transmitted to any other person then client agrees to indemnify, defend and hold AssociationStudies.com harmless from any third-party claims.

This study is effective for one year (from the completion date of this report). This study should be reviewed, reconciled and updated on an annual basis 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, drainage, mold, sewer or slope failures.

## **Qualifications & Disclosure Requirements**

Association Studies, LLC 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 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 Standards of Practice of the National Association of Professional Reserve Analysts (APRA). A copy of these Standards 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 (financial update).

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

## Property Overview

### Montage at Mission Hills 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 of the operating and reserve funding expenses.
Date of Site Visit	6/29/19
Units / Homes	128
Year Built	2002 - 2004 (approximate dates)
Overall Condition Common Areas	The overall appearance and condition of the common areas are in good condition in relation to the age and the overall curb appeal. No construction defects, slope issues, geological or structural problems were reported or observed in the common areas. Each owner is responsible for their own maintenance (including paint, re-roofing, and fencing).
Parking	Enclosed garages (street parking available)
Topography	Mostly Level
Drainage	No surface drainage problems were observed or reported in the common areas. Please note that all drain channels should be inspected and cleared on a regular basis to prevent clogging 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	No major deferred maintenance was observed in the common areas. A good rule is to take quick steps to cure any deferred maintenance. Next, focus on preventative maintenance because 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

The following are definitions and terms approved by the National Association of Professional Reserve Analysts (APRA). This study will follow the Standards of Practice for a Professional Reserve Analyst (PRA). A copy of these Standards is available upon request.

1. Association: For the purposes of this document “Association” shall encompass Community Associations, schools, commercial buildings, mutual utility properties, worship facilities, and any other entity interested in the long-range planning for the maintenance and replacement of the major components.
2. Cash Flow Method - A method of calculating Reserve contributions where contributions to the Reserve Fund are designed to offset the variable annual expenditures from the Reserve Fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.
3. Component – or Reserve Component. An individual line item in the Reserve Study developed or updated in the Physical Analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by applicable statutes.
4. Component Assessment and Valuation - The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve Components. This task is accomplished either with or without onsite visual observations, based on Level of Service selected by the client.
5. Component Inventory - The task of selecting and quantifying Reserve Components. This task is accomplished through any of the following: onsite visual observations, review of Association design and organizational documents, review of a previous Reserve Study, review of established Association precedents.
6. Component Method - A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual Components.
7. Current Cost – A component’s current replacement cost as of the date of the financial analysis. Current cost may be less or greater than the total replacement cost depending on the defined replacement scope.
8. Deficit - An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.
9. Economic Life – the portion of the total life of a property up until the infrastructure is no longer economically viable to maintain and a significant reinvestment, rebuilding, or renovation is necessary.
10. Effective Age - The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some Components age irregularly. Used primarily in computation.
11. Extended Useful Life – Systems or Components generally designed to last the life of the community or for which the replacement cost would be economically impractical. Items generally excluded in this category include utility systems, building infrastructure, permanent structures, asphalt streets, swimming pools, tennis courts, etc.
12. Financial Analysis - The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived. The Financial Analysis is one of the two parts of a Reserve Study.

13. Full Study – Complete qualitative and quantitative study, includes site visit.
14. Fully Funded - 100% Funded. When the actual (or projected) Reserve Balance is equal to the Fully Funded Balance.
15. Fully Funded Balance (FFB) - Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve Balance can be compared. In essence, it is the Reserve Balance that is proportional to the current Repair/replacement cost and the fraction of life “used up”. This number is calculated for each Component, then summed together for an association total. Two formulae can be utilized, depending on the provider’s sensitivity to interest and inflation effects. Note: both yield identical results when interest and inflation are equivalent.
16. Funding Goals - Independent of Methodology utilized, the following represent the basic categories of Funding Plan goals.
  - 16.1. Baseline Funding - Establishing a Reserve Funding goal of keeping the Reserve cash balance above zero.
  - 16.2. Fully Funded - Setting a Reserve Funding goal of attaining and maintaining Reserves at or near 100% funded.
  - 16.3. Statutory Funding - Establishing a Reserve Funding Goal of setting aside the specific minimum amount of funds required by applicable statutes.
  - 16.4. Threshold Funding - Establishing a Reserve Funding goal of keeping the Reserve Balance above a specified dollar or Percent Funded amount. Depending on the threshold this may be more or less conservative than “Fully Funded”.
17. Funding Plan - An Association’s plan to provide income to a Reserve Fund to offset anticipated expenditures from that fund.
18. Inflated Expenditures - The combined annual expenditures for a given year inflated to reflect their estimated future replacement cost.
19. Inflationary Multiplier - The number multiplies by the annual expenditures to estimate the future replacement cost. If inflation was currently projected at 3%, the initial year multiplier would be 1.00, Next Year 1.03, Next year 1.061, etc.
20. Methodology - A statement which addresses the procedures and methods used to prepare a Reserve Study
21. Minimum Balance - A minimum Reserve Balance established by the client or recommended within the Financial Analysis.
22. Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
23. Physical Analysis - The portion of the Reserve Study where the Component Inventory and Component Assessment and Valuation adjustment tasks are performed. This represents one of the two parts of the Reserve Study.
24. Quantity - The total Quantity of each Component.
25. Readily Accessible - Can be reached, entered, or viewed without difficulty, moving obstructions, or requiring any action which may harm or endanger persons or property.



26. Remaining Useful Life (RUL) - Also referred to as Remaining Life (RL). The estimated time, in years, that a Reserve Component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have “zero” Remaining Useful Life.

27. Reserve Analyst – A person who prepares Reserve Studies.

28. Reserve Assessment - The portion of assessments contributed to the Reserve Fund.

29. Reserve Balance - Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major components which the Association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves.

30. Reserve Component – see Component.

31. Reserve Fund – Those funds set aside for the future repair, replacement, or restoration of the Reserve Components.

32. Reserve Study - A budgeting tool which identified the current status of the Reserve Fund and a stable and equitable Funding Plan to offset the anticipated future “major common area expenditures”. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis.

33. Site Visit – A visit to the common areas of the Association for the purposes of determining the Component Inventory and the Component Assessment and Valuation.

34. Special Assessment - An assessment levied on the members of an Association in addition to regular assessments. Special Assessments are often regulated by Governing Documents or applicable statutes.

35. Straight Line - A formula used to calculate the annual Reserve Fund contribution for a specific Component. Projected replacement cost divided by the Useful Life equals the annual payment.

36. Surplus - An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See “Deficit”.

37. Unit Cost - The cost of a Component. The Unit Cost is multiplied by the Component’s Quantity to obtain the total estimated replacement cost for the Component.

38. Unit of Measure - Refers to the method of measurement applied to a particular Component. The following are examples: 38.1. Square Feet, 38.2. Lineal Feet or Linear Feet, 38.3. Each, 38.4. Square Yards, 38.5. Lump Sum, 38.6. Squares

39. Update with Site Visit - Qualitative only update and review study, includes site visit.

40. Update without Site Visit – Financial only update study, does not include site visit.

41. Useful Life (UL) - Total Useful Life or Depreciable Life. The estimated time, in years, that a Reserve Component can be expected to serve its intended function in its present application or installation.

**Abbreviations provided in this Report:** SF = Square Feet, GSF= Ground SF Square = 100 square feet HVAC = Heating, Venting, Air Conditioning SY = Square Yards LF = Linear Feet HP = Horse Power BTU = British Thermal Units. Measures units / per hour for heating or cooling. A = Allowance provided by client, B = Budget allowance based on current cost estimates, C = Contingency Allowance, E = Excellent, G = Good, F = Fair, ULU = Useful life is Up H = Data obtained from property Historical Costs, PM = Preventative Maintenance, RMA = Remodel Allowance, RA = Repair Allowance, NS = Component not in service, U = Unknown condition, RN = Replacement work in progress, DM = Deferred Maintenance, N/A = Not Applicable, TBU = To Be Updated.

## California Civil Code Requirements

Current requirements for California Associations (updated 1/4/19): The following pages contain selected sections of the Davis-Stirling Act (California Civil Code sections 5300 through 5570) that will focus on financial reporting requirements including reserve funding and pro forma operating budgets. This summary is only a partial checklist. These codes are subject to change; for more details go to [www.condobook.com](http://www.condobook.com) or [www.leginfo.ca.gov](http://www.leginfo.ca.gov).

### 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."

(12) A copy of the completed "Charges For Documents Provided" disclosure identified in Section 4528. For purposes of this section, "completed" means that the "Fee for Document" section of the form individually identifies the costs associated with providing each document listed on the form.

(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.

*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.

#### **Quarterly Financial Review by Board (Section 5500)**

Unless the governing documents impose more stringent standards, the board shall do all of the following:

(a) Review, on a monthly basis, a current reconciliation of the association's operating accounts.

(b) Review, on a monthly basis, a current reconciliation of the association's reserve accounts.

(c) Review, on a monthly basis, the current year's actual operating revenues and expenses compared to the current year's budget.

(d) Review, on a monthly basis, the latest account statements prepared by the financial institutions where the association has its operating and reserve accounts.

(e) Review, on a monthly basis, an income and expense statement for the association's operating and reserve accounts.

(f) Review, on a monthly basis, the check register, monthly general ledger, and delinquent assessment receivable reports.

#### **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 (use of a special assessment or loan).*

#### **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 (use of a special assessment or loan).*

#### **Summary of Reserves (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.

Assessment and Reserve Funding Disclosure Summary for the Fiscal Year Ending \_\_\_\_\_

(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:
------------------------------	--	----------------------------

*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 the 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 <b>Exhibit H</b>	Refer to <b>Exhibit H</b>

*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 the 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 funded. 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 B), please contact us and we will 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.*

Note: 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 (per requirements of Sections 5300 & 5570).*

## **Maintenance Plan**

### **Montage at Mission Hills Homeowners' Association**

This Maintenance Plan will provide many useful recommendations (and cost-saving tips) for any components in the common areas where the owners are obligated to repair, replace, restore or maintain in the next 30 years. Helpful guidelines that will extend the useful life of your building components and improve the overall appearance (curb appeal) are also included. Maintenance should be proactive and not reactive. If necessary, your plan should include a directive 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. A Maintenance Plan and your ability to implement important decisions will play a vital role to the success of your Association.



**Maintenance is normally classified into three categories:**

- 1) Service Maintenance (lubricating, minor repairs)
- 2) Breakdown Maintenance (deferred maintenance)
- 3) Preventive Maintenance (long term 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 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 eventually the sub-base material will erode causing large holes (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 long term cost savings (time and money).



The **Montage at Mission Hills Homeowners' Association** should review the financial and maintenance requirements on a regular basis (refer to Exhibits D and E for more details). Each Association will have different maintenance requirements mainly because of the age, condition and goals (curb appeal). Your maintenance plan should include a need to correct any priority issues (deferred maintenance), and how resources will be allocated to cover these costs. Once deferred maintenance is completed, you can focus more on preventative maintenance and curb appeal.

The following summary will highlight your reserve funding projections (and expenditures) provided in this study for the next 30 years (in 10-year increments). Knowledge of these costs will help you to plan and allocate resources to cover these projections.

<b>Montage at Mission Hills HOA</b>	<b>10 Year</b>	<b>20 Year</b>	<b>30 Year</b>
30 Year Projections	Years 1 - 10	Years 11 - 20	Years 21 - 30
	(average per year)	(average per year)	(average per year)
Report Date: 11/13/19 (final)			
Accumulated Reserves	\$265,719	\$505,029	\$728,459
Reserve Contributions	\$138,280	\$149,935	\$163,376
Reserve Expenditures	\$70,466	\$170,573	\$48,396
Special Assessment	\$0	\$0	\$0
Inflation Rate	2%	2%	2%
Percent Funded	28%	86%	73%

### Assumptions, Limiting Conditions and Exclusions

Replacement or repair allowances provided in this report are based on Construction Industry Standards (labor and materials) and adjusted per 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. This 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 to reconcile your actual costs with projected expenses. An annual review could lower your costs and avoid any unwanted special assessments.

This 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 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.



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 \$.15 to \$.40 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 material. Seal coating is only pennies per square foot compared to expensive asphalt repairs or replacement costs.

About once every 20 years (more or less) there will be a need for **asphalt overlay or replacement work**. Asphalt repair work will be needed on a more frequent schedule. The frequency for repairs is ongoing and will depend on weather conditions, usage and regular seal work. Street potholes 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 (and for large trucks). Good maintenance will improve the overall appearance and curb appeal. 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](http://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. The exclusive areas (homes) are maintained by the property owners. 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. 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. Other methods include a percentage allocation (replacement percentage) or a per square foot repair allowance. 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.

**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 \$10.00 - \$30.00 per square foot (depends on the quantity) for concrete replacement work. The usable life for Portland Cement (concrete) is difficult to predict because of many variable factors such as: thickness, climate, usage, tree root damage, ground movements and quality of the cement mix. You can expect a useable life of 50 (or more years) for most sidewalks, curbing and driveways. For more on concrete products, education and technical information go to: [www.ascconline.org](http://www.ascconline.org) (American Society of Concrete Contractors is a non-profit Organization).

## Electrical and Lighting Maintenance

An allowance is provided for replacement of any **light fixtures and ballasts** in the common areas. 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. If necessary, you may want to work with a consultant to assist you with energy efficient lighting on your next remodel project.

When replacing **exterior light fixtures**, you may want to include safety and energy efficient specifications. Choosing the right type of light fixtures may require professional assistance. People need to have adequate exterior lighting for safety reasons and to be aware if someone is approaching. Avoid the installation of lights that produce “glare” (strong light beam) 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.plug-in.org](http://www.plug-in.org), the National Lighting Bureau at [www.nlb.org](http://www.nlb.org) or the Association of Energy Engineers at [www.aeecenter.org](http://www.aeecenter.org).



A **contingency allowance** is also provided to assist with some of the **electrical wiring, circuit breakers, and lighting repairs** in the common areas. Electrical repairs (or replacement) may include some of the following: circuit breakers, switchgear, low voltage transformers, meters, timers, power inverter equipment, solar cells and building or 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. You can increase this allowance as the property matures and your costs are escalating. For more resource information, you contact the National Electrical Contractors Association at [www.necanet.org](http://www.necanet.org) and the US National Electrical Code which is published by the National Fire Protection Association at [www.nfpa.org](http://www.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.



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 expenses might be included in the operating budget. Components may include guide rollers, wheels, chains, tracks, worm gears, hinges, electronic sensors, 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. For more information about gate operators you can contact [www.EliteAccess.com](http://www.EliteAccess.com), [www.SentexSystems.com](http://www.SentexSystems.com), [www.doorking.com](http://www.doorking.com), [www.rytecdoors.com](http://www.rytecdoors.com) and [www.bestrollup.com](http://www.bestrollup.com) .



The replacement allowance of the front entrance **Intercom** includes, 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 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 intercoms you can contact [www.EliteAccess.com](http://www.EliteAccess.com), [www.SentexSystems.com](http://www.SentexSystems.com), [www.doorking.com](http://www.doorking.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 in your Operating Budget. Please contact us if you have any historical expenses for this feature. Adjustments for this study can be made to meet your specific needs.



Good maintenance and balanced water chemicals are very critical for the overall life and appearance and curb appeal. 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. For more information on outdoor Water Features with contemporary look, go to [www.hayneedle.com/outdoor/fountains](http://www.hayneedle.com/outdoor/fountains). Hayneedle specializes in contemporary outdoor furniture, furnishings, fountains, lighting, and artwork.

## Paint Maintenance

The paint allowance provided in this study includes surface preparation work and primer coats for the common areas. The exclusive areas (homes) are maintained by the property owners. Please contact us if you have any recent painting bids. Adjustments for this study can be made 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). The costs will mainly depend on the size of the job, surface preparation work, quality of paint and the number of coats (including primer).





The recommended painting schedule for **masonry paint** is about once every 10 to 15 years. Paint will help to seal any cracks and can prevent moisture penetration issues that can cause mildew or mold. Masonry paint estimates are about \$1.00 and up per square foot (materials + labor for two coats). Before masonry surface is painted, you should pressure wash the surface areas in order to remove any dirt, grease and grime.



## **Fence, Gates, Railing Maintenance**

The replacement allowance in this study includes any fencing 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 gate** replacement work can be completed on an as-needed basis to any rusted or damaged sections. 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 most metal fencing is currently at \$10 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](http://www.anodizing.org).



There will be a need for occasional repairs for any **masonry walls (or retaining walls)** 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. 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 water conservation.

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 \$5 per square foot (and up) depending on your choice of planting and quantity of work. The landscape improvements can be done on an as needed basis depending on your budget and preferences. You can check with your landscaper for recommendations or visit [www.landscapeprofessionals.org](http://www.landscapeprofessionals.org), the National Association of Landscape Professionals, a non-profit organization with helpful educational resources.





The **Montage at Mission Hills Association** has a Smart Controller system that will reconcile weather data and plant type (will automatically adjust watering times and frequency). This system provides more efficient water usage, reduces water run-off and improves the health of the landscape. This new controller system can potentially save 30% or more on landscape water usage. For more details on smart irrigation controllers go to: [www.etwater.com](http://www.etwater.com).



**Tree trimming** is normally provided in the operating budget because the costs are based on historical expenses. The exclusive areas (trees near homes) are maintained by the 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](http://www.treecareindustry.org). Established in 1938, TCIA is a trade association for approximately 2,000 commercial tree care firms and affiliated companies.





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 to assist with flooding problems. There was no forensic testing or probing of any storm drainage when the site visit was conducted.



A **backflow** is a plumbing fixture used to protect potable water supplies from contamination or pollution due to a back-up (water back-up in the pipe). The supply of water is normally maintained at a significant pressure to enable an adequate water flow from the tap, shower, etc. When pressure fails (or is reduced when a water main bursts) there is an unexpectedly high demand on the water system. The reduced pressure in the pipe may allow contaminated water from the ground, from storage or from other sources to be drawn up into the system. Backflows should be checked and maintained annually by a certified plumber that is familiar with backflow maintenance.



## Other Components, Contingency

The **contingency allowance** is recommended for any unexpected expenses such as construction defects, geological surveys, consulting, slope repairs, furniture and any other miscellaneous expenses. 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. You can increase this allowance as the property matures and your costs are escalating.

A replacement allowance is provided for any **mailboxes** in the common areas. The replacement can be done on an as needed basis. The estimated useful life is about 15 or more years (will depend on the quality, gauge and type of metal). Your neighborhood locksmith can provide minor repairs to the doors and locks (if required). For more information about mailbox replacement estimates you can contact [www.mailboxes.com](http://www.mailboxes.com), [www.letterlocker.com](http://www.letterlocker.com) or [www.whitehallproducts.com](http://www.whitehallproducts.com). Whitehall Products specializes in custom made address signs and mailboxes.



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



# Reserve Funding Assumptions

## Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

### Current Findings:

Total Members (units, homes)	128	
Current Cash Reserves	\$124,848	as of 10/31/19
Fully Funded Reserves (100%)	\$765,907	
Percent Funded	16%	

Reserve Funding (next fiscal yr):	Amount	Per Unit / Month	
Reserve Funding (per yr)	\$93,480	\$61	Threshold Funding
Add: Special Assessment	\$0	\$0	
Percent Funded	12%		

### Funding Assumptions (next fiscal yr):

Projected Reserves (start of fiscal year)	\$124,848
Add: Special Assessment	\$0
Add: Reserve Funding	\$93,480
Less: Reserve Expenditures	\$114,730
= Projected Reserves (at year end)	\$103,598
Fully Funded Reserves	\$839,798
Percent Funded	12%

Reserve Funding Options (1st year)	Per Unit / Month	Per Unit / Year	Amount	Percent Funded	Yr End Reserves
Fully Funded Reserves (100%)	\$540	\$6,482	\$829,680	100%	\$839,798
Threshold Funding (75%)	\$403	\$4,842	\$619,730	75%	\$629,848
Threshold Funding (50%)	\$267	\$3,201	\$409,781	50%	\$419,899
Threshold Funding (current budget)	\$58	\$696	\$89,029	12%	\$99,147
Straight Line Funding	\$68	\$821	\$105,110	14%	\$115,228
Cash Flow Method (5 Year Average)	\$58	\$696	\$89,142	12%	\$99,260
Cashflow Method (30 Year Average)	\$49	\$589	\$75,417	10%	\$85,535

### Assumptions

Reserve fund balance provided by the Montage at Mission Hills HOA (per association email dated 11/12/19).

Fully Funded Reserves is based on 100% Funding in the 1st year.

Cash Flow Method provides a contribution allowance for projected spending while maintaining reserves above zero.

Threshold Funding Goal allows you to establish the Reserve Balance above a specified amount or Percent Funded.

Straight Line Funding Goal: Replacement Cost divided by the Useful Life of the Component.

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: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Current Budget 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Annual Increase	Remarks Source/Code
								(% per Yr)	
<b>Potential Income</b>									
2001	Regular Assessment	\$368,640	\$380,956	\$394,654	\$408,921	\$423,782	\$439,268	4%	P
2002	Special Assessment	\$0	\$0	\$0	\$0	\$0	\$0		N/B
2003	Interest Income	\$2,381	\$2,381	\$2,381	\$2,381	\$2,381	\$2,381	0%	H/C
2004	Collection Reimbursement	\$300	\$300	\$300	\$300	\$300	\$300	0%	H/C
2005	Assessment Violations	\$200	\$200	\$200	\$200	\$200	\$200	0%	H/C
2006	Late Assessment	\$720	\$720	\$720	\$720	\$720	\$720	0%	H/C
2007	Admin Fee L/C	\$144	\$144	\$144	\$144	\$144	\$144	0%	H/C
2008	Bank Charges	\$50	\$50	\$50	\$50	\$50	\$50	0%	H/C
Total Potential Income		<b>\$372,435</b>	<b>\$384,751</b>	<b>\$398,449</b>	<b>\$412,716</b>	<b>\$427,577</b>	<b>\$443,063</b>	4%	P
<b>Administrative Expenses</b>									
4001	Licenses	\$250	\$258	\$265	\$273	\$281	\$290	3%	H/C
4002	Reserve Study	\$450	\$464	\$477	\$492	\$506	\$522	3%	H/C
4003	Professional Fee	\$1,600	\$1,648	\$1,697	\$1,748	\$1,801	\$1,855	3%	H/C
4004	Audit	\$1,450	\$1,494	\$1,538	\$1,584	\$1,632	\$1,681	3%	H/C
4005	Legal	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	\$11,593	3%	H/C
4006	Assessment Collection Fee	\$300	\$309	\$318	\$328	\$338	\$348	3%	H/C
4007	CAI Membership	\$660	\$680	\$700	\$721	\$743	\$765	3%	H/C
4008	Meeting & Board Expense	\$500	\$515	\$530	\$546	\$563	\$580	3%	H/C
4009	Mission Hills Social Membership	\$148,992	\$153,462	\$158,066	\$162,808	\$167,692	\$172,723	3%	H/C
4010	PPM Late Admin Fee	\$144	\$144	\$144	\$144	\$144	\$144	0%	H/C
4011	Management Services	\$30,744	\$31,666	\$32,616	\$33,595	\$34,603	\$35,641	3%	H/C
4005	Year End Closing	\$620	\$620	\$620	\$620	\$620	\$620	0%	H/C
4006	Printing/Postage	\$4,860	\$5,006	\$5,156	\$5,311	\$5,470	\$5,634	3%	H/C
4007	Bank Charges	\$50	\$52	\$53	\$55	\$56	\$58	3%	H/C
4008	Miscellaneous Contingency	\$2,625	\$2,625	\$2,625	\$2,625	\$2,625	\$2,625	0%	H/C
<b>Insurance &amp; Taxes</b>									
5001	Insurance	\$9,259	\$9,537	\$9,823	\$10,118	\$10,421	\$10,734	3%	H/C
5002	Franchise Tax	\$60	\$60	\$60	\$60	\$60	\$60	0%	H/C
5003	State Required Forms	\$90	\$90	\$90	\$90	\$90	\$90	0%	H/C
<b>Maintenance</b>									
6001	Landscape Contract	\$18,960	\$19,339	\$19,726	\$20,121	\$20,523	\$20,933	2%	H/C
6002	Landscape Extras	\$800	\$816	\$832	\$849	\$866	\$883	2%	H/C



## 5 Year Pro Forma Budget

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Current Budget 2019	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Annual Increase	Remarks Source/Code
6003	Sprinkler Maintenance	\$1,900	\$1,938	\$1,977	\$2,016	\$2,057	\$2,098	2%	H/C
6004	Tree Trimming	\$6,915	\$7,053	\$7,194	\$7,338	\$7,485	\$7,635	2%	H/C
6005	Seed/Scalp/Fertilizer	\$35	\$36	\$36	\$37	\$38	\$39	2%	H/C
6006	New Plants	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H/C
6007	Contract Maintenance	\$2,400	\$2,448	\$2,497	\$2,547	\$2,598	\$2,650	2%	H/C
6008	Equipment Repair	\$500	\$510	\$520	\$531	\$541	\$552	2%	H/C
6009	Grounds Misc.	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	\$1,104	2%	H/C
6010	Street Sweeping	\$4,680	\$4,774	\$4,869	\$4,966	\$5,066	\$5,167	2%	H/C
6011	Holiday Décor (new 10/19/070	\$2,680	\$2,734	\$2,788	\$2,844	\$2,901	\$2,959	2%	H/C
6012	Electrical/Lighting/Relamping	\$6,940	\$7,079	\$7,220	\$7,365	\$7,512	\$7,662	2%	H/C
6013	Pest Control	\$2,275	\$2,321	\$2,367	\$2,414	\$2,463	\$2,512	2%	H/C
6014	Gate Metal/Motor/Arm Repairs	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	\$3,312	2%	H/C
6015	Gate Phone Repair	\$100	\$102	\$104	\$106	\$108	\$110	2%	H/C
<b>Utilities</b>									
7001	Electricity	\$10,612	\$10,930	\$11,258	\$11,596	\$11,944	\$12,302	3%	H/C
7002	Mailbox Lighting Electricity	\$136	\$140	\$144	\$149	\$153	\$158	3%	H/C
7003	Gate Telephone	\$1,778	\$1,831	\$1,886	\$1,943	\$2,001	\$2,061	3%	H/C
7004	Water	\$5,041	\$5,192	\$5,348	\$5,508	\$5,674	\$5,844	3%	H/C
<b>Reserve Contributions</b>		\$89,029	\$93,480	\$99,089	\$105,035	\$111,337	\$118,017	6%	Exhibit C & E
<b>Total Expenses</b>		<b>\$372,435</b>	<b>\$384,751</b>	<b>\$398,449</b>	<b>\$412,716</b>	<b>\$427,577</b>	<b>\$443,063</b>	4%	P
Net Operating Income		\$0	\$0	\$0	\$0	\$0	\$0		

#### Source Code:

HC = Historical Costs, PC = Projected Costs, NB = No Budget Provided, CR = Per Client Requirements, RC = Reconcile with Reserves  
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: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

	Year 1	Year 2	Year 3	Year 4	Year 5	Annual Increase
	2020	2021	2022	2023	2024	(% per Yr)

#### Potential Income

Regular Assessment	\$380,956	\$394,654	\$408,921	\$423,782	\$439,268	4%
Special Assessment	\$0	\$0	\$0	\$0	\$0	
Other Income	\$3,795	\$3,795	\$3,795	\$3,795	\$3,795	0%
Total Income	\$384,751	\$398,449	\$412,716	\$427,577	\$443,063	4%

#### Projected Expenses

Administrative	\$209,241	\$215,416	\$221,777	\$228,329	\$235,077	3%
Insurance/Taxes	\$9,687	\$9,973	\$10,268	\$10,571	\$10,884	3%
Maintenance	\$54,249	\$55,334	\$56,440	\$57,569	\$58,721	2%
Utilities	\$18,094	\$18,637	\$19,196	\$19,772	\$20,365	3%
Reserve Contributions	\$93,480	\$99,089	\$105,035	\$111,337	\$118,017	6%
Total Expenses	\$384,751	\$398,449	\$412,716	\$427,577	\$443,063	4%

#### Percent Funded (%)

Accumulated Reserves	\$124,848	\$103,598	\$142,293	\$175,165	\$185,836	10%
Add: Special Assessment	\$0	\$0	\$0	\$0	\$0	
Add: Reserve Contributions	\$93,480	\$99,089	\$105,035	\$111,337	\$118,017	6%
Less: Reserve Expenditures	\$114,730	\$60,395	\$72,162	\$100,666	\$97,755	-5%
Cash Flow / Year End Reserves	<b>\$103,598</b>	<b>\$142,293</b>	<b>\$175,165</b>	<b>\$185,836</b>	<b>\$206,097</b>	<b>16%</b>
Fully Funded Reserves (Ideal Reserves)	\$839,798	\$896,199	\$964,064	\$1,023,515	\$1,057,356	6%
Percent Funded (%)	12%	16%	18%	18%	19%	11%

#### Cost Per Unit

Total Operating Exp & Reserves	\$384,751	\$398,449	\$412,716	\$427,577	\$443,063	4%
Less: Other Income	-\$3,795	-\$3,795	-\$3,795	-\$3,795	-\$3,795	0%
Total Exp (less other income)	\$380,956	\$394,654	\$408,921	\$423,782	\$439,268	4%
Number of Units / Members	128	128	128	128	128	n/a
\$ Per Unit / Month	\$250	\$259	\$269	\$278	\$288	4%
\$ Per Unit (less other income)	\$248	\$257	\$266	\$276	\$286	4%

#### Assumptions

Average Inflation Rate Operating Expenses	3%
Average Reserve Funding (% increase per yr)	6%
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

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Quantity	Allowance	Cost	Start Date	Useful	Remaining	Source	Condition	Current	Fully Funded	Remarks
		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement	Reserves	
										Cost	(Current)	
<b>Asphalt</b>												
101	Asphalt Seal/Stripe Allowance	198,680	SF	\$0.136	2019	5	5	A/C	RN	\$27,020	\$0	AMS Paving Inc
102	Asphalt Repair Allowance	1	allowance	\$4,000	2019	5	5	H/C	AN	\$4,000	\$0	
103	Asphalt Replacement Allowance	198,680	SF	\$5.00	2003	28	12	A/C	AN	\$993,400	\$567,657	
<b>Concrete</b>												
201	Concrete Entrance - G. Ford & Da Vall	2	allowance	\$10,000	as needed	20	4	H/C	fair	\$20,000	\$16,000	clean, seal & repair allowance
202	Concrete Street Curbs/Apron	5	streets	\$5,000	as needed	20	4	CA	AN	\$25,000	\$20,000	repair allowance
<b>Electrical/Lighting</b>												
301	Palm Tree Lighting (1st Phase)	15	lights	\$1,000	2020	10	1	A/C	PS	\$15,000	\$13,500	
302	Palm Tree Lighting (2nd Phase)	10	lights	\$1,000	2021	10	2	A/C	PS	\$10,000	\$8,000	
303	Palm Tree Lighting (3rd Phase)	10	lights	\$1,000	2022	10	3	A/C	PS	\$10,000	\$7,000	
304	Palm Tree Lighting (4th Phase)	10	lights	\$1,000	2023	10	4	A/C	PS	\$10,000	\$6,000	
305	Palm Tree Lighting (5th Phase)	10	lights	\$1,000	2024	10	5	A/C	PS	\$10,000	\$5,000	
306	Palm Tree Lighting (6th Phase)	9	lights	\$1,000	2025	10	6	A/C	PS	\$9,000	\$3,600	
307	Battery Backup DV (gate operators)	2	allowance	\$760	2019	5	5	H/C	AN	\$1,520	\$0	
308	Electrical Meter Contingency Allowance	1	allowance	\$10,000	2004	23	8	CA	AN	\$10,000	\$6,522	circuit panels, wiring, timers
<b>Mechanical</b>												
401	Gate Operators Gerald Ford (entrance)	2	allowance	\$4,500	2015	14	10	A/C	AN	\$9,000	\$2,571	
402	Gate Operators Gerald Ford (exit)	2	allowance	\$4,500	2004	16	1	A/C	AN	\$9,000	\$8,438	
403	Gate Operators Da Valle Rd (entrance)	2	allowance	\$4,500	2004	15	0	A/C	AN	\$9,000	\$9,000	
404	Gate Operators Da Valle Rd (exit)	2	allowance	\$4,500	2004	16	1	A/C	AN	\$9,000	\$8,438	
405	Gate Sensors/Loop Systems (G Ford)	2	allowance	\$2,850	2019	6	5	H/C	AN	\$5,700	\$950	

## Component Inventory Schedule

### Montage at Mission Hills HOA

										Current	Fully Funded	Remarks
Report Date: 11/13/19 (final)		Quantity	Allowance	Cost	Start Date	Useful	Remaining	Source	Condition	Replacement	Reserves	
Fiscal Year: 1/01/20 - 12/31/20		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Cost	(Current)	
406	Gate Sensors/Loop Systems (Da Vall)	2	allowance	\$2,850	2014	6	0	H/C	AN	\$5,700	\$5,700	
407	Intercom Gerald Ford Dr	1	allowance	\$4,000	2018	11	10	H/C	AN	\$4,000	\$364	
408	Intercom Da Valle Rd	1	allowance	\$4,000	2018	11	10	H/C	AN	\$4,000	\$364	
<b>Water Fountains</b>												
501	Water Fountain Pumps Gerald Ford	4	allowance	\$865	2015	5	0	H/C	AN	\$3,460	\$3,460	
502	Water Fountain Pumps Da Vall	4	allowance	\$865	2016	5	1	H/C	AN	\$3,460	\$2,768	
503	Water Fountain Filters Gerald Ford	1	allowance	\$1,050	2008	11	0	H/C	AN	\$1,050	\$1,050	
504	Water Fountain Filters Da Vall	1	allowance	\$1,050	2008	11	0	H/C	AN	\$1,050	\$1,050	
505	Water Fountains Resurface Allowance	2	allowance	\$5,000	2015	10	6	B/C	AN	\$10,000	\$4,000	resurface allowance
<b>Painting</b>												
601	Paint Metal Gates	1	allowance	\$2,300	2019	3	2	H/C	good	\$2,300	\$767	
602	Paint Block Walls	2,860	LF	\$1.94	2011	9	1	H/C	AN	\$5,550	\$4,933	
603	Paint Entrance/corner Monument Signs	1	allowance	\$1,750	2018	4	2	H/C	AN	\$1,750	\$875	
604	Refurbish Mailboxes	1	allowance	\$850	2019	6	6	H/C	AN	\$850	\$0	
<b>Fence, Gates</b>												
701	Entrance Gates Replace (Vehicle)	5	allowance	\$5,000	2002	31	14	B/C	good	\$25,000	\$13,710	
702	Entrance Gates (Pedestrian)	2	allowance	\$850	2002	29	12	B/C	good	\$1,700	\$997	
703	Block Wall Repair Allowance	1	allowance	\$3,500	as needed	5	1	CA	AN	\$3,500	\$2,800	repair allowance
<b>Landscape, Drainage</b>												
801	Irrigation Timer Gerald Ford	1	allowance	\$715	2017	11	9	H/C	AN	\$715	\$130	
802	Irrigation Timer Da Vall	1	allowance	\$715	2015	11	7	H/C	AN	\$715	\$260	
803	Backflow Maintenance/Replace	Maintained by CVWD (Public Utility District)										

## Component Inventory Schedule

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)		Quantity	Allowance	Cost	Start Date	Useful	Remaining	Source	Condition	Current	Fully Funded	Remarks
Fiscal Year: 1/01/20 - 12/31/20		Units	Code	Per Unit	(Life Cycle)	Life	Life	Code	Code	Replacement	Reserves	
										Cost	(Current)	
804	Palm Trees Replacement (next 8 years)	1	allowance	\$38,000	10 yr plan	1	1	A/C	PS	\$38,000	\$0	proposed next 8 yrs
805	Landscape Remodel Allowance	1	allowance	\$20,000	as needed	10	3	A/C	AN	\$20,000	\$14,000	
806	Residential Homes Drainage, Sewer	Maintained by residential property owner (exclusive use area)										
807	Drainage Retention Basin (new drywell)	1	allowance	\$30,000	2012	23	16	H/C	AN	\$30,000	\$9,130	contingency allowance
<b>Other</b>												
901	Contingency Allowance	Refer to Operating Budget (ongoing maintenance)										
902	Mailboxes Replace	8	locations	\$1,370	2002	17	0	A/C	AN	\$10,960	\$10,960	
903	Termite Infestation	Maintained by residential property owner (exclusive use area)										
904	Street Signs Replace	1	allowance	\$8,200	2018	15	14	H/C	good	\$8,200	\$547	
905	Entrance/Corner Signage	5	allowance	\$1,200	2002	19	2	CA	AN	\$6,000	\$5,368	contingency allowance
<b>Totals</b>										\$1,374,600	\$765,907	
										Current Cash Reserves	\$124,848	
										Percent Funded (%)	16%	

#### 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

CA: 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: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029
<b>Asphalt</b>															
101	Asphalt Seal/Stripe Allowance	5	5	10	\$27,020					27,020					27,020
102	Asphalt Repair Allowance	5	5	10	\$4,000					4,000					4,000
103	Asphalt Replacement Allowance	28	12	40	\$993,400										
<b>Concrete</b>															
201	Concrete Entrance - G. Ford & Da Vall	20	4	24	\$20,000				20,000						
202	Concrete Street Curbs/Apron	20	4	24	\$25,000				25,000						
<b>Electrical/Lighting</b>															
301	Palm Tree Lighting (1st Phase)	10	1	11	\$15,000	15,000									
302	Palm Tree Lighting (2nd Phase)	10	2	12	\$10,000		10,000								
303	Palm Tree Lighting (3rd Phase)	10	3	13	\$10,000			10,000							
304	Palm Tree Lighting (4th Phase)	10	4	14	\$10,000				10,000						
305	Palm Tree Lighting (5th Phase)	10	5	15	\$10,000					10,000					
306	Palm Tree Lighting (6th Phase)	10	6	16	\$9,000						9,000				
307	Battery Backup DV (gate operators)	5	5	10	\$1,520					1,520					1,520
308	Electrical Meter Contingency Allowance	23	8	31	\$10,000								10,000		
<b>Mechanical</b>															
401	Gate Operators Gerald Ford (entrance)	14	10	24	\$9,000										9,000
402	Gate Operators Gerald Ford (exit)	16	1	17	\$9,000	9,000									
403	Gate Operators Da Valle Rd (entrance)	15	0	15	\$9,000	9,000									
404	Gate Operators Da Valle Rd (exit)	16	1	17	\$9,000	9,000									
405	Gate Sensors/Loop Systems (G Ford)	6	5	11	\$5,700					5,700					
406	Gate Sensors/Loop Systems (Da Vall)	6	0	6	\$5,700	5,700						5,700			
407	Intercom Gerald Ford Dr	11	10	21	\$4,000										4,000
408	Intercom Da Valle Rd	11	10	21	\$4,000										4,000

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029
<b>Water Fountains</b>															
501	Water Fountain Pumps Gerald Ford	5	0	5	\$3,460	3,460					3,460				
502	Water Fountain Pumps Da Vall	5	1	6	\$3,460	3,460					3,460				
503	Water Fountain Filters Gerald Ford	11	0	11	\$1,050	1,050									
504	Water Fountain Filters Da Vall	11	0	11	\$1,050	1,050									
505	Water Fountains Resurface Allowance	10	6	16	\$10,000						10,000				
<b>Painting</b>															
601	Paint Metal Gates	3	2	5	\$2,300		2,300			2,300			2,300		
602	Paint Block Walls	9	1	10	\$5,550	5,550									5,550
603	Paint Entrance/corner Monument Signs	4	2	6	\$1,750		1,750				1,750				1,750
604	Refurbish Mailboxes	6	6	12	\$850						850				
<b>Fence, Gates</b>															
701	Entrance Gates Replace (Vehicle)	31	14	45	\$25,000										
702	Entrance Gates (Pedestrian)	29	12	41	\$1,700										
703	Block Wall Repair Allowance	5	1	6	\$3,500	3,500					3,500				
<b>Landscape, Drainage</b>															
801	Irrigation Timer Gerald Ford	11	9	20	\$715									715	
802	Irrigation Timer Da Vall	11	7	18	\$715							715			
803	Backflow Maintenance/Replace	Maintained by CVWD (Public Utility District)													
804	Palm Trees Replacement (next 8 years)	1	1	2	\$38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000		
805	Landscape Remodel Allowance	10	3	13	\$20,000			20,000							
806	Residential Homes Drainage, Sewer	Maintained by residential property owner (exclusive use area)													
807	Drainage Retention Basin (new drywell)	23	16	39	\$30,000										
<b>Other</b>															
901	Contingency Allowance	Refer to Operating Budget (ongoing maintenance)													

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 1 2020	Year 2 2021	Year 3 2022	Year 4 2023	Year 5 2024	Year 6 2025	Year 7 2026	Year 8 2027	Year 9 2028	Year 10 2029
902 Mailboxes Replace	17	0	17	\$10,960	10,960									
903 Termite Infestation	Maintained by residential property owner (exclusive use area)													
904 Street Signs Replace	15	14	29	\$8,200										
905 Entrance/Corner Signage	19	2	21	\$6,000		6,000								
Totals				\$1,374,600	\$114,730	\$58,050	\$68,000	\$93,000	\$88,540	\$70,020	\$44,415	\$50,300	\$715	\$56,840

### Funding Assumptions

Current Cash Reserves	as of 10/31/19			\$124,848										
Accumulated Reserves				\$124,848	\$103,598	\$142,293	\$175,165	\$185,836	\$206,097	\$257,062	\$351,440	\$459,712	\$651,145	
Add: Special Assessment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions				\$93,480	\$99,089	\$105,035	\$111,337	\$118,017	\$129,819	\$145,397	\$167,206	\$192,287	\$221,130	
Less: Reserve Expenditures	2.0%	inflation rate		\$114,730	\$60,395	\$72,162	\$100,666	\$97,755	\$78,854	\$51,019	\$58,934	\$854	\$69,288	
Cash Flow / Year End Reserves				\$103,598	\$142,293	\$175,165	\$185,836	\$206,097	\$257,062	\$351,440	\$459,712	\$651,145	\$802,987	
Fully Funded Reserves (Ideal Reserves)				\$839,798	\$896,199	\$964,064	\$1,023,515	\$1,057,356	\$1,093,267	\$1,152,868	\$1,253,718	\$1,298,882	\$1,405,796	
Percent Funded (%)				12%	16%	18%	18%	19%	24%	30%	37%	50%	57%	

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 11 2030	Year 12 2031	Year 13 2032	Year 14 2033	Year 15 2034	Year 16 2035	Year 17 2036	Year 18 2037	Year 19 2038	Year 20 2039
<b>Asphalt</b>														
101 Asphalt Seal/Stripe Allowance	5	5	10	\$27,020					27,020					27,020
102 Asphalt Repair Allowance	5	5	10	\$4,000					4,000					4,000
103 Asphalt Replacement Allowance	28	12	40	\$993,400		993,400								
<b>Concrete</b>														
201 Concrete Entrance - G. Ford & Da Vall	20	4	24	\$20,000										
202 Concrete Street Curbs/Apron	20	4	24	\$25,000										
<b>Electrical/Lighting</b>														
301 Palm Tree Lighting (1st Phase)	10	1	11	\$15,000	15,000									
302 Palm Tree Lighting (2nd Phase)	10	2	12	\$10,000		10,000								
303 Palm Tree Lighting (3rd Phase)	10	3	13	\$10,000			10,000							
304 Palm Tree Lighting (4th Phase)	10	4	14	\$10,000				10,000						
305 Palm Tree Lighting (5th Phase)	10	5	15	\$10,000					10,000					
306 Palm Tree Lighting (6th Phase)	10	6	16	\$9,000						9,000				
307 Battery Backup DV (gate operators)	5	5	10	\$1,520					1,520					1,520
308 Electrical Meter Contingency Allowance	23	8	31	\$10,000										
<b>Mechanical</b>														
401 Gate Operators Gerald Ford (entrance)	14	10	24	\$9,000										
402 Gate Operators Gerald Ford (exit)	16	1	17	\$9,000							9,000			
403 Gate Operators Da Valle Rd (entrance)	15	0	15	\$9,000						9,000				
404 Gate Operators Da Valle Rd (exit)	16	1	17	\$9,000							9,000			
405 Gate Sensors/Loop Systems (G Ford)	6	5	11	\$5,700	5,700						5,700			
406 Gate Sensors/Loop Systems (Da Vall)	6	0	6	\$5,700			5,700						5,700	
407 Intercom Gerald Ford Dr	11	10	21	\$4,000										
408 Intercom Da Valle Rd	11	10	21	\$4,000										

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 11 2030	Year 12 2031	Year 13 2032	Year 14 2033	Year 15 2034	Year 16 2035	Year 17 2036	Year 18 2037	Year 19 2038	Year 20 2039
<b>Water Fountains</b>															
501	Water Fountain Pumps Gerald Ford	5	0	5	\$3,460	3,460					3,460				
502	Water Fountain Pumps Da Vall	5	1	6	\$3,460	3,460					3,460				
503	Water Fountain Filters Gerald Ford	11	0	11	\$1,050		1,050								
504	Water Fountain Filters Da Vall	11	0	11	\$1,050		1,050								
505	Water Fountains Resurface Allowance	10	6	16	\$10,000						10,000				
<b>Painting</b>															
601	Paint Metal Gates	3	2	5	\$2,300	2,300			2,300			2,300			2,300
602	Paint Block Walls	9	1	10	\$5,550									5,550	
603	Paint Entrance/corner Monument Signs	4	2	6	\$1,750				1,750				1,750		
604	Refurbish Mailboxes	6	6	12	\$850		850						850		
<b>Fence, Gates</b>															
701	Entrance Gates Replace (Vehicle)	31	14	45	\$25,000				25,000						
702	Entrance Gates (Pedestrian)	29	12	41	\$1,700		1,700								
703	Block Wall Repair Allowance	5	1	6	\$3,500	3,500					3,500				
<b>Landscape, Drainage</b>															
801	Irrigation Timer Gerald Ford	11	9	20	\$715										715
802	Irrigation Timer Da Vall	11	7	18	\$715								715		
803	Backflow Maintenance/Replace	Maintained by CVWD (Public Utility District)													
804	Palm Trees Replacement (next 8 years)	1	1	2	\$38,000										
805	Landscape Remodel Allowance	10	3	13	\$20,000			20,000							
806	Residential Homes Drainage, Sewer	Maintained by residential property owner (exclusive use)													
807	Drainage Retention Basin (new drywell)	23	16	39	\$30,000						30,000				
<b>Other</b>															
901	Contingency Allowance	Refer to Operating Budget (ongoing maintenance)													



## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year 11 2030	Year 12 2031	Year 13 2032	Year 14 2033	Year 15 2034	Year 16 2035	Year 17 2036	Year 18 2037	Year 19 2038	Year 20 2039
902 Mailboxes Replace	17	0	17	\$10,960								10,960		
903 Termite Infestation	Maintained by residential property owner (exclusive use)													
904 Street Signs Replace	15	14	29	\$8,200				8,200						
905 Entrance/Corner Signage	19	2	21	\$6,000										
Totals				\$1,374,600	\$33,420	\$1,008,050	\$35,700	\$47,250	\$42,540	\$68,420	\$26,000	\$14,275	\$11,250	\$35,555

### Funding Assumptions

Current Cash Reserves as of 10/31/19

Accumulated Reserves				\$802,987	\$1,015,734	\$32,271	\$222,079	\$348,526	\$442,307	\$476,759	\$530,218	\$572,736	\$606,671
Add: Special Assessment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions				\$254,300	\$294,988	\$235,990	\$188,792	#####	\$128,379	\$89,865	\$62,906	\$50,324	\$42,776
Less: Reserve Expenditures	2.0%	inflation rate		\$41,554	\$1,278,451	\$46,182	\$62,345	\$57,253	\$93,926	\$36,406	\$20,388	\$16,389	\$52,833
Cash Flow / Year End Reserves				\$1,015,734	\$32,271	\$222,079	\$348,526	\$442,307	\$476,759	\$530,218	\$572,736	\$606,671	\$596,614
Fully Funded Reserves (Ideal Reserves)				\$1,442,380	\$1,515,680	\$324,131	\$379,580	\$413,901	\$438,804	\$463,193	\$515,520	\$610,464	\$714,149
Percent Funded (%)				70%	2%	69%	92%	107%	109%	114%	111%	99%	84%

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year <b>21</b> 2040	Year <b>22</b> 2041	Year <b>23</b> 2042	Year <b>24</b> 2043	Year <b>25</b> 2044	Year <b>26</b> 2045	Year <b>27</b> 2046	Year <b>28</b> 2047	Year <b>29</b> 2048	Year <b>30</b> 2049
<b>Asphalt</b>															
101	Asphalt Seal/Stripe Allowance	5	5	10	\$27,020					27,020					27,020
102	Asphalt Repair Allowance	5	5	10	\$4,000					4,000					4,000
103	Asphalt Replacement Allowance	28	12	40	\$993,400										
<b>Concrete</b>															
201	Concrete Entrance - G. Ford & Da Vall	20	4	24	\$20,000				20,000						
202	Concrete Street Curbs/Apron	20	4	24	\$25,000				25,000						
<b>Electrical/Lighting</b>															
301	Palm Tree Lighting (1st Phase)	10	1	11	\$15,000	15,000									
302	Palm Tree Lighting (2nd Phase)	10	2	12	\$10,000		10,000								
303	Palm Tree Lighting (3rd Phase)	10	3	13	\$10,000			10,000							
304	Palm Tree Lighting (4th Phase)	10	4	14	\$10,000				10,000						
305	Palm Tree Lighting (5th Phase)	10	5	15	\$10,000					10,000					
306	Palm Tree Lighting (6th Phase)	10	6	16	\$9,000						9,000				
307	Battery Backup DV (gate operators)	5	5	10	\$1,520					1,520					1,520
308	Electrical Meter Contingency Allowance	23	8	31	\$10,000										
<b>Mechanical</b>															
401	Gate Operators Gerald Ford (entrance)	14	10	24	\$9,000				9,000						
402	Gate Operators Gerald Ford (exit)	16	1	17	\$9,000										
403	Gate Operators Da Valle Rd (entrance)	15	0	15	\$9,000										
404	Gate Operators Da Valle Rd (exit)	16	1	17	\$9,000										
405	Gate Sensors/Loop Systems (G Ford)	6	5	11	\$5,700			5,700						5,700	
406	Gate Sensors/Loop Systems (Da Vall)	6	0	6	\$5,700					5,700					
407	Intercom Gerald Ford Dr	11	10	21	\$4,000	4,000									
408	Intercom Da Valle Rd	11	10	21	\$4,000	4,000									

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

		Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year <b>21</b> 2040	Year <b>22</b> 2041	Year <b>23</b> 2042	Year <b>24</b> 2043	Year <b>25</b> 2044	Year <b>26</b> 2045	Year <b>27</b> 2046	Year <b>28</b> 2047	Year <b>29</b> 2048	Year <b>30</b> 2049
<b>Water Fountains</b>															
501	Water Fountain Pumps Gerald Ford	5	0	5	\$3,460	3,460					3,460				
502	Water Fountain Pumps Da Vall	5	1	6	\$3,460	3,460					3,460				
503	Water Fountain Filters Gerald Ford	11	0	11	\$1,050			1,050							
504	Water Fountain Filters Da Vall	11	0	11	\$1,050			1,050							
505	Water Fountains Resurface Allowance	10	6	16	\$10,000						10,000				
<b>Painting</b>															
601	Paint Metal Gates	3	2	5	\$2,300			2,300			2,300			2,300	
602	Paint Block Walls	9	1	10	\$5,550								5,550		
603	Paint Entrance/corner Monument Signs	4	2	6	\$1,750		1,750				1,750				1,750
604	Refurbish Mailboxes	6	6	12	\$850				850						850
<b>Fence, Gates</b>															
701	Entrance Gates Replace (Vehicle)	31	14	45	\$25,000										
702	Entrance Gates (Pedestrian)	29	12	41	\$1,700										
703	Block Wall Repair Allowance	5	1	6	\$3,500	3,500					3,500				
<b>Landscape, Drainage</b>															
801	Irrigation Timer Gerald Ford	11	9	20	\$715										
802	Irrigation Timer Da Vall	11	7	18	\$715									715	
803	Backflow Maintenance/Replace	Maintained by CVWD (Public Utility District)													
804	Palm Trees Replacement (next 8 years)	1	1	2	\$38,000										
805	Landscape Remodel Allowance	10	3	13	\$20,000			20,000							
806	Residential Homes Drainage, Sewer	Maintained by residential property owner (exclusive use)													
807	Drainage Retention Basin (new drywell)	23	16	39	\$30,000										
<b>Other</b>															
901	Contingency Allowance	Refer to Operating Budget (ongoing maintenance)													

## 30 Year Reserve Funding Plan

### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

	Useful Life	Remain Life	Next Year (Cycle)	Current Replace Cost	Year <b>21</b> 2040	Year <b>22</b> 2041	Year <b>23</b> 2042	Year <b>24</b> 2043	Year <b>25</b> 2044	Year <b>26</b> 2045	Year <b>27</b> 2046	Year <b>28</b> 2047	Year <b>29</b> 2048	Year <b>30</b> 2049
902 Mailboxes Replace	17	0	17	\$10,960										
903 Termite Infestation	Maintained by residential property owner (exclusive use)													
904 Street Signs Replace	15	14	29	\$8,200									8,200	
905 Entrance/Corner Signage	19	2	21	\$6,000	6,000									
Totals				\$1,374,600	\$39,420	\$11,750	\$40,100	\$64,850	\$48,240	\$33,470	\$0	\$5,550	\$16,915	\$35,140

### Funding Assumptions

Current Cash Reserves as of 10/31/19

Accumulated Reserves				\$596,614	\$575,365	\$597,623	\$580,875	\$537,001	\$542,464	\$613,363	\$803,725	\$1,060,571	\$1,376,992
Add: Special Assessment				\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Add: Reserve Contributions				\$38,498	\$40,423	\$46,487	\$60,433	\$84,606	\$126,908	\$190,363	\$266,508	\$346,460	\$433,075
Less: Reserve Expenditures	2.0%	inflation rate		\$59,748	\$18,165	\$63,234	\$104,307	\$79,143	\$56,009	\$0	\$9,663	\$30,038	\$63,651
<b>Cash Flow / Year End Reserves</b>				\$575,365	\$597,623	\$580,875	\$537,001	\$542,464	\$613,363	\$803,725	\$1,060,571	\$1,376,992	\$1,746,416
Fully Funded Reserves (Ideal Reserves)				\$771,015	\$834,594	\$935,272	\$1,000,800	\$1,015,173	\$1,070,803	\$1,155,545	\$1,295,497	\$1,430,729	\$1,550,266
Percent Funded (%)				75%	72%	62%	54%	53%	57%	70%	82%	96%	113%

### 30 Year Cash Flow Reserve Funding Projections

#### Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

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	2020	\$124,848	+	\$93,480	+	\$0	-	\$114,730	=	\$103,598	\$839,798	12%
2	2021	\$103,598	+	\$99,089	+	\$0	-	\$60,395	=	\$142,293	\$896,199	16%
3	2022	\$142,293	+	\$105,035	+	\$0	-	\$72,162	=	\$175,165	\$964,064	18%
4	2023	\$175,165	+	\$111,337	+	\$0	-	\$100,666	=	\$185,836	\$1,023,515	18%
5	2024	\$185,836	+	\$118,017	+	\$0	-	\$97,755	=	\$206,097	\$1,057,356	19%
6	2025	\$206,097	+	\$129,819	+	\$0	-	\$78,854	=	\$257,062	\$1,093,267	24%
7	2026	\$257,062	+	\$145,397	+	\$0	-	\$51,019	=	\$351,440	\$1,152,868	30%
8	2027	\$351,440	+	\$167,206	+	\$0	-	\$58,934	=	\$459,712	\$1,253,718	37%
9	2028	\$459,712	+	\$192,287	+	\$0	-	\$854	=	\$651,145	\$1,298,882	50%
10	2029	\$651,145	+	\$221,130	+	\$0	-	\$69,288	=	\$802,987	\$1,405,796	57%
11	2030	\$802,987	+	\$254,300	+	\$0	-	\$41,554	=	\$1,015,734	\$1,442,380	70%
12	2031	\$1,015,734	+	\$294,988	+	\$0	-	\$1,278,451	=	\$32,271	\$1,515,680	2%
13	2032	\$32,271	+	\$235,990	+	\$0	-	\$46,182	=	\$222,079	\$324,131	69%
14	2033	\$222,079	+	\$188,792	+	\$0	-	\$62,345	=	\$348,526	\$379,580	92%
15	2034	\$348,526	+	\$151,034	+	\$0	-	\$57,253	=	\$442,307	\$413,901	107%
16	2035	\$442,307	+	\$128,379	+	\$0	-	\$93,926	=	\$476,759	\$438,804	109%
17	2036	\$476,759	+	\$89,865	+	\$0	-	\$36,406	=	\$530,218	\$463,193	114%
18	2037	\$530,218	+	\$62,906	+	\$0	-	\$20,388	=	\$572,736	\$515,520	111%
19	2038	\$572,736	+	\$50,324	+	\$0	-	\$16,389	=	\$606,671	\$610,464	99%
20	2039	\$606,671	+	\$42,776	+	\$0	-	\$52,833	=	\$596,614	\$714,149	84%
21	2040	\$596,614	+	\$38,498	+	\$0	-	\$59,748	=	\$575,365	\$771,015	75%
22	2041	\$575,365	+	\$40,423	+	\$0	-	\$18,165	=	\$597,623	\$834,594	72%
23	2042	\$597,623	+	\$46,487	+	\$0	-	\$63,234	=	\$580,875	\$935,272	62%
24	2043	\$580,875	+	\$60,433	+	\$0	-	\$104,307	=	\$537,001	\$1,000,800	54%
25	2044	\$537,001	+	\$84,606	+	\$0	-	\$79,143	=	\$542,464	\$1,015,173	53%
26	2045	\$542,464	+	\$126,908	+	\$0	-	\$56,009	=	\$613,363	\$1,070,803	57%
27	2046	\$613,363	+	\$190,363	+	\$0	-	\$0	=	\$803,725	\$1,155,545	70%
28	2047	\$803,725	+	\$266,508	+	\$0	-	\$9,663	=	\$1,060,571	\$1,295,497	82%
29	2048	\$1,060,571	+	\$346,460	+	\$0	-	\$30,038	=	\$1,376,992	\$1,430,729	96%
30	2049	\$1,376,992	+	\$433,075	+	\$0	-	\$63,651	=	\$1,746,416	\$1,550,266	113%

#### 30 Year Funding Assumptions

Average Inflation Rate Reserve Expenditures	2%
Average Reserve Funding (% increase per yr)	8%
Average Expenses Per Unit / Month	\$63
Average Funding Per Unit / Month	\$98
Average Percent Funded (next 30 yrs)	62%
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: 11/13/19 (final)

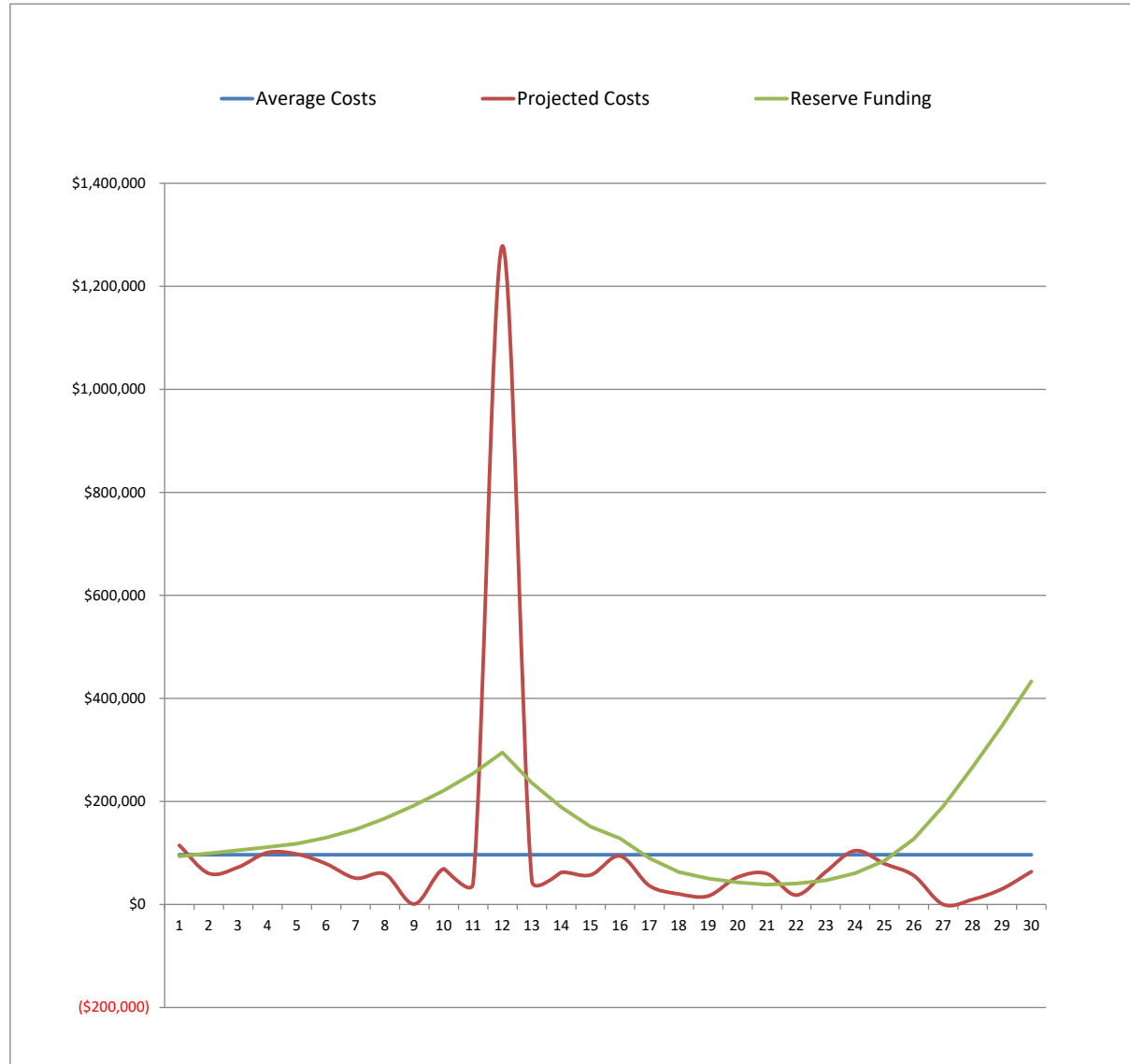
Fiscal Year: 1/01/20 - 12/31/20

Year	Average Costs	Projected Costs	Reserve Funding
1	\$96,478	\$114,730	\$93,480
2	\$96,478	\$60,395	\$99,089
3	\$96,478	\$72,162	\$105,035
4	\$96,478	\$100,666	\$111,337
5	\$96,478	\$97,755	\$118,017
6	\$96,478	\$78,854	\$129,819
7	\$96,478	\$51,019	\$145,397
8	\$96,478	\$58,934	\$167,206
9	\$96,478	\$854	\$192,287
10	\$96,478	\$69,288	\$221,130
11	\$96,478	\$41,554	\$254,300
12	\$96,478	\$1,278,451	\$294,988
13	\$96,478	\$46,182	\$235,990
14	\$96,478	\$62,345	\$188,792
15	\$96,478	\$57,253	\$151,034
16	\$96,478	\$93,926	\$128,379
17	\$96,478	\$36,406	\$89,865
18	\$96,478	\$20,388	\$62,906
19	\$96,478	\$16,389	\$50,324
20	\$96,478	\$52,833	\$42,776
21	\$96,478	\$59,748	\$38,498
22	\$96,478	\$18,165	\$40,423
23	\$96,478	\$63,234	\$46,487
24	\$96,478	\$104,307	\$60,433
25	\$96,478	\$79,143	\$84,606
26	\$96,478	\$56,009	\$126,908
27	\$96,478	\$0	\$190,363
28	\$96,478	\$9,663	\$266,508
29	\$96,478	\$30,038	\$346,460
30	\$96,478	\$63,651	\$433,075

### Reserve Funding Assumptions

Average Costs per yr ( no inflation)	\$75,417
Average Costs per yr ( + inflation)	\$96,478
Average Funding per yr (projected)	\$150,530
Total Members (units, homes)	128
Average Costs Per Unit / Month (no inflation)	\$49
Average Costs Per Unit / Month (+ inflation)	\$63
Average Funding Per Unit / Month (projected)	\$98
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: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

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 (refer to association budget). This is the total amount of assessments plus reserve funding as approved by the Board of Directors for the next fiscal year.

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

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

- (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       Per funding projections (Exhibits E & F of Reserve Study)

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:	N/A
Amount per month (or per year):	N/A

- (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:

	\$765,907	Fully Funded Reserves
Current Cash Reserves	\$124,848	as of 10/31/19
Estimated Percent Funded (%)	16%	
Prepared by AssociationStudies.Com	Report Date: 11/13/19 (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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Fully Funded Reserves:	\$839,798	\$896,199	\$964,064	\$1,023,515	\$1,057,356

- (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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Reserve Funding:	N/A	N/A	N/A	N/A	N/A
Reserve Expenditures:	N/A	N/A	N/A	N/A	N/A
Cash Balance:	N/A	N/A	N/A	N/A	N/A
% Funded:	N/A	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>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Reserve Funding:	\$93,480	\$99,089	\$105,035	\$111,337	\$118,017
Reserve Expenditures:	\$114,730	\$60,395	\$72,162	\$100,666	\$97,755
Cash Balance:	\$103,598	\$142,293	\$175,165	\$185,836	\$206,097
% Funded:	12%	16%	18%	18%	19%

# Assessment and Reserve Funding Disclosure Summary

## Montage at Mission Hills HOA

Report Date: 11/13/19 (final)

Fiscal Year: 1/01/20 - 12/31/20

(8)	This paragraph is added to include the requirements of Civil Code 5565, paragraph (d):		
	Amount required in the reserve fund is:	\$765,907	Fully Funded Reserves
	Less: Accumulated cash reserves:	\$124,848	as of 10/31/19
	Estimated current deficiency:	\$641,059	
	Estimated current deficiency per unit:	\$5,008	
	Total 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 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.

### 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](http://www.condobook.com) or [www.leginfo.legislature.ca.gov](http://www.leginfo.legislature.ca.gov)