



SCT RESERVE CONSULTANTS, INC.

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September 16, 2022

Job 2000-075-21 L3

Villa Caballeros Homeowners Association
c/o Maryellen Hill & Associates
1111 Tahquitz Canyon Way, Suite 120
Palm Springs, CA 92262
Attn: Ms. Cindy Anderson

Subject: Year 2023 Level III Reserve Study

Dear Ms. Anderson,


SCT Reserve Consultants, Inc. is pleased to submit this **2023 Level III Reserve Study**.

There are two summary sections (starting at pages 4 and 5) that are required to be included in the Association's year-end mailing to the membership. They are the "**Reserve Summary**" and the "**Assessment and Reserve Funding Disclosure Summary**". They are to be mailed 30 to 90 days prior to the Association's year-end. These pages will satisfy the current California Civil Code requirements for homeowner disclosure.

The 'Year 2023 Reserve Budget' table of this report is AICPA approved; this may be included in the mailing but is generally not required. Check with legal counsel for greater clarification.

We appreciate the opportunity to provide our professional services. Should you have any need for clarification please contact me at (951) 296-3520.

Sincerely,



Michael C. Graves, R.S. #00039

SCT Reserve Consultants are affiliated with these professional organizations.





YEAR 2023
LEVEL III
RESERVE STUDY
(FINANCIAL UPDATE REPORT)
FOR
VILLA CABALLEROS
HOMEOWNERS ASSOCIATION
VERSION 1

C/O MARYELLEN HILL & ASSOCIATES
1111 TAHQUITZ CANYON WAY, SUITE 120
PALM SPRINGS, CA 92262
ATTN: MS. CINDY ANDERSON

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Reserve Summary

(As required by California Civil Code Section 5565)

VILLA CABALLEROS HOMEOWNERS ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level III Reserve Study (Financial Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within VILLA CABALLEROS HOMEOWNERS ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of December 31, 2022, the estimated ending reserve fund balance is \$243,500 and the estimated current replacement cost is \$2,238,526 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$3,257,376, calculated at an annually compounded inflation rate of 3.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 17.94%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$1,357,565.99 in the reserve fund.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$18,882.47. This is calculated by subtracting the ending balance (\$243,500) from the 100% funded figure (\$1,357,565.99), then divided by the number of ownership interests (59). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future inadequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a monthly amount of \$7,559.58 starting in 2023 (\$128.13 per unit per month for each of the 59 ownership interests) towards the reserve fund. To offset the over/under cash results of the report, we recommend and have included changes of 15.00% starting in 2024 for 5 years, 4.70% starting in 2029 for 1 year and 3.00% starting in 2030 for 23 years. The change is scheduled to take effect in the year 2024. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: January 1, 2023 through December 31, 2023

Category	Range of Full Useful Life	Range of Remaining Useful Life	Current Replacement Cost	Fund Balance on Jan 01, 2023	Reserve Allocation	Additional Revenue	Interest
Access System	10 to 20	1 to 9	\$35,875	\$4,999	\$1,862	\$0	\$50
Asphalt & Concrete	3 to 28	1 to 17	\$89,391	\$7,691	\$2,865	\$0	\$77
Buildings, Awnings	10 to 40	7 to 18	\$23,625	\$1,821	\$678	\$0	\$18
Buildings, Balconies	9 to 40	7 to 20	\$516,942	\$41,393	\$15,421	\$0	\$413
Buildings, Doors	24 to 30	12 to 15	\$56,900	\$4,480	\$1,669	\$0	\$45
Buildings, Plumbing	10 to 50	1 to 18	\$471,160	\$63,420	\$23,627	\$0	\$633
Buildings, Roof	10 to 50	8 to 31	\$228,955	\$12,584	\$4,688	\$0	\$126
Courts & Clubhouse	8 to 30	0 to 1	\$40,220	\$24,900	\$9,276	\$0	\$249
Electrical & Lights	20 to 30	5 to 15	\$20,440	\$1,944	\$724	\$0	\$19
Fence & Gates	10 to 50	1 to 31	\$120,770	\$10,001	\$3,726	\$0	\$100
Garages	30 to 30	28 to 28	\$93,120	\$1,372	\$511	\$0	\$14
Irrigation	12 to 25	1 to 15	\$12,600	\$1,579	\$588	\$0	\$16
Landscape	5 to 15	4 to 8	\$71,000	\$5,462	\$2,035	\$0	\$55
Mailboxes	30 to 30	13 to 13	\$6,800	\$601	\$224	\$0	\$6
Mechanical, Elevator	5 to 30	2 to 17	\$117,300	\$10,641	\$3,964	\$0	\$106
Mechanical, Fire System	2 to 20	0 to 7	\$15,800	\$2,595	\$967	\$0	\$26
Paint & Repair	4 to 20	1 to 6	\$213,210	\$30,251	\$11,270	\$0	\$302
Pool & Spa	5 to 24	0 to 18	\$84,417	\$16,538	\$6,161	\$0	\$165
Signage	20 to 25	6 to 18	\$20,000	\$1,228	\$458	\$0	\$12
Totals:			\$2,238,526	\$243,500	\$90,715	\$0	\$2,430

The complete reserve study is available by request from the Association.



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2023

(As illustrated by California Civil Code Section 5570(a))

(1) The regular assessment per ownership interest is \$ _____ per month, of which approximately \$128.13 is allocated to reserves, monthly.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. **NOT APPLICABLE***

(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: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:
<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. **NOT APPLICABLE***

(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 No X

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(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(s) will be due:	Amount per ownership interest per month:
15.00% starting in 2024 for 5 years, 4.70% starting in 2029 for 1 year and 3.00% starting in 2030 for 23 years	(Current amount) X (the increases)

(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 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$1,454,816.68**, as of **December 31, 2023**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** The projected reserve fund cash balance at the end of the current fiscal year is **\$287,745.36**, resulting in reserves being **19.78%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$48,900**. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan 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.*



Assessment and Reserve Funding Disclosure Summary

For the Fiscal Year Ending December 31, 2023

(continued)

7) **See below: 30-Year Reserve Funding Plan Table...** Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$(see “100% Funded” column below), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$(see “Cash Flow Balance with Funding Plan” column below), leaving the reserve at (see “Percent Funded” column below) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see “Cash Flow Balance with Funding Plan” column below), leaving the reserve at (see “Percent Funded” column below) percent funding. 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 **1.00%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **3.00%** per year.

30-Year Reserve Funding Plan Table

Year	End of Year			Revenue			Expenditures Components, Taxes, Deferred Exp
	100% Funded	Cash Flow	Percent Funded	Contribution, Interest	Contribution Unit/Month	Funding Plan	
2022	\$1,357,566	\$243,500	17.94%				
2023	\$1,454,817	\$287,745	19.78%	\$93,145	\$128.13	0.00%	\$48,900
2024	\$1,342,676	\$134,858	10.04%	\$105,251	\$147.35	15.00%	\$258,139
2025	\$1,435,226	\$196,864	13.72%	\$121,356	\$169.45	15.00%	\$59,350
2026	\$1,581,804	\$324,481	20.51%	\$140,512	\$194.87	15.00%	\$12,894
2027	\$1,504,040	\$246,529	16.39%	\$160,422	\$224.10	15.00%	\$238,374
2028	\$1,447,013	\$210,789	14.57%	\$183,739	\$257.71	15.00%	\$219,480
2029	\$1,403,956	\$195,035	13.89%	\$192,111	\$269.82	4.70%	\$207,864
2030	\$1,516,054	\$334,482	22.06%	\$199,138	\$277.92	3.00%	\$59,692
2031	\$1,450,489	\$299,951	20.68%	\$204,743	\$286.26	3.00%	\$239,274
2032	\$1,599,605	\$479,564	29.98%	\$212,494	\$294.84	3.00%	\$32,880
2033	\$1,617,824	\$530,482	32.79%	\$219,288	\$303.69	3.00%	\$168,370
2034	\$1,743,860	\$689,317	39.53%	\$227,244	\$312.80	3.00%	\$68,409
2035	\$1,862,035	\$840,664	45.15%	\$235,367	\$322.18	3.00%	\$84,020
2036	\$1,919,662	\$933,100	48.61%	\$243,123	\$331.85	3.00%	\$150,686
2037	\$2,040,286	\$1,088,990	53.37%	\$251,664	\$341.81	3.00%	\$95,774
2038	\$2,066,925	\$1,153,315	55.80%	\$259,569	\$352.06	3.00%	\$195,244
2039	\$1,816,564	\$948,599	52.22%	\$265,088	\$362.62	3.00%	\$469,804
2040	\$1,727,987	\$910,470	52.69%	\$272,306	\$373.50	3.00%	\$310,435
2041	\$1,526,646	\$766,807	50.23%	\$278,817	\$384.71	3.00%	\$422,481
2042	\$1,690,163	\$988,123	58.46%	\$289,001	\$396.25	3.00%	\$67,685
2043	\$1,597,842	\$959,023	60.02%	\$297,194	\$408.13	3.00%	\$326,294
2044	\$1,704,137	\$1,130,067	66.31%	\$307,442	\$420.38	3.00%	\$136,397
2045	\$1,781,172	\$1,274,151	71.53%	\$317,774	\$432.99	3.00%	\$173,691
2046	\$1,893,716	\$1,455,441	76.86%	\$328,717	\$445.98	3.00%	\$147,427
2047	\$2,083,854	\$1,714,620	82.28%	\$340,693	\$459.36	3.00%	\$81,515
2048	\$2,142,223	\$1,845,064	86.13%	\$351,757	\$473.14	3.00%	\$221,312
2049	\$2,339,033	\$2,114,323	90.39%	\$364,382	\$487.33	3.00%	\$95,123
2050	\$2,577,692	\$2,425,146	94.08%	\$377,761	\$501.95	3.00%	\$66,939
2051	\$2,410,800	\$2,338,277	96.99%	\$387,675	\$517.01	3.00%	\$474,544
2052	\$2,648,912	\$2,656,279	100.28%	\$401,602	\$532.52	3.00%	\$83,599
30-Year Sum:				\$7,629,375			\$5,216,596



Summary

In accordance with our proposal, 2000-075, SCT Reserve Consultants, Inc. is pleased to provide this ***Level III Reserve Study Financial Update Report for VILLA CABALLEROS HOMEOWNERS ASSOCIATION***. Our study was performed in accordance with the Davis-Stirling Common Interest Development Act, specifically §5550, of the California Civil Code. This report included a site inspection on August 30, 2021. This *condominium* common interest development (CID) is located at 255 S. Avenida Caballeros, Palm Springs, California. We are using an inception date for the components of January 1, 1987. ***This study is for January 1, 2023 through December 31, 2023, the Association's fiscal year.***

In general, reserve funds are funds set aside from collected association fees paid by owners of a common interest development. These funds earn interest and are disbursed when deemed necessary by the Board of Directors. The purpose of a reserve study is to determine how much money should exist in a reserve fund at a given point in time or to project required future contributions and expenditure amounts so that sufficient reserve funds are available when needed. Our reserve study is generated using proprietary SCT software and a combination of local industry standards and national average replacement costs.

The SCT software utilizes the weighted average life (WAL) of the reserve components. The future cost method for the WAL is calculated by using the current replacement cost of each component, as of the analysis date, and the number of years until each reserve component is scheduled to be replaced. This determines the monthly reserve contributions needed and calculates the future reserve balances.

A 30-year “Cash Flow and Percent Funded Projection” analysis and “Graph” are produced to verify and define the relationship of the Cash Flow (annual beginning balance) with respect to the 100% funded amount. Ideally, the Cash Flow line of the graph should run parallel to and below the “Percent Funded” line of the graph, see funding goals.

The following study has been prepared with several assumed factors taken into account: 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that has a life cycle (full life) of less than two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$18,882.47. This is calculated by subtracting the ending balance (\$243,500) from the 100% funded figure (\$1,357,565.99), then divided by the number of ownership interests (59). There is currently no requirement to be fully funded.



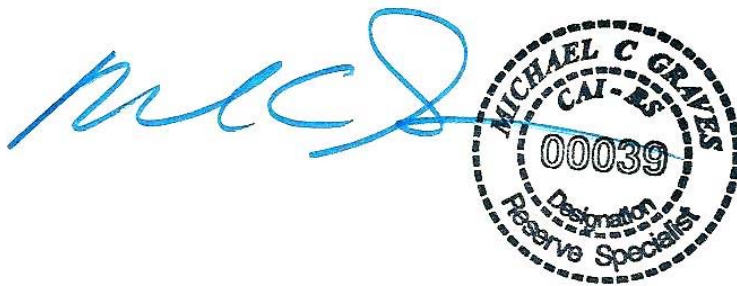
Summary (continued)

As of January 1, 2023, the estimated reserve fund balance is \$243,500 and the estimated current replacement cost is \$2,238,526 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$3,257,376, calculated at an annually compounded inflation rate of 3.00%. The Davis-Stirling Common Interest Development Act requires the disclosure of the *current reserve fund balance divided by the current replacement cost* (this is not *Percent Funded*). Currently, *this factor for VILLA CABALLEROS HOMEOWNERS ASSOCIATION is 10.88%*.

The Association's level of funding for the fiscal year (January 1, 2023 through December 31, 2023) which is based upon the final estimated reserve fund balance divided by the reserve components' fully funded amount is **19.78%, and is referred to as Percent Funded**. The Association would be 100.00% funded if there were \$1,454,816.68 in the reserve fund.

Our original analysis of the cash flow for this association indicated future inadequate funding (see the graph, the "square box and/or pink line"). This line represents the cash flow if there were no annual increases to the Reserves. ***It is our understanding the Board of Directors will allocate a monthly amount of \$7,559.58 starting in 2023 (\$128.13 per unit per month for each of the 59 ownership interests) towards the reserve fund. To offset the over/under cash results of the report, we recommend and have included changes of 15.00% starting in 2024 for 5 years, 4.70% starting in 2029 for 1 year and 3.00% starting in 2030 for 23 years. The change is scheduled to take effect in the year 2024.*** The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

Sincerely,



The image shows a handwritten signature in blue ink that reads "mcd". To the right of the signature is a circular professional seal. The seal has a dashed border and contains the following text: "MICHAEL C. GRAVES" at the top, "CAI-BS" in the middle, "00039" in the center, and "Designation Reserve Specialist" at the bottom.

Michael C. Graves, R.S. #00039
SCT Reserve Consultants, Inc.

Year 2023 Reserve Budget (AICPA Approved)

Category	Beginning Balance Jan 01, 2023	Annual Reserve Allocation	Monthly Reserve Allocation	Additional Revenue	Annual Interest Allocation	Expenditure	Ending Balance Dec 31, 2023	100% Funded Dec 31, 2023	Percent Funded Dec 31, 2023
Access System	\$4,999.00	\$1,862.36	\$155.20	\$0.00	\$49.90	\$0.00	\$6,911.26	\$34,942.75	19.78%
Asphalt & Concrete	\$7,690.54	\$2,865.08	\$238.76	\$0.00	\$76.76	\$0.00	\$10,632.39	\$53,756.46	19.78%
Buildings, Awnings	\$1,821.21	\$678.48	\$56.54	\$0.00	\$18.18	\$0.00	\$2,517.87	\$12,730.16	19.78%
Buildings, Balconies	\$41,392.95	\$15,420.78	\$1,285.06	\$0.00	\$413.15	\$0.00	\$57,226.87	\$289,334.33	19.78%
Buildings, Doors	\$4,480.01	\$1,669.01	\$139.08	\$0.00	\$44.72	\$0.00	\$6,193.73	\$31,315.00	19.78%
Buildings, Plumbing	\$63,419.94	\$23,626.85	\$1,968.90	\$0.00	\$633.00	\$0.00	\$87,679.79	\$443,301.77	19.78%
Buildings, Roof	\$12,583.65	\$4,687.99	\$390.67	\$0.00	\$125.60	\$0.00	\$17,397.24	\$87,959.00	19.78%
Courts & Clubhouse	\$24,899.56	\$9,276.23	\$773.02	\$0.00	\$248.53	\$32,500.00	\$1,924.32	\$9,729.21	19.78%
Electrical & Lights	\$1,943.51	\$724.05	\$60.34	\$0.00	\$19.40	\$0.00	\$2,686.95	\$13,585.01	19.78%
Fence & Gates	\$10,001.40	\$3,725.98	\$310.50	\$0.00	\$99.83	\$0.00	\$13,827.20	\$69,909.19	19.78%
Garages	\$1,372.17	\$511.19	\$42.60	\$0.00	\$13.70	\$0.00	\$1,897.06	\$9,591.36	19.78%
Irrigation	\$1,578.76	\$588.16	\$49.01	\$0.00	\$15.76	\$0.00	\$2,182.67	\$11,035.42	19.78%
Landscape	\$5,461.94	\$2,034.83	\$169.57	\$0.00	\$54.52	\$0.00	\$7,551.28	\$38,178.67	19.78%
Mailboxes	\$601.21	\$223.98	\$18.66	\$0.00	\$6.00	\$0.00	\$831.18	\$4,202.40	19.78%
Mechanical, Elevator	\$10,640.96	\$3,964.25	\$330.35	\$0.00	\$106.21	\$0.00	\$14,711.42	\$74,379.73	19.78%
Mechanical, Fire System	\$2,595.23	\$966.84	\$80.57	\$0.00	\$25.90	\$1,400.00	\$2,187.97	\$11,062.20	19.78%
Paint & Repair	\$30,251.28	\$11,269.99	\$939.17	\$0.00	\$301.94	\$0.00	\$41,823.22	\$211,454.71	19.78%
Pool & Spa	\$16,538.48	\$6,161.35	\$513.45	\$0.00	\$165.07	\$15,000.00	\$7,864.90	\$39,764.27	19.78%
Signage	\$1,228.20	\$457.56	\$38.13	\$0.00	\$12.26	\$0.00	\$1,698.02	\$8,585.05	19.78%
Totals:	\$243,500.00	\$90,714.96	\$7,559.58	\$0.00	\$2,430.40	\$48,900.00	\$287,745.36	\$1,454,816.68	19.78%



Component Identification Report

Identified Major Components	Quantity	Measurement Basis	FUL	RUL	Basis Cost	Current Replacement Cost	Future Replacement Cost (3% inflation)	Straight Line Allocation	100% Funded Jan, 2023
Access System									
Card reader	1	Each	15	1	\$775.00	\$775.00	\$798.00	\$51.67	\$723.33
Gate operators, swing	3	Each	10	1	\$4,500.00	\$13,500.00	\$13,905.00	\$1,350.00	\$12,150.00
Loop systems	2	Each	16	1	\$3,200.00	\$6,400.00	\$6,592.00	\$400.00	\$6,000.00
Loop systems	1	Each	16	9	\$3,200.00	\$3,200.00	\$4,175.00	\$200.00	\$1,400.00
Magnetic lock	3	Each	10	1	\$1,000.00	\$3,000.00	\$3,090.00	\$300.00	\$2,700.00
Phone directory	1	Each	12	1	\$5,500.00	\$5,500.00	\$5,665.00	\$458.33	\$5,041.67
Spike strip/sign	1	Each	20	3	\$3,500.00	\$3,500.00	\$3,825.00	\$175.00	\$2,975.00
<i>Subtotal:</i>						\$35,875.00	\$38,050.00	\$2,935.00	\$30,990.00
Asphalt & Concrete									
Concrete, repairs	1	Lump Sum	3	1	\$4,000.00	\$4,000.00	\$4,120.00	\$1,333.33	\$2,666.67
Concrete, stamped	1	Lump Sum	15	4	\$25,000.00	\$25,000.00	\$28,138.00	\$1,666.67	\$18,333.33
Repair/overlay/R&R	13,302	Square Feet	28	17	\$4.00	\$53,208.00	\$87,945.00	\$1,900.29	\$20,903.14
Seal/stripe/repair	13,302	Square Feet	4	2	\$0.54	\$7,183.08	\$7,621.00	\$1,795.77	\$3,591.54
<i>Subtotal:</i>						\$89,391.08	\$127,824.00	\$6,696.06	\$45,494.68
Buildings, Awnings									
Awning frames	35	Each	40	18	\$475.00	\$16,625.00	\$28,303.00	\$415.62	\$9,143.75
Awning recovering	35	Each	10	7	\$200.00	\$7,000.00	\$8,609.00	\$700.00	\$2,100.00
<i>Subtotal:</i>						\$23,625.00	\$36,912.00	\$1,115.62	\$11,243.75
Buildings, Balconies									
Balcony/walkways, coating	11,152	Square Feet	12	10	\$5.25	\$58,548.00	\$78,684.00	\$4,879.00	\$9,758.00
Balcony/walkways, drains	1	Lump Sum	20	18	\$6,500.00	\$6,500.00	\$11,066.00	\$325.00	\$650.00
Balcony/walkways, inspection SB326/ §5551	1	Lump Sum	9	7	\$12,500.00	\$12,500.00	\$15,373.00	\$1,388.89	\$2,777.78
Balcony/walkways, R&R	680	Square Feet	40	8	\$32.00	\$21,760.00	\$27,565.00	\$544.00	\$17,408.00
Balcony/walkways, R&R	3,037	Square Feet	40	16	\$32.00	\$97,184.00	\$155,952.00	\$2,429.60	\$58,310.40
Balcony/walkways, R&R	3,717	Square Feet	40	18	\$32.00	\$118,944.00	\$202,494.00	\$2,973.60	\$65,419.20
Balcony/walkways, R&R	3,718	Square Feet	40	20	\$32.00	\$118,976.00	\$214,884.00	\$2,974.40	\$59,488.00
Rail balcony/walkways B1	655	Linear Feet	32	12	\$42.00	\$27,510.00	\$39,223.00	\$859.69	\$17,193.75



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	FUL	RUL	Basis Cost	Current Replacement Cost	Future Replacement Cost (3% inflation)	Straight Line Allocation	100% Funded Jan, 2023
Rail balcony/walkways B2	655	Linear Feet	32	13	\$42.00	\$27,510.00	\$40,399.00	\$859.69	\$16,334.06
Rail balcony/walkways B3	655	Linear Feet	32	14	\$42.00	\$27,510.00	\$41,611.00	\$859.69	\$15,474.38
<i>Subtotal:</i>						\$516,942.00	\$827,251.00	\$18,093.56	\$262,813.57
Buildings, Doors									
Utility doors/locks	10	Each	24	12	\$675.00	\$6,750.00	\$9,624.00	\$281.25	\$3,375.00
Washer/dryer doors	59	Each	30	15	\$850.00	\$50,150.00	\$78,132.00	\$1,671.67	\$25,075.00
<i>Subtotal:</i>						\$56,900.00	\$87,756.00	\$1,952.92	\$28,450.00
Buildings, Plumbing									
Pipes, repairs/replace (est.)	19	Per Unit	50	4	\$7,600.00	\$144,400.00	\$162,523.00	\$2,888.00	\$132,848.00
Pipes, repairs/replace (est.)	20	Per Unit	50	5	\$7,600.00	\$152,000.00	\$176,210.00	\$3,040.00	\$136,800.00
Pipes, repairs/replace (est.)	20	Per Unit	50	6	\$7,600.00	\$152,000.00	\$181,496.00	\$3,040.00	\$133,760.00
Pressure regulators	2	Each	20	18	\$1,380.22	\$2,760.44	\$4,699.00	\$138.02	\$276.04
Sewer clean-outs	4	Each	10	1	\$4,000.00	\$16,000.00	\$16,480.00	\$1,600.00	\$14,400.00
Sewer clean-outs	1	Each	10	7	\$4,000.00	\$4,000.00	\$4,919.00	\$400.00	\$1,200.00
<i>Subtotal:</i>						\$471,160.44	\$546,327.00	\$11,106.02	\$419,284.04
Buildings, Roof									
Carports, metal roofs	13	Square	50	31	\$385.00	\$5,005.00	\$12,513.00	\$100.10	\$1,901.90
Flat, elastomeric coating B1	100	Square	10	8	\$222.62	\$22,262.00	\$28,201.00	\$2,226.20	\$4,452.40
Flat, elastomeric coating B2	94	Square	10	8	\$222.62	\$20,926.28	\$26,509.00	\$2,092.63	\$4,185.26
Flat, elastomeric coating B3	100	Square	10	8	\$222.62	\$22,262.00	\$28,201.00	\$2,226.20	\$4,452.40
Flat, polyurethane foam B1	100	Square	36	20	\$400.00	\$40,000.00	\$72,244.00	\$1,111.11	\$17,777.78
Flat, polyurethane foam B2	94	Square	36	25	\$400.00	\$37,600.00	\$78,726.00	\$1,044.44	\$11,488.89
Flat, polyurethane foam B3	100	Square	36	30	\$400.00	\$40,000.00	\$97,090.00	\$1,111.11	\$6,666.67
Gutters/downspouts	1	Lump Sum	25	21	\$4,500.00	\$4,500.00	\$8,371.00	\$180.00	\$720.00
Slope, tile/underlayment B1	28	Square	30	13	\$650.00	\$18,200.00	\$26,727.00	\$606.67	\$10,313.33
Slope, tile/underlayment B3	28	Square	30	10	\$650.00	\$18,200.00	\$24,459.00	\$606.67	\$12,133.33
<i>Subtotal:</i>						\$228,955.28	\$403,041.00	\$11,305.13	\$74,091.96
Courts & Clubhouse									
Flooring, carpet, interior	98	Square Yards	10	1	\$40.00	\$3,920.00	\$4,038.00	\$392.00	\$3,528.00
Furniture, exterior	1	Lump Sum	10	1	\$2,400.00	\$2,400.00	\$2,472.00	\$240.00	\$2,160.00



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	FUL	RUL	Basis Cost	Current Replacement Cost	Future Replacement Cost (3% inflation)	Straight Line Allocation	100% Funded Jan, 2023
Furniture, interior	1	Lump Sum	15	1	\$1,400.00	\$1,400.00	\$1,442.00	\$93.33	\$1,306.67
Racquetball court	1	Each	10	0	\$1,800.00	\$1,800.00	\$2,419.00	\$180.00	\$1,800.00
Tennis Court, repair	1	Lump Sum	30	0	\$25,000.00	\$25,000.00	\$60,682.00	\$833.33	\$25,000.00
Tennis Court, resurface	1	Each	8	0	\$5,700.00	\$5,700.00	\$7,221.00	\$712.50	\$5,700.00
<i>Subtotal:</i>						\$40,220.00	\$78,274.00	\$2,451.16	\$39,494.67
Electrical & Lights									
Garage fixtures	20	Each	25	10	\$135.00	\$2,700.00	\$3,629.00	\$108.00	\$1,620.00
Landscape fixtures	75	Each	20	5	\$100.00	\$7,500.00	\$8,695.00	\$375.00	\$5,625.00
Recessed fixtures, hallways	128	Each	30	15	\$80.00	\$10,240.00	\$15,954.00	\$341.33	\$5,120.00
<i>Subtotal:</i>						\$20,440.00	\$28,278.00	\$824.33	\$12,365.00
Fence & Gates									
Fence, chainlink 06' South	200	Linear Feet	50	26	\$25.00	\$5,000.00	\$10,783.00	\$100.00	\$2,400.00
Fence, chainlink 10' Tennis Court	368	Linear Feet	50	31	\$40.00	\$14,720.00	\$36,801.00	\$294.40	\$5,593.60
Fence, metal, site, East	160	Linear Feet	32	10	\$42.00	\$6,720.00	\$9,031.00	\$210.00	\$4,620.00
Gates, pedestrian, metal, entry	2	Each	32	17	\$1,050.00	\$2,100.00	\$3,471.00	\$65.62	\$984.38
Gates, trash enclosures, metal	8	Each	40	22	\$950.00	\$7,600.00	\$14,562.00	\$190.00	\$3,420.00
Gates, vehicle, metal, entry	3	Each	32	17	\$4,750.00	\$14,250.00	\$23,553.00	\$445.31	\$6,679.69
Rail, metal, walkways	1,965	Linear Feet	32	15	\$32.00	\$62,880.00	\$97,965.00	\$1,965.00	\$33,405.00
Walls, block, repair	1	Lump Sum	10	1	\$7,500.00	\$7,500.00	\$7,725.00	\$750.00	\$6,750.00
<i>Subtotal:</i>						\$120,770.00	\$203,891.00	\$4,020.33	\$63,852.66
Garages									
Epoxy inject cracks	1	Lump Sum	30	28	\$93,120.00	\$93,120.00	\$213,052.00	\$3,104.00	\$6,208.00
<i>Subtotal:</i>						\$93,120.00	\$213,052.00	\$3,104.00	\$6,208.00
Irrigation									
Backflow valves	3	Each	25	4	\$2,050.00	\$6,150.00	\$6,922.00	\$246.00	\$5,166.00
Backflow valves	1	Each	25	15	\$2,050.00	\$2,050.00	\$3,194.00	\$82.00	\$820.00
Controllers	2	Each	12	1	\$2,200.00	\$4,400.00	\$4,532.00	\$366.67	\$4,033.33
<i>Subtotal:</i>						\$12,600.00	\$14,648.00	\$694.67	\$10,019.33
Landscape									
Refurbish	1	Lump Sum	5	4	\$6,000.00	\$6,000.00	\$6,753.00	\$1,200.00	\$1,200.00



Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	FUL	RUL	Basis Cost	Current Replacement Cost	Future Replacement Cost (3% inflation)	Straight Line Allocation	100% Funded Jan, 2023
Renovation	1	Lump Sum	15	8	\$65,000.00	\$65,000.00	\$82,340.00	\$4,333.33	\$30,333.33
<i>Subtotal:</i>						\$71,000.00	\$89,093.00	\$5,533.33	\$31,533.33
Mailboxes									
Mailboxes	4	Each	30	13	\$1,700.00	\$6,800.00	\$9,986.00	\$226.67	\$3,853.33
<i>Subtotal:</i>						\$6,800.00	\$9,986.00	\$226.67	\$3,853.33
Mechanical, Elevator									
Cab refurbish	1	Each	20	4	\$12,000.00	\$12,000.00	\$13,506.00	\$600.00	\$9,600.00
Certificate (5-year)	1	Each	5	3	\$2,800.00	\$2,800.00	\$3,060.00	\$560.00	\$1,120.00
Equipment upgrade, 3-stop	1	Each	30	17	\$77,500.00	\$77,500.00	\$128,096.00	\$2,583.33	\$33,583.33
Piping/resleeving	1	Each	30	2	\$25,000.00	\$25,000.00	\$26,522.00	\$833.33	\$23,333.33
<i>Subtotal:</i>						\$117,300.00	\$171,184.00	\$4,576.66	\$67,636.67
Mechanical, Fire System									
5-year sprinkler test	1	Lump Sum	5	3	\$3,400.00	\$3,400.00	\$3,715.00	\$680.00	\$1,360.00
Fire hoses	5	Each	5	1	\$200.00	\$1,000.00	\$1,030.00	\$200.00	\$800.00
Outside sprinklers	1	Lump Sum	20	7	\$10,000.00	\$10,000.00	\$12,299.00	\$500.00	\$6,500.00
Valve repairs	1	Lump Sum	2	0	\$1,400.00	\$1,400.00	\$1,485.00	\$700.00	\$1,400.00
<i>Subtotal:</i>						\$15,800.00	\$18,529.00	\$2,080.00	\$10,060.00
Paint & Repair									
Buildings, stucco, paint	59	Per Unit	15	1	\$2,400.00	\$141,600.00	\$145,848.00	\$9,440.00	\$132,160.00
Buildings, stucco, repair	59	Per Unit	15	1	\$275.00	\$16,225.00	\$16,712.00	\$1,081.67	\$15,143.33
Doors, front	59	Per Unit	10	6	\$100.00	\$5,900.00	\$7,045.00	\$590.00	\$2,360.00
Doors, utility	16	Each	8	4	\$85.00	\$1,360.00	\$1,531.00	\$170.00	\$680.00
Garages	1	Lump Sum	20	5	\$8,000.00	\$8,000.00	\$9,274.00	\$400.00	\$6,000.00
Gates, walkways & entries	1	Lump Sum	4	1	\$3,000.00	\$3,000.00	\$3,090.00	\$750.00	\$2,250.00
Rail/fence, walkways/Tennis Court	1	Lump Sum	4	1	\$13,000.00	\$13,000.00	\$13,390.00	\$3,250.00	\$9,750.00
Wood beams, repairs	1	Lump Sum	12	1	\$7,000.00	\$7,000.00	\$7,210.00	\$583.33	\$6,416.67
Wood beams/atriums, seal coat	1	Lump Sum	6	2	\$9,000.00	\$9,000.00	\$9,548.00	\$1,500.00	\$6,000.00
Wood beams/balconies, seal coat	125	Each	6	2	\$65.00	\$8,125.00	\$8,620.00	\$1,354.17	\$5,416.67
<i>Subtotal:</i>						\$213,210.00	\$222,268.00	\$19,119.17	\$186,176.67
Pool & Spa									



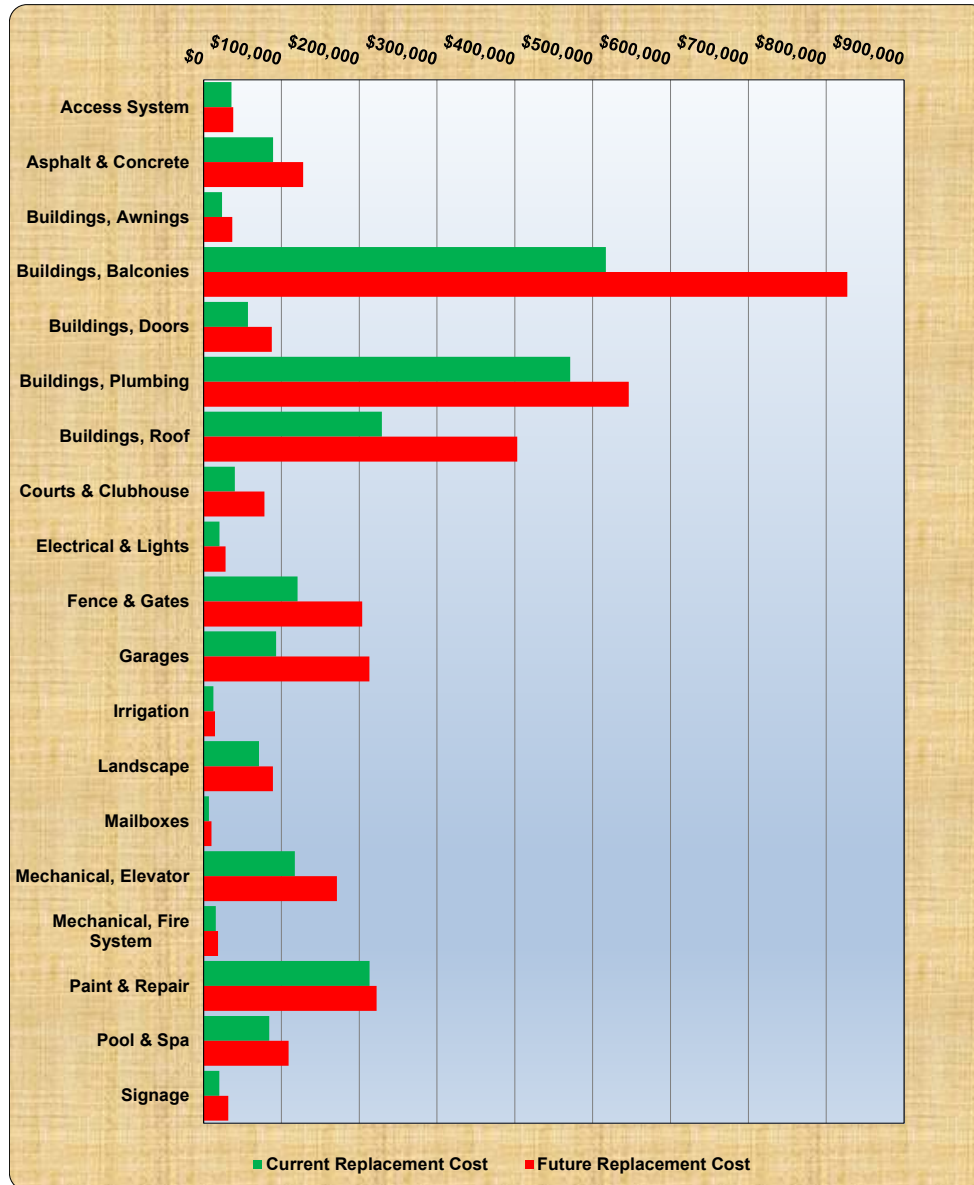
Component Identification Report

(continued)

Identified Major Components	Quantity	Measurement Basis	FUL	RUL	Basis Cost	Current Replacement Cost	Future Replacement Cost (3% inflation)	Straight Line Allocation	100% Funded Jan, 2023
Deck coating, color seal	3,630	Square Feet	6	4	\$1.40	\$5,082.00	\$5,720.00	\$847.00	\$1,694.00
Deck coating, texture	3,630	Square Feet	18	10	\$5.00	\$18,150.00	\$24,392.00	\$1,008.33	\$8,066.67
Deck skimmers	4	Each	24	4	\$1,600.00	\$6,400.00	\$7,203.00	\$266.67	\$5,333.33
Equipment cover/gate	1	Each	24	7	\$2,500.00	\$2,500.00	\$3,075.00	\$104.17	\$1,770.83
Furniture, chairs, replace	14	Each	20	8	\$175.00	\$2,450.00	\$3,104.00	\$122.50	\$1,470.00
Furniture, chairs, restrap	14	Each	5	2	\$125.00	\$1,750.00	\$1,857.00	\$350.00	\$1,050.00
Furniture, loungers, replace	11	Each	20	12	\$225.00	\$2,475.00	\$3,529.00	\$123.75	\$990.00
Furniture, loungers, restrap	11	Each	5	2	\$135.00	\$1,485.00	\$1,575.00	\$297.00	\$891.00
Furniture, tables, large	2	Each	20	12	\$600.00	\$1,200.00	\$1,711.00	\$60.00	\$480.00
Furniture, umbrellas	1	Each	12	5	\$325.00	\$325.00	\$377.00	\$27.08	\$189.58
Pool filter	1	Each	12	7	\$1,500.00	\$1,500.00	\$1,845.00	\$125.00	\$625.00
Pool heater	1	Each	10	7	\$3,800.00	\$3,800.00	\$4,674.00	\$380.00	\$1,140.00
Pool pumpset, circulation VS	1	Each	8	3	\$2,100.00	\$2,100.00	\$2,295.00	\$262.50	\$1,312.50
Pool resurface	1	Each	12	0	\$15,000.00	\$15,000.00	\$21,386.00	\$1,250.00	\$15,000.00
Pool tile	1	Each	24	18	\$3,800.00	\$3,800.00	\$6,469.00	\$158.33	\$950.00
Spa filter	1	Each	12	10	\$1,500.00	\$1,500.00	\$2,016.00	\$125.00	\$250.00
Spa heater	1	Each	10	8	\$3,800.00	\$3,800.00	\$4,814.00	\$380.00	\$760.00
Spa pumpset, circulation VS	1	Each	8	6	\$2,100.00	\$2,100.00	\$2,508.00	\$262.50	\$525.00
Spa pumpsets, jet	2	Each	12	2	\$1,000.00	\$2,000.00	\$2,122.00	\$166.67	\$1,666.67
Spa resurface	1	Each	8	5	\$5,500.00	\$5,500.00	\$6,376.00	\$687.50	\$2,062.50
Spa tile	1	Each	16	13	\$1,500.00	\$1,500.00	\$2,203.00	\$93.75	\$281.25
<i>Subtotal:</i>						\$84,417.00	\$109,251.00	\$7,097.75	\$46,508.33
Signage									
Entry monument & gate area rehab	1	Lump Sum	25	18	\$15,500.00	\$15,500.00	\$26,388.00	\$620.00	\$4,340.00
Signs, metal	1	Lump Sum	20	6	\$4,500.00	\$4,500.00	\$5,373.00	\$225.00	\$3,150.00
<i>Subtotal:</i>						\$20,000.00	\$31,761.00	\$845.00	\$7,490.00
Totals:						\$2,238,525.80	\$3,257,376.00	\$103,777.38	\$1,357,565.99



Component Replacement Cost Chart (by category)



Cash Flow and Percent Funded Projections

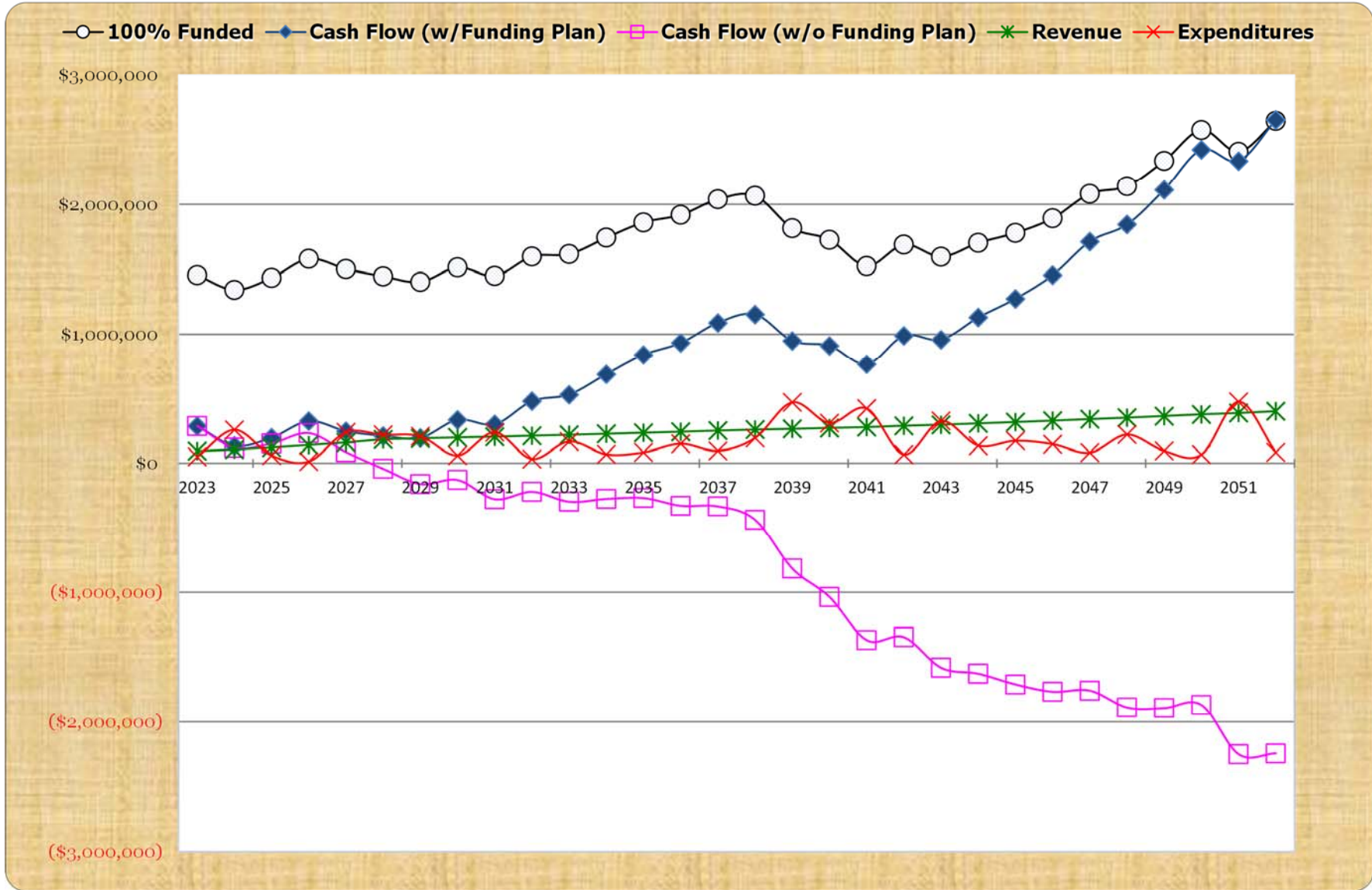
Fiscal Year: January 1, 2023 through December 31, 2023

Year	End of Year				Revenue					Expenditures		
	100% Funded	Cash Flow	Percent Funded	Cash Flow (w/o Funding Plan)	Contribution Annual	Contribution Unit/Month	Funding Plan	Additional Revenue	Interest	Components	Deferred & Non-Recurring	Taxes
2022	\$1,357,566	\$243,500	17.94%	\$243,500								
2023	\$1,454,817	\$287,745	19.78%	\$287,745	\$90,714.96	\$128.13		\$0	\$2,430	\$48,900	\$0	\$0
2024	\$1,342,676	\$134,858	10.04%	\$121,182	\$104,322.20	\$147.35	15.00%	\$0	\$929	\$258,139	\$0	\$0
2025	\$1,435,226	\$196,864	13.72%	\$153,648	\$119,970.54	\$169.45	15.00%	\$0	\$1,385	\$59,350	\$0	\$0
2026	\$1,581,804	\$324,481	20.51%	\$233,343	\$137,966.12	\$194.87	15.00%	\$0	\$2,545	\$12,894	\$0	\$0
2027	\$1,504,040	\$246,529	16.39%	\$86,189	\$158,661.03	\$224.10	15.00%	\$0	\$1,761	\$238,374	\$0	\$0
2028	\$1,447,013	\$210,789	14.57%	(\$42,576)	\$182,460.19	\$257.71	15.00%	\$0	\$1,279	\$219,480	\$0	\$0
2029	\$1,403,956	\$195,035	13.89%	(\$159,725)	\$191,035.82	\$269.82	4.70%	\$0	\$1,075	\$207,864	\$0	\$0
2030	\$1,516,054	\$334,482	22.06%	(\$128,702)	\$196,766.89	\$277.92	3.00%	\$0	\$2,371	\$59,692	\$0	\$0
2031	\$1,450,489	\$299,951	20.68%	(\$277,261)	\$202,669.90	\$286.26	3.00%	\$0	\$2,073	\$239,274	\$0	\$0
2032	\$1,599,605	\$479,564	29.98%	(\$219,426)	\$208,749.99	\$294.84	3.00%	\$0	\$3,744	\$32,880	\$0	\$0
2033	\$1,617,824	\$530,482	32.79%	(\$297,081)	\$215,012.49	\$303.69	3.00%	\$0	\$4,275	\$168,370	\$0	\$0
2034	\$1,743,860	\$689,317	39.53%	(\$274,775)	\$221,462.87	\$312.80	3.00%	\$0	\$5,781	\$68,409	\$0	\$0
2035	\$1,862,035	\$840,664	45.15%	(\$268,080)	\$228,106.75	\$322.18	3.00%	\$0	\$7,260	\$84,020	\$0	\$0
2036	\$1,919,662	\$933,100	48.61%	(\$328,051)	\$234,949.96	\$331.85	3.00%	\$0	\$8,173	\$150,686	\$0	\$0
2037	\$2,040,286	\$1,088,990	53.37%	(\$333,110)	\$241,998.45	\$341.81	3.00%	\$0	\$9,666	\$95,774	\$0	\$0
2038	\$2,066,925	\$1,153,315	55.80%	(\$437,639)	\$249,258.41	\$352.06	3.00%	\$0	\$10,311	\$195,244	\$0	\$0
2039	\$1,816,564	\$948,599	52.22%	(\$816,728)	\$256,736.16	\$362.62	3.00%	\$0	\$8,352	\$469,804	\$0	\$0
2040	\$1,727,987	\$910,470	52.69%	(\$1,036,448)	\$264,438.24	\$373.50	3.00%	\$0	\$7,868	\$310,435	\$0	\$0
2041	\$1,526,646	\$766,807	50.23%	(\$1,368,215)	\$272,371.39	\$384.71	3.00%	\$0	\$6,446	\$422,481	\$0	\$0
2042	\$1,690,163	\$988,123	58.46%	(\$1,345,185)	\$280,542.53	\$396.25	3.00%	\$0	\$8,459	\$67,685	\$0	\$0
2043	\$1,597,842	\$959,023	60.02%	(\$1,580,764)	\$288,958.81	\$408.13	3.00%	\$0	\$8,235	\$326,294	\$0	\$0
2044	\$1,704,137	\$1,130,067	66.31%	(\$1,626,446)	\$297,627.57	\$420.38	3.00%	\$0	\$9,814	\$136,397	\$0	\$0
2045	\$1,781,172	\$1,274,151	71.53%	(\$1,709,422)	\$306,556.40	\$432.99	3.00%	\$0	\$11,218	\$173,691	\$0	\$0
2046	\$1,893,716	\$1,455,441	76.86%	(\$1,766,134)	\$315,753.09	\$445.98	3.00%	\$0	\$12,964	\$147,427	\$0	\$0
2047	\$2,083,854	\$1,714,620	82.28%	(\$1,756,934)	\$325,225.68	\$459.36	3.00%	\$0	\$15,468	\$81,515	\$0	\$0
2048	\$2,142,223	\$1,845,064	86.13%	(\$1,887,531)	\$334,982.46	\$473.14	3.00%	\$0	\$16,775	\$221,312	\$0	\$0
2049	\$2,339,033	\$2,114,323	90.39%	(\$1,891,939)	\$345,031.93	\$487.33	3.00%	\$0	\$19,350	\$95,123	\$0	\$0
2050	\$2,577,692	\$2,425,146	94.08%	(\$1,868,163)	\$355,382.89	\$501.95	3.00%	\$0	\$22,378	\$66,939	\$0	\$0
2051	\$2,410,800	\$2,338,277	96.99%	(\$2,251,992)	\$366,044.37	\$517.01	3.00%	\$0	\$21,631	\$474,544	\$0	\$0
2052	\$2,648,912	\$2,656,279	100.28%	(\$2,244,876)	\$377,025.70	\$532.52	3.00%	\$0	\$24,576	\$83,599	\$0	\$0
Totals:					\$7,370,783.80			\$0	\$258,591	\$5,216,596	\$0	\$0



Cash Flow and Percent Funded Chart

(December 31, 2023)



10 Year Expenditure and Cash Flow by Category

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Beginning Balance	\$243,500	\$287,745	\$134,858	\$196,864	\$324,481	\$246,529	\$210,789	\$195,035	\$334,482	\$299,951
Contribution	\$90,715	\$104,322	\$119,971	\$137,966	\$158,661	\$182,460	\$191,036	\$196,767	\$202,670	\$208,750
<i>Average/Month/Unit</i>	\$128.13	\$147.35	\$169.45	\$194.87	\$224.10	\$257.71	\$269.82	\$277.92	\$286.26	\$294.84
<i>Percent Change</i>	0.00%	15.00%	15.00%	15.00%	15.00%	15.00%	4.70%	3.00%	3.00%	3.00%
Additional Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Earned	\$2,430	\$929	\$1,385	\$2,545	\$1,761	\$1,279	\$1,075	\$2,371	\$2,073	\$3,744
Tax on Interest	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Interest	\$2,430	\$929	\$1,385	\$2,545	\$1,761	\$1,279	\$1,075	\$2,371	\$2,073	\$3,744
Access System										
Card reader		\$798								
Gate operators, swing		\$13,905								
Loop systems		\$6,592								\$4,175
Magnetic lock		\$3,090								
Phone directory		\$5,665								
Spike strip/sign				\$3,825						
Asphalt & Concrete										
Concrete, repairs		\$4,120			\$4,502			\$4,920		
Concrete, stamped					\$28,138					
Repair/overlay/R&R										
Seal/stripe/repair			\$7,621				\$8,577			
Buildings, Awnings										
Awning frames										
Awning recovering								\$8,609		
Buildings, Balconies										
Balcony/walkways, coating										
Balcony/walkways, drains										
Balcony/walkways, inspection SB326/ §5551								\$15,373		
Balcony/walkways, R&R									\$27,565	
Rail balcony/walkways B1										
Rail balcony/walkways B2										



Expenditure and Cash Flow Report

(continued)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Rail balcony/walkways B3										
Buildings, Doors										
Utility doors/locks										
Washer/dryer doors										
Buildings, Plumbing										
Pipes, repairs/replace (est.)					\$162,523	\$176,210	\$181,496			
Pressure regulators										
Sewer clean-outs		\$16,480						\$4,920		
Buildings, Roof										
Carports, metal roofs										
Flat, elastomeric coating B1									\$28,201	
Flat, elastomeric coating B2									\$26,509	
Flat, elastomeric coating B3									\$28,201	
Flat, polyurethane foam B1										
Flat, polyurethane foam B2										
Flat, polyurethane foam B3										
Gutters/downspouts										
Slope, tile/underlayment B1										
Slope, tile/underlayment B3										
Courts & Clubhouse										
Flooring, carpet, interior		\$4,038								
Furniture, exterior		\$2,472								
Furniture, interior		\$1,442								
Racquetball court	\$1,800									
Tennis Court, repair	\$25,000									
Tennis Court, resurface	\$5,700								\$7,221	
Electrical & Lights										
Garage fixtures										
Landscape fixtures						\$8,695				
Recessed fixtures, hallways										
Fence & Gates										
Fence, chainlink 06' South										



Expenditure and Cash Flow Report

(continued)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Fence, chainlink 10' Tennis Court										
Fence, metal, site, East										
Gates, pedestrian, metal, entry										
Gates, trash enclosures, metal										
Gates, vehicle, metal, entry										
Rail, metal, walkways										
Walls, block, repair		\$7,725								
Garages										
Epoxy inject cracks										
Irrigation										
Backflow valves					\$6,922					
Controllers		\$4,532								
Landscape										
Refurbish					\$6,753					\$7,829
Renovation									\$82,340	
Mailboxes										
Mailboxes										
Mechanical, Elevator										
Cab refurbish					\$13,506					
Certificate (5-year)				\$3,060					\$3,547	
Equipment upgrade, 3-stop										
Piping/resleeving			\$26,523							
Mechanical, Fire System										
5-year sprinkler test				\$3,715					\$4,307	
Fire hoses		\$1,030					\$1,194			
Outside sprinklers								\$12,299		
Valve repairs	\$1,400		\$1,485		\$1,576		\$1,672		\$1,773	
Paint & Repair										
Buildings, stucco, paint		\$145,848								
Buildings, stucco, repair		\$16,712								
Doors, front							\$7,045			
Doors, utility					\$1,531					



Expenditure and Cash Flow Report

(continued)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Garages						\$9,274				
Gates, walkways & entries		\$3,090				\$3,478				\$3,914
Rail/fence, walkways/Tennis Court		\$13,390				\$15,071				\$16,962
Wood beams, repairs		\$7,210								
Wood beams/atriums, seal coat			\$9,548						\$11,401	
Wood beams/balconies, seal coat			\$8,620						\$10,293	
Pool & Spa										
Deck coating, color seal					\$5,720					
Deck coating, texture										
Deck skimmers					\$7,203					
Equipment cover/gate								\$3,075		
Furniture, chairs, replace									\$3,104	
Furniture, chairs, restrap			\$1,857					\$2,152		
Furniture, loungers, replace										
Furniture, loungers, restrap			\$1,575					\$1,826		
Furniture, tables, large										
Furniture, umbrellas						\$377				
Pool filter								\$1,845		
Pool heater								\$4,674		
Pool pumpset, circulation VS				\$2,295						
Pool resurface	\$15,000									
Pool tile										
Spa filter										
Spa heater									\$4,814	
Spa pumpset, circulation VS							\$2,508			
Spa pumpsets, jet			\$2,122							
Spa resurface						\$6,376				
Spa tile										
Signage										
Entry monument & gate area rehab										
Signs, metal							\$5,373			



Expenditure and Cash Flow Report

(continued)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Component Exp	\$48,900	\$258,139	\$59,350	\$12,894	\$238,374	\$219,480	\$207,864	\$59,692	\$239,274	\$32,880
Non-recurring Exp	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance	\$287,745	\$134,858	\$196,864	\$324,481	\$246,529	\$210,789	\$195,035	\$334,482	\$299,951	\$479,564





Professional Credentials

Michael C. Graves R.S.
Reserve Funding Specialist

Designations

- ◆ Reserve Specialist (RS), 2000,
Community Association Institute

Distinctions

- ◆ Educated Business Partner (EBP), 2013,
Community Association Institute

Degrees

- ◆ B.A., Economics, 1983,
San Diego State University
- ◆ A.S., Business Administration, 1980,
Citrus College

Associations

- ◆ California Association of Community Managers
(CACM):

*Past Instructor for Facilities Management
Course VIII, "The Guide to Reserve Study
Components & Funding",*

Past Ambassador Committee Member

- ◆ Community Associations Institute (CAI),
Affiliate Member:
 - Coachella Valley Chapter (CV)
 - Greater Inland Empire Chapter (GRIE)
 - *Past President,*
 - Orange County Regional Chapter (OCRC)
 - *Past Board Treasurer*
 - San Diego Chapter (SD)
 - *Past Board Treasurer*

Publications

- ◆ "Ask The Experts", O.C. View, May/June 2004.
- ◆ "Fiduciary Responsibility Forum",
CondoManagement, December 2003.
- ◆ "Does Our Association Have Money Or Not",
Quorum, June 2001.
- ◆ "How Do You Use Your Reserve Study To
Finance Remodeling Work", Quorum, April
2000.
- ◆ Numerous Speaking and Panel Engagements

Awards

- ◆ Habitat for Humanity of Orange County,
2019 Outstanding Volunteer Award
- ◆ Community Associations Institute, GRIE,
2012 Hall of Fame
2000 Committee Member of the Year
- ◆ Community Associations Institute, OCRC,
2009 Committee Member of the Year
2006 Ellen Elish Award
2006 Presidents Award
- ◆ California Association of Community Managers,
2001, Vision Award, Excellence in Service

Professional Responsibilities

As Reserve Fund Specialist for SCT Reserve
Consultants, Inc. Mr. Graves:

- ◆ Manages reserve study site inspections and
funding analyses
- ◆ Prepares reserve study reports and proposals
- ◆ Markets reserve study services through
professional contacts and trade associations'
meetings and shows

Professional Experience

Mr. Graves' reserve study experience includes:

- ◆ Numerous Levels I, II, and III reserve studies
throughout San Diego, Los Angeles, Orange,
Riverside, San Bernardino, and Imperial Counties.
- ◆ Familiarity with components that go into a reserve
study.
- ◆ Able to assist Associations in determining a well-
suited funding plan that fits their reserve goals.
- ◆ Utilizing Property Reserve Analysis (PRA) System
software to generate Component definition files.
- ◆ Developing SCT Reserve Analysis System
software to calculate elements used in the Rough
Draft and Final Reports.
- ◆ Meet with Association's Board of Directors to
review the draft of the reserve study.
- ◆ Consideration of Board's input with respect to
incorporate component replacement and funding
policies.



Disclosure Statements

SCT Reserve Consultants, Inc. endeavors to provide the most accurate reserve study possible. However, the current replacement costs of the listed components are based on estimates utilizing local trades, contractor interviews, and national cost databases. Regular maintenance of reserve components is required to realize the full useful life of each component. Changes in fees for labor and materials, acts of God, extraordinary weather conditions, vandalism and unusual wear of the reserve components may have an adverse impact on the useful life and the cost to replace a particular reserve component. SCT Reserve Consultants, Inc. did not identify, nor did it purport to expound on, any possible construction defects on the project. All dollar figures are subject to rounding errors.

The completeness of this reserve study relies heavily on information provided to us by the Association's representative(s). Incomplete or missing information may cause a distortion of the Association's financial condition. The reserve balance presented in this reserve study is based on information provided and was not audited. SCT Reserve Consultants, Inc. assumes that the information provided to us by the Association's representative(s) is both reliable and accurate and for a Level II study (update with-site-visit) and Level III study (update with no-site-visit) the Association is to have considered previously developed component quantities and/or lump sum expenditures as accurate and reliable. Information provided about reserve projects is also understood to be reliable. Any on-site inspection should not be considered a project audit or quality inspection.

In the event we have performed an on-site inspection of the community, the data compiled has been used with financial, physical, quantity, and historical information provided by the Association's representative(s). Our physical inspection would consist primarily of visual inspection, measurement, drawing take-offs, and photographic documentation. No destructive testing methods were used.

SCT Reserve Consultants, Inc. has prepared this reserve study in conformance with the requirements laid out by the California Civil Code (§5550) and the Community Association Institute (CAI). We have no other current involvement with VILLA CABALLEROS HOMEOWNERS ASSOCIATION and have no actual or perceived conflicts of interest with VILLA CABALLEROS HOMEOWNERS ASSOCIATION.

This reserve study is a reflection of the information provided to us by the Association's representative(s) and is assembled for the budgeting and planning purposes of the Board of Directors only. Information provided about reserve projects will be considered reliable. The reserve study is not to be used for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records.



Definition of Terms

100% Funded – from the “Component Identification Report”, see Fully Funded Balance (FFB).

Basis Cost - the estimated unit (of measurement basis) replacement cost.

Cash Flow Method - a method of developing a reserve funding plan 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.

Contingency Fund – typically 3.0% to 5.0% of annual reserve allocation may be established to pay for incidental and miscellaneous reserve expenditures (optional).

Current Replacement Cost (estimated) - the total estimated cost of a component’s replacement or long-term maintenance action at the time of the study. This amount is calculated by multiplying the measurement basis quantity times the basis cost.

Davis-Stirling Common Interest Development Act - the name for the sections of the California Civil Code (4000 through 6150) that are the framework for the operation and management of common interest developments in California.

Fully Funded Balance (FFB) - total accrued depreciation. This number is calculated for each reserve component, then summed together for a total dollar value.

Expressed as $FFB = (Estimated\ Used\ Life) / (Estimated\ Full\ Life) \times (Current\ Replacement\ Cost)$

FUL Full Useful Life (estimated) - the original estimate of a period of time that a component will last before major long-term maintenance or replacement is required.

Funding Goals – there are four basic categories of funding plan goals:

- ⇒ **Baseline Funding** – establishing a reserve-funding goal of keeping the reserve cash balance above zero.
- ⇒ **Full Funding** – setting a reserve-funding goal of attaining and maintaining reserves at or near 100% funded.
- ⇒ **Statutory Funding** – establishing a reserve-funding goal of setting aside the specific minimum amount of reserves required by local statutes.
- ⇒ **Threshold Funding** – establishing a reserve-funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Funding Plan – this is the year-by-year percentage increase to the reserve allocation.

Future Replacement Cost (estimated) – the current replacement cost multiplied by an inflation factor (compounded annually).

Level I Reserve Study - is considered a full study, it consists of:

- ⇒ **Component Inventory** - quantification and verification of the reserve components.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level II Reserve Study - is considered an update (on-site) study, it consists of:

- ⇒ **Component Inventory** - verification of the reserve components only, no quantification.
- ⇒ **Condition Assessment** – the task of evaluating the current condition of the component based on observed or reported conditions.
- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.



Definition of Terms (continued)

- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Level III Reserve Study - is considered a financial update, it consists of:

- ⇒ **Life and Valuation Estimates** – the task of estimating Full Life, Remaining Life and repair and replacement costs for the components.
- ⇒ **Fund Status** – status of the reserve fund as compared to an established benchmark such as percent funding.
- ⇒ **Funding Plan** – an Association’s plan to provide income to the reserve fund to offset anticipated expenditures from that fund.

Measurement Basis - the unit of measurement, i.e.: each, linear feet, square feet, squares (100 sf).

Percent Funded – the ratio, at a particular point of time, of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

RUL Remaining Useful Life (estimated) - an educated evaluation of the amount of time before the component will need replacement.

Reserve Allocation - money that is collected and applied to particular components (see Year 2023 Reserve Budget).

Reserve Component - is defined as any major component that needs major maintenance or replacement at a frequency exceeding two years but typically not more than 30 years.

Reserve Fund Balance (estimated) - the estimated amount of money in the reserve account(s) as of the study date, typically calculated by adding the prior year’s current reserve balance, remaining reserve allocations, and interest, and then subtracting any known reserve expenditures through the same prior year.

Reserve Study - is a budget-planning tool that identifies the current status of the reserve fund and offers a stable and equitable funding plan to offset the anticipated future major common area expenditures. It consists of two parts:

- ⇒ **Financial Analysis** - the portion of the reserve study where the current status of the reserves (Fund Status) are measured as cash or percent funded and a recommended reserve contribution rate (Funding Plan) are derived, and the projected reserve income and expense over time is presented.
- ⇒ **Physical Analysis** - the portion of the reserve study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed.

Straight Line Allocation (Annual) – from the “Component Identification Report” is a single year’s 100% funded amount, often referred to as the ideal or recommended allocation level.

$$\text{Expressed as } \text{SLA} = (I) / (\text{Estimated Full Life}) \times (\text{Current Replacement Cost})$$

Weighted Average Life (WAL) - is calculated by multiplying the cost of each component by the number of months until replacement, creating a weighted average life factor. The total of the factors is divided by the total replacement cost, producing the WAL.



2020 California Civil Code (Selected Sections)

PART 5. COMMON INTEREST DEVELOPMENTS

CHAPTER 6. ASSOCIATION GOVERNANCE

ARTICLE 7. ANNUAL REPORTS

§5300. Annual Budget, Reserves and Other Required Disclosures

(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."



2020 California Civil Code (Selected Sections) (continued)

(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. [2017 - Based on former §§1365 & 1365.2.5(b)(2)]

CHAPTER 7. FINANCES

ARTICLE 1. ACCOUNTING

§5500. Board’s Duty to Review Financial Statements and Accounts

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. [2018 - Based on former §1365.5(a)]

§5501. Review of Financial Statements and Accounts



2020 California Civil Code (Selected Sections) (continued)

The review requirements of Section 5500 may be met when every individual member of the board, or a subcommittee of the board consisting of the treasurer and at least one other board member, reviews the documents and statements described in Section 5500 independent of a board meeting, so long as the review is ratified at the board meeting subsequent to the review and that ratification is reflected in the minutes of that meeting. [2018]

§5502. Account Deposits and Transfers

Notwithstanding any other law, transfers of greater than ten thousand dollars (\$10,000) or 5 percent of an association's total combined reserve and operating account deposits, whichever is lower, shall not be authorized from the association's reserve or operating accounts without prior written board approval. This section applies in addition to any other applicable requirements of this part. [2019]

ARTICLE 2. USE OF RESERVE FUNDS

§5510. Signatures on and Limitation on Use of Reserve Funds

(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. [2012 - Based on former §1365.5(b & (c)(1)]

§5515. Transfer or Borrowing from Reserve Funds

(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. [2012 - Based on former §1365.5(c)(2)]

§5520. Using Reserve Funds for Litigation; Notice; Accounting

(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. [2012- Based on former §1365.5(d)]



2020 California Civil Code (Selected Sections) (continued)

ARTICLE 3. RESERVE PLANNING

§5550. Reserve Study Inspection Frequency; Contents; Funding Plan

- (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. [2012 - Based on former §1365.5(e)]

§5551. Inspection of Elevated Elements (effective 1/1/2020)

- (a) For purposes of this section, the following definitions apply:
- (1) "Associated waterproofing systems" include flashings, membranes, coatings, and sealants that protect the load-bearing components of exterior elevated elements from exposure to water.
 - (2) "Exterior elevated elements" mean the load-bearing components together with their associated waterproofing system.
 - (3) "Load-bearing components" means those components that extend beyond the exterior walls of the building to deliver structural loads to the building from decks, balconies, stairways, walkways, and their railings, that have a walking surface elevated more than six feet above ground level, that are designed for human occupancy or use, and that are supported in whole or in substantial part by wood or wood-based products.
 - (4) "Statistically significant sample" means a sufficient number of units inspected to provide 95 percent confidence that the results from the sample are reflective of the whole, with a margin of error of no greater than plus or minus 5 percent.
 - (5) "Visual inspection" means inspection through the least intrusive method necessary to inspect load-bearing components, including visual observation only or visual observation in conjunction with, for example, the use of moisture meters, borescopes, or infrared technology.
- (b)
- (1) At least once every nine years, the board of an association of a condominium project shall cause a reasonably competent and diligent visual inspection to be conducted by a licensed structural engineer or architect of a random and statistically significant sample of exterior elevated elements for which the association has maintenance or repair responsibility.
 - (2) The inspection shall determine whether the exterior elevated elements are in a generally safe condition and performing in accordance with applicable standards.



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- (c) Prior to conducting the first visual inspection, the inspector shall generate a random list of the locations of each type of exterior elevated element. The list shall include all exterior elevated elements for which the association has maintenance or repair responsibility. The list shall be provided to the association for future use.
- (d) The inspector shall perform the visual inspections in accordance with the random list generated pursuant to subdivision (c). If during the visual inspection the inspector observes building conditions indicating that unintended water or water vapor has passed into the associated waterproofing system, thereby creating the potential for damage to the load-bearing components, then the inspector may conduct a further inspection. The inspector shall exercise their best professional judgment in determining the necessity, scope, and breadth of any further inspection.
- (e) Based upon the inspector's visual inspections, further inspection, and construction and materials expertise, the inspector shall issue a written report containing the following information:
- (1) The identification of the building components comprising the load-bearing components and associated waterproofing system.
 - (2) The current physical condition of the load-bearing components and associated waterproofing system, including whether the condition presents an immediate threat to the health and safety of the residents.
 - (3) The expected future performance and remaining useful life of the load-bearing components and associated waterproofing system.
 - (4) Recommendations for any necessary repair or replacement of the load-bearing components and associated waterproofing system.
- (f) The report issued pursuant to subdivision (e) shall be stamped or signed by the inspector, presented to the board, and incorporated into the study required by Section 5550.
- (g)
- (1) If, after inspection of any exterior elevated element, the inspector advises that the exterior elevated element poses an immediate threat to the safety of the occupants, the inspector shall provide a copy of the inspection report to the association immediately upon completion of the report, and to the local code enforcement agency within 15 days of completion of the report. Upon receiving the report, the association shall take preventive measures immediately, including preventing occupant access to the exterior elevated element until repairs have been inspected and approved by the local enforcement agency.
 - (2) Local enforcement agencies shall have the ability to recover enforcement costs associated with the requirements of this section from the association.
- (h) Each subsequent visual inspection conducted under this section shall commence with the next exterior elevated element identified on the random list and shall proceed in order through the list.
- (i) The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. All written reports shall be maintained for two inspection cycles as records of the association.
- (j)
- (1) The association shall be responsible for complying with the requirements of this section.
 - (2) The continued and ongoing maintenance and repair of the load-bearing components and associated waterproofing systems in a safe, functional, and sanitary condition shall be the responsibility of the association as required by the association's governing documents.
- (k) The inspection of buildings for which a building permit application has been submitted on or after January 1, 2020, shall occur no later than six years following the issuance of a certificate of occupancy. The inspection shall otherwise comply with the provisions of this section.
- (l) This section shall only apply to buildings containing three or more multifamily dwelling units.
- (m) The association board may enact rules or bylaws imposing requirements greater than those imposed by this section.
- (n) A local government or local enforcement agency may enact an ordinance or other rule imposing requirements greater than those imposed by this section. [2019]

§5560. Reserve Funding Plan Adoption; Assessments Needed for Adequate Funding

- (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.



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(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. [2012 - Based on former §1365.5(e)]

§5565. Contents of Association's Reserve Summary

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. [2012 - Based on former §1365(a)(2)]

§5570. Required Assessment and Reserve Funding Disclosure Summary

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

ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY FORM *(typically pages 5 and 6, occasionally pages 6 and 7, of 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.



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(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. [2016]

§5580. Community Service Association Disclosure Requirements

(a) Unless the governing documents impose more stringent standards, any community service organization whose funding from the association or its members exceeds 10 percent of the organization's annual budget shall prepare and distribute to the association a report that meets the requirements of Section 5012 of the Corporations Code, and that describes in detail administrative costs and identifies the payees of those costs in a manner consistent with the provisions of Article 5 (commencing with Section 5200) of Chapter 6.

(b) If the community service organization does not comply with the standards, the report shall disclose the noncompliance in detail. If a community service organization is responsible for the maintenance of major components for which an association would otherwise be responsible, the community service organization shall supply to the association the information regarding those components that the association would use to complete disclosures and reserve reports required under this article and Section 5300. An association may rely upon information received from a community service organization and shall provide access to the information pursuant to the provisions of Article 5 (commencing with Section 5200) of Chapter 6. [2012 - Based on former §1365.3]

