



Sonnenberg & Company, CPAs

A Professional Corporation

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Leonard C. Sonnenberg, CPA

**Oakcrest Manor
Homeowners Association
RESERVE STUDY
December 31, 2020**





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December 31, 2020**

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Reserve Study Executive Summary

Association Name: Oakcrest Manor Homeowners Association
Location: 4041 Oakcrest Drive, San Diego, CA
No. of Units: 32 **Built:** Converted 2003 **Fiscal Year Ending:** December 31, 2020
Level of Study: Level I: Full Study **Date of Physical Inspection:** June 18, 2020

2020 onsite property inspection limitations due to COVID-19: Due to current health and safety limitations, we may not be able to meet in person with property representatives, and our reserve study consultants must limit themselves to only inspecting areas in which they feel safe from exposure. Since some reserve components may not be directly observed by the consultant, the report relies on information provided to us by the Board/management.

CURRENT FISCAL YEAR END SUMMARY OF RESERVE COMPONENTS							
(See Reserve Analysis Worksheet, pg. 5, for breakdown of all components individual lives, current costs, and projected future replacement costs)							
Reserve Component Groups	Estimated Useful Life	Estimated Remaining Life	Estimated Replacement Cost	Annual Funding Requirement	Accumulated Funding Requirement	Allocation of Fund Balance	Percent of Fund Balance
ROOFING & DECKS	10 - 20	2 - 3	\$ 46,625	\$ 2,406	\$ 39,556	\$ 0	24.3%
BALCONY BILL	9 - 9	4 - 4	8,100	900	4,500	0	2.8%
PAINTING/REPAIRS	5 - 12	1 - 5	26,614	3,329	17,276	0	10.6%
FENCE/SECURITY	25 - 35	8 - 15	15,500	490	9,380	0	5.8%
PAVED SURFACES	4 - 30	2 - 13	12,754	1,043	6,203	0	3.8%
INTERIOR CONTENTS	30 - 30	15 - 15	9,828	328	4,914	0	3.0%
MECHANICAL/PLUMBING	5 - 12	5 - 6	10,786	1,132	4,393	0	2.7%
ELEVATOR	15 - 40	3 - 20	83,500	2,533	49,333	0	30.3%
FIRE/SAFETY	10 - 20	1 - 3	13,100	1,075	10,075	0	6.2%
LANDSCAPING/IRRIGATION	3 - 25	1 - 15	3,800	431	1,761	0	1.1%
LIGHTING/ELECTRICAL	20 - 25	3 - 15	5,620	236	3,809	0	2.3%
MISCELLANEOUS	5 - 35	1 - 18	5,000	379	3,644	0	2.2%
CONTINGENCY (5%)			12,061	714	7,742	0	4.8%
TOTALS			\$ 253,289	\$ 14,996	\$ 162,587	\$ 0	

CURRENT FISCAL YEAR RESERVE FUNDS			
Current Budgeted Annual Reserve Allocation		\$	0
Reserve Fund Balance as of: May 31, 2020		\$	-
Anticipated Funding to Year End			0
Anticipated Expenditures to Year End			-
Cash Projected at Year End December 31, 2020		\$	0
Accumulated Funding Requirement (Fully Funded)		\$	162,587
Percentage Funded at the end of this Fiscal Year			0.0%
Accumulated Deficiency for Current Fiscal Year		\$	162,587
Deferred repair/replacement of any major component with a remaining life of 30 years or less?		Per Unit \$	5,081
			NO

RESERVE FUNDING OPTIONS FOR THE FISCAL YEAR ENDING: 2021		
	per unit per month	per year
funding options assume a 3% increase, unless otherwise noted		
Annual Requirement Funding:	\$ 40	\$ 15,446
Current Budgeted Funding:	0	0
Recommended Funding:	39	15,000
Special Assessment/s Recommended?		YES
For funding option details please see Reserve Study Summary page 2		

We present this summary of the repair and replacement funding program of the Association as of December 31, 2020, and the related reserve funding projection for the 30-year period from 2021 to 2050, based on information provided by management and based upon the consultant's estimates of the most probable reserve component replacement costs, conditions, and lives. The annual requirement is based on the cost of each component divided by its total useful life. The accumulated requirement is the annual requirement multiplied by the number of years each component has been in service. The difference between accumulated requirement total and the actual cash balance may indicate a deficit which would be expressed in the percentage funded.

The above information is a condensed summary of the reserve study, in compliance with CA Civil Codes 5300, 5550, and 5600, and is intended to be included in the annual budget package to be provided to owners not less than 30 nor more than 90 days prior to the Association fiscal year end. CACC 5550 requires an on-site inspection every 3 years, and the study to be reviewed annually. Assumptions have been made about costs, conditions, and future events that may occur. Some of these assumptions may not materialize; and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and lives may vary from this report and the variations may be material.

The compilation of this reserve funding analysis and projection is based on representations of management and the consultant's estimates. We have not audited or reviewed the accompanying analysis and projections and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events occurring after the date of issuance of this report.

Ronald C. Sonnenberg

Sonnenberg & Company, CPAs

**Oakcrest Manor Homeowners Association
Level I: Full Study
December 31, 2020**

Inflation and Interest Earned on Reserves:

As an industry standard, provision has been made in the funding projections for inflation, computed at three percent (3%), and an assumed 1% net interest on the reserve balance has been added to the reserve funds. As costs increase in the future, the annual reserve reports should be revised accordingly.

Reserve Calculations:

Based on estimated current replacement costs of \$253,289 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$14,996.

The accumulated funding requirement is calculated to be \$162,587.

As of December 31, 2020, the Association may have \$0 in accounts designated as reserve funds.

Therefore, a deficit of \$162,587 has been calculated, with a funding percentage of 0.0%. A portion of the annual reserve requirement may be provided for in the operating budget.

Industry Standard Measure of Funding Strength:

0% - 30% = WEAK At this level of funding, Special Assessments and deferred maintenance are likely.

31% - 70% = FAIR At this level of funding Special Assessment and deferred maintenance are less likely, but could still pose a concern. Efforts should be taken to increase to a healthier level of funding.

>70% = STRONG At this level of funding the Association should be well covered, with hopefully no need for deferred maintenance or Special Assessments.

Funding Calculations:

There are a variety of methods by which the Association can approach the desired level of funding. The Board is responsible for determining the optimum funding program. We have calculated three options:

Option 1: Annual Requirement Funding: This option assumes that the Association will maintain the annual funding requirement as calculated on page 5, without regard to any funding deficiency.

Currently the annual requirement allocation is \$15,446 or \$40 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

Weak level of funding in FY 2021.

Deficits could occur beginning FY 2023.

Option 2: Current Funding: The current budgeted funding level is projected over the 30-year period, including 3% inflation annual increase, as compared to option 1 and 3.

Currently, with the 3% increase, \$0 or \$0 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently funded at zero percent, the Weak level of funding.

Without a Regular Reserve allocation, deficits could occur beginning FY 2021.

Option 3: Recommended Funding: This option is intended to calculate the amount of funding that would be the most sufficient for the Association over the next 30 years. The Current Budgeted Funding, and the Annual Requirement Funding are both taken into consideration while creating a Recommended Funding that is hopefully achievable by the Association. The 3% inflation annual increase is assumed, unless otherwise noted.

Recommended funding is, \$15,000 or \$39 per unit per month.

To avoid deficits which could occur beginning FY 2021, a Regular Reserve allocation could be implemented in FY 2021 equal to \$15,000 annually.

The Regular Reserve allocation could then be increased 20% annually in FY's 2022 through 2025 and Special Assessments could be implemented in FY's 2022 and 2023. The Regular Reserve allocation could reach the Fair level of funding by FY 2025 and could reach the Strong level of funding by FY 2028.

To avoid possible future overfunding, the Regular Reserve allocation could be decreased to equal \$20,000 annually in FY 2030, with no 3% annual increases needed in FY's 2031 through 2034.

Recommended Special Assessment details can be seen in the Assessment and Reserve Funding Disclosure Summary on page 3.

Oakcrest Manor Homeowners Association

Assessment and Reserve Funding Disclosure Summary

December 31, 2020

(1) Regular Assessments -

Assessments to members are averaged at \$350 per unit per month for the year ending December 31, 2020.

* If assessments vary by the size or type of unit, the applicable assessment rates may be found in the Association's accompanying Annual Budget and /or can be provided by the Association/management agent.

(2) **Special Assessments** - Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, which have been approved by the Board and/or members:

Date assessment is due:	Amount/ unit/month	Purpose of this assessment is to fund or supplement the replacement costs of:
N/A		

(3) Reserve Account Balances -

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 _____ X _____

(4) Additional Assessments -

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 the members?

Recommended Funding: To avoid deficits which could occur beginning FY 2021, a Regular Reserve allocation could be implemented in FY 2021 equal to \$15,000 annually. The Regular Reserve allocation could then be increased 20% annually in FY's 2022 through 2025 and Special Assessments could be implemented in FY's 2022 and 2023. The Regular Reserve allocation could reach the Fair level of funding by FY 2025 and could reach the Strong level of funding by FY 2028. To avoid possible future overfunding, the Regular Reserve allocation could be decreased to equal \$20,000 annually in FY 2030, with no 3% annual increases needed in FY's 2031 through 2034.

Recommended Special Assessments		
Budget Yr of Assessment	Amount/unit/month	Total Assessment
2022-2023	\$ 58.59	\$ 45,000.00

(5) Major Components -

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

(6) Current Funding Comparison -

As of the current reserve study or update, the balance in the reserve fund is projected to be \$0.

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570 the estimated accumulated funding requirement is \$162,587. The percentage funded is: 0.0%

(7) Funding over next 5 Budget Years -

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 each of the next five budget years is projected to be:

\$165,245 \$173,751 \$117,585 \$109,297 \$122,682

The projected reserve fund cash balance at the end of each of those years is projected to be, taking into account only assessments already approved and other known revenues, as follows:

-\$12,338 -\$19,278 -\$91,339 -\$115,973 -\$119,384

% Funded -7.5% -11.1% -77.7% -106.1% -97.3%

If the recommended reserve funding plan is approved by the Association and implemented, the projected reserve fund cash balance at the end of each of those years would be:

\$2,663 \$36,249 \$8,650 \$10,023 \$37,816

% Funded 1.6% 20.9% 7.4% 9.2% 30.8%

The law does not require the Association to fund reserves in accordance with these calculations.

The financial representations set forth in this summary are based on best estimates of the consultant at the time. These estimates regarding costs, lives and conditions are subject to change.

An assumed long-term inflation rate to be applied to major component repair and replacement costs was 3% per year.

An assumed long-term net interest rate earned on reserve funds is 1% per year.

Per CACC 5550, the Association is required to adopt a reserve funding plan.

July 16, 2020



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Leonard C. Sonnenberg, CPA

July 16, 2020

**Oakcrest Manor
Homeowners Association
Reserve Study Report
December 31, 2020**

Board of Directors and Owners:

We have compiled the accompanying Reserve Study Report of the Oakcrest Manor Homeowners Association as of December 31, 2020, the reserve funding projections for the thirty-year period from 2021 through 2050, and the related Reserve Study Summary Sheet and the Assessment and Reserve Funding Disclosure Summary for distribution to owners.

Our report is based on information provided by management and an independent consultant's judgment and estimates, based on circumstances at the time of the inspection, of the most probable reserve component replacement costs, normal and remaining useful lives as described in the accompanying consultant's report.

Assumptions have been made about costs, conditions, and future events and circumstances that may occur. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations could be material.

This report is designed to help your Association comply with California Civil Code 5300 and should not be used for any other purpose. This study is required to be updated and distributed to each owner-member within 90 days (and not less than 30 days) prior to the beginning of each fiscal year along with the operating budget and a statement regarding assessment collection policies.

We have not audited or reviewed the accompanying analysis and projection and, accordingly, do not express an opinion or any form of assurance on them. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

Sonnenberg & Company, CPAs

Consultant's Report:

Mgmt Co: RG Investment Real Estate

Accountant's Program:

(source key: C = Consultant; M = Management/Board of Directors; V = Vendor; A = Actual Cost)

COMPONENT	Units Measured	Unit Cost	Srce	Cond	Current Replcmt Cost	Estimated Life: Usfl	Rmg	Inspection Notes	Annual Funding	Accumlt'd Funding	Cash In	Deficit	2021 Disb	2022 Disb	2023 Disb	2024 Disb	2025 Disb
									Reqmnt	Reqmnt	Reserves		1	2	3	4	5
MECHANICAL/PLUMBING																	
Water Boilers	2 ea	3,299.00	C	F	\$ 6,598	12	6	Average age, no internal access, assumed gas	550	3,299	0	(3,299)					
Circulation Pumps	2 ea	594.00	C	F	1,188	12	6	Average age, no internal access	99	594	0	(594)					
Boiler & Circ. Pump Installation	2 ea	500.00	C	N/A	1,000	12	6	Plumbing labor can vary	83	500	0	(500)					
Plumbing & Electric Repairs	Allowance		C/M	N/A	2,000	5	5	Water, gas, electric, sewer	400	-	-	-					2,240
Subtotal					\$ 10,786												
ELEVATOR																	
Hydraulic Casing	Allowance		C	N/A	\$ 40,000	40	20	Have elevator company evaluate	1,000	20,000	0	(20,000)					
Controller and Call Station	Allowance		C	N/A	35,000	30	10	Have elevator company evaluate	1,167	23,333	0	(23,333)					
Door Operator & Safety Package	Allowance		C	N/A	6,000	30	10	Have elevator company evaluate	200	4,000	0	(4,000)					
Car Interior Renovation	Allowance		C	F-P	2,500	15	3	Significant wear	167	2,000	0	(2,000)			2,650		
Subtotal					\$ 83,500												
FIRE/SAFETY																	
Fire Alarm Panels	1 ea	Allowance	C	F-P	\$ 2,500	20	3	Fire agencies require inspection	125	2,125	0	(2,125)			2,650		
Fire Sprinklers & Pull Stations	Allowance		C	F-P	1,500	15	1	Pull stations inoperable, inspect sprinklers	100	1,400	0	(1,400)	1,500				
Auto Gate Motors/Controls	2 ea	3,200.00	C	F-P	6,400	10	3	So. Gate motor missing	640	4,480	0	(4,480)			6,784		
Standpipe Repair	2 ea	600.00	C	F-P	1,200	20	3	Leaks apparent at both	60	1,020	0	(1,020)			1,272		
Fire Extinguishers	Allowance		C	F-P	1,500	10	3	Fire agencies require inspection	150	1,050	0	(1,050)			1,590		
Subtotal					\$ 13,100												
LANDSCAPING/IRRIGATION																	
Irrigation System Renovation	Allowance		C	F	\$ 600	15	7	Assume operating condition	40	320	0	(320)					
Backflow Valve	Allowance		C	G	1,200	20	15	No leaks	60	300	0	(300)					
Planter/Area Renovation	Allowance		C	G	600	15	10	Well maintained	40	200	0	(200)					
Major Tree Removals/Replacements	Allowance		C	G	600	25	8	Replace when sick or invasive	24	408	0	(408)					
Tree Trim	Allowance		C	P	800	3	1	Somewhat overgrown	267	533	0	(533)	800			872	
Subtotal					\$ 3,800												
LIGHTING/ELECTRICAL																	
Exterior Fixtures, Entry/Patio	64 ea	60.00	C	F	\$ 3,840	25	8	No serious damage evident	154	2,611	0	(2,611)					
Security Fixtures	Allowance		C	G-F	300	25	15	Appear newer	12	120	0	(120)					
Lobby Lights	Allowance		C	G-F	400	25	15	No serious damage evident	16	160	0	(160)					
Exit and Emergency Fixtures	12 ea	90.00	C	F-P	1,080	20	3	2nd floor sign face missing, others show wear	54	918	0	(918)			1,145		
Subtotal					\$ 5,620												
MISCELLANEOUS																	
Mailboxes	32 ea	50.00	C	G	\$ 1,600	35	18	Protected from weather	46	777	0	(777)					
Utility Doors	Allowance		C	P	600	15	1	Plywood is dry rotting, warping	40	560	0	(560)	600				
Trash Shute Repair/Clean	Allowance		C	P	500	15	1	Repairs & cleaning needed	33	467	0	(467)	500				
Concrete Balcony Walkway Clean	Allowance		C	P	300	5	1	Pressure wash needed	60	240	0	(240)	300				
Major Termite Treatments	Allowance		C	N/A	2,000	10	2	Consult Pest Control, damage evident	200	1,600	0	(1,600)		2,060			
Subtotal					\$ 5,000												
CONTINGENCY (5%)																	
					12,061			Unforeseen exp & cost overrun	714	7,742	0	(7,742)	588	330	3,431	1,173	162
TOTALS					\$ 253,289				14,996	162,587	0	(162,587)	12,338	6,940	72,061	24,634	3,410

Accumulated Funding Requirement ->

162,587

165,245 173,751 117,585 109,297 122,682

**Oakcrest Manor Homeowners Association
32 Units; Built Converted 2003**

**Major Repairs and Replacements Funding Requirements
Following Six to Thirty Year Projection**

COMPONENT	Estimated Usfl/Remg Life		2026 Disb	2027 Disb	2028 Disb	2029 Disb	2030 Disb	2031 Disb	2032 Disb	2033 Disb	2034 Disb	2035 Disb	2036 Disb	2037 Disb	2038 Disb	2039 Disb	2040 Disb	2045 Disb	2050 Disb
ROOFING & DECKS			6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30
Mineral Capsheet	20	3																	
Common Decks, Repair Unit Decks, Resurface	10	2							1,995										
BALCONY BILL																			
Exterior Elevated Elements	9	4								11,016									
PAINTING/REPAIRS																			
Building Stucco, Paint	8	4							16,790								19,820		
Stucco Repair	8	2					762								906				
Drywall Repair	8	1				372								444				516	
Exterior Wood-Exposed, Paint	5	1	2,300					2,600					2,900						
Unit Doors, Paint	12	3										2,045							
Wrought Iron, Paint	5	1	920					1,040					1,160						
Wrought Iron, Repair	5	1	575					650					725						
Entry Lobby Walls, Paint	8	1				744								888				1,032	
Elevator Lobby Walls	10	5										1,278							1,548
Masonry Walls, Paint	8	1				434								518					602
Stairwell Walls, Paint	10	3								3,264									
Entry & Stairwell Doors, Paint	10	3								816									
Exterior Replacements-Wood Trim	10	1						4,550											
FENCE/SECURITY																			
Chain Link	35	15										14,910							
Wrought Iron Vehicle Gates/Fence	25	8			4,235														
Entry & Stairwell Doors, Replace	30	10					1,905												
PAVED SURFACES																			
Asphalt Repair/Reseal/Striping	4	2	2,320				2,562				2,804				3,046				3,772
Asphalt Replace (5%)	15	10					2,886											3,909	
Asphalt Overlay-50%	30	13								10,288									
Crack Seal	4	2	345				381				417			453					561
Concrete Paving Replacements	10	10					762										942		1,122
INTERIOR CONTENTS																			
Hallway/Lobbies Tile	30	15										13,956							

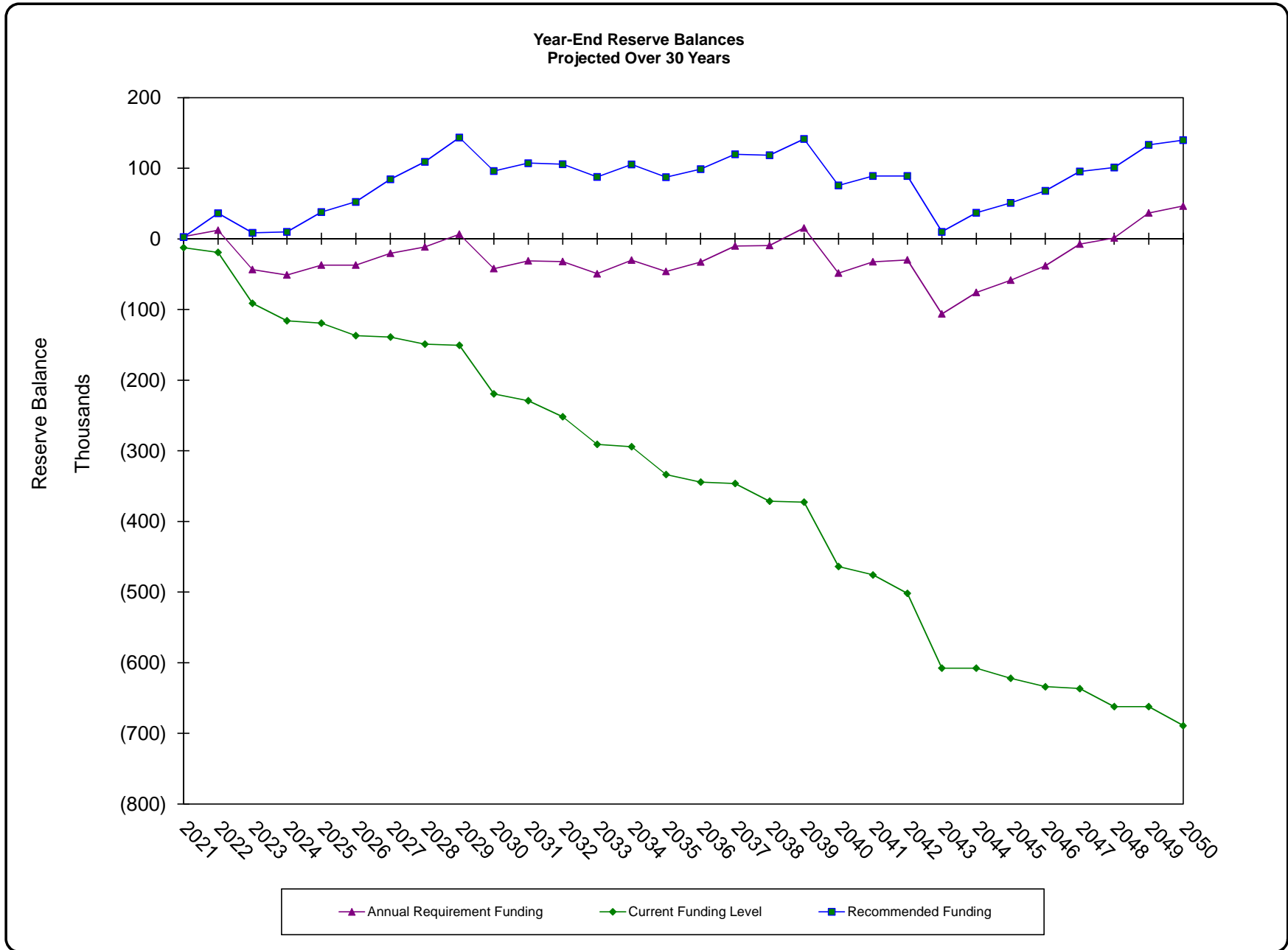
**Oakcrest Manor Homeowners Association
32 Units; Built Converted 2003**

**Major Repairs and Replacements Funding Requirements
Following Six to Thirty Year Projection**

COMPONENT	Estimated		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2045	2050
	Usfl/Remg	Life	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb
			6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30
MECHANICAL/PLUMBING																			
Water Boilers	12	6	7,588												9,963				12,338
Circulation Pumps	12	6	1,366												1,794				2,222
Boiler & Circ. Pump Installation	12	6	1,150												1,510				1,870
Plumbing & Electric Repairs	5	5					2,540					2,840					3,140	3,440	3,740
ELEVATOR																			
Hydraulic Casing	40	20															62,800		
Controller and Call Station	30	10					44,450												
Door Operator & Safety Package	30	10					7,620												
Car Interior Renovation	15	3													3,775				
FIRE/SAFETY																			
Fire Alarm Panels	20	3																	
Fire Sprinklers & Pull Stations	15	1												2,175					
Auto Gate Motors/Controls	10	3									8,704								
Standpipe Repair	20	3																	
Fire Extinguishers	10	3									2,040								
LANDSCAPING/IRRIGATION																			
Irrigation System Renovation	15	7		708															
Backflow Valve	20	15										1,704							
Planter/Area Renovation	15	10					762											1,032	
Major Tree Removals/Replacements	25	8			726														
Tree Trim	3	1		944			1,016			1,088			1,160			1,232		1,376	
LIGHTING/ELECTRICAL																			
Exterior Fixtures, Entry/Patio	25	8			4,646														
Security Fixtures	25	15										426							
Lobby Lights	25	15										568							
Exit and Emergency Fixtures	20	3																	
MISCELLANEOUS																			
Mailboxes	35	18													2,416				
Utility Doors	15	1											870						
Trash Shute Repair/Clean	15	1											725						
Concrete Balcony Walkway Clean	5	1	345					390					435						
Major Termite Treatments	10	2							2,660										
CONTINGENCY (5%)			845	83	480	78	3,282	462	1,072	1,861	161	1,886	508	93	1,193	62	4,335	673	1,281
TOTALS			17,754	1,735	10,088	1,628	68,928	9,692	22,517	39,077	3,382	39,613	10,658	1,943	25,056	1,294	91,037	14,127	26,906

Accumulated Funding Requirement ->

122,173 138,133 146,191 163,158 113,275 123,078 120,506 101,824 119,286 100,967 112,054 132,306 129,894 151,694 84,201 50,413 119,041



Oakcrest Manor Homeowners Association

Notes and Assumptions

December 31, 2020

Note A Key to Reserve Funding Program:

These definitions correspond to the column headings on the Major Repair and Replacement Funding

Consultant's Estimate Section, page 5:

Component - Each major repair or replacement item considered by the Board of Directors and Consultant to require reserve funding.

Units Measured - The quantity in terms of area or item count as determined by actual measure, bids/invoices, DRE budget or other sources.

Unit Cost - The current replacement cost per unit of measure.

Source - Indicates where data was derived. C = Consultant's database/previous study; M = Management or Board of Directors information; V = Vendor (pool/landscape/roofer/elevator/etc) information; A = Actual cost; NA = No Access or data Not Available.

Condition - The physical condition from the consultant's visual inspection and other sources. Code: N = New or nearly new, G = Good, F = Fair, P = Poor condition, needs to be replaced soon.

Current Replacement Cost - The present cost of repairing or replacing the reserve components as estimated by the independent consultant or current bids/invoices. However, replacement costs will inevitably increase.

Estimated Useful Life - The estimated life of reserve components when they were new, and prior to any aging process.

Estimated Remaining Life - The remaining useful life for reserve components. As per CC 5550 only components with remaining lives of 30 years or less are included here. Repair, replacement or refurbishment will be necessary at the end of the component's remaining life.

Funding Projection Section - pages 5-6:

Annual Funding Requirement - This is the amount that should be set aside annually, exclusive of any reserve deficit or inflation, and is the method established by CC 5550 This requirement is computed by dividing the current replacement cost by the estimated useful life.

Accumulated Funding Requirement - This is the amount of reserve savings which should be on hand, according to the consultant's current replacement cost estimates, as of the date of this reserve report. This amount is computed by multiplying the difference between the estimated useful and remaining life times the annual reserve requirement.

Oakcrest Manor Homeowners Association

Notes and Assumptions

December 31, 2020

Funding Projection Section - pages 5-6 (continued):

Cash in Reserves - The amount of actual reserve savings on hand that have been accumulated for replacement of reserve components.

Deficit - That amount which is computed by subtracting the accumulated reserve requirement from the amount of cash on hand. This is the combined shortage, if any, of reserve savings for all of the reserve components. The opposite would be a Surplus.

Cost Projections by Year - The amounts of the estimated future replacement cost cash expenditures projected for each year. Some major repair expenditures may be spread over two or three years. Five years disbursements are shown on page 5 and the following 25 years are shown on pages 6.

30-year Cash Projections, page 7:

With every funding plan the projections start with the current reserve cash balance, and include the annual disbursements as projected on pages 5 through 6. All funding amounts are increased for inflation at three percent (3%) per year.

Option 1 - Annual Funding - This funding plan is to set aside the specific minimum amount of reserves required by CC 5550. These annual amounts are computed on page 5 and inserted as annual contributions to the reserves into the cash projections (adjusted for inflation). Any funding deficit is not considered in this method.

Option 2 - Current Budgeted Funding - As a comparison to Options 1 and 3, this option represents the *current* reserve budget projected over thirty years using an inflation factor of three percent (3%) per year.

Option 3 - Recommended Funding - This funding goal is to keep the year-end balance above zero during the 30-year cash projection while maintaining a reasonable contribution rate. First this funding option is calculated so that there is no deficit in the projected 30-year reserve balance. Then to create sufficient funding for the Association over the next 30 years, contributions in years 2 through 30 may be raised or lowered, and/or special assessments may be levied.