#### Mesa View Home Owner's Association #2

10606 Camino Ruiz, Suite 8, PMB 224 San Diego CA 92126

mvhoa2.org Email: mvhoa2@gmail.com

Number of homeowners	439
Number of assessments	2 per year
Assessment	\$ 170.00

## **Summary of Reserve Study**

Appears on reverse.

#### **Major Component Repairs**

Repairs will be deferred until sufficient funds are available

#### **Anticipated Special Assessments**

No special assessments are anticipated.

## Reserve Funding Mechanism

The reserves will be funded by the assessments. Large repairs will be deferred.

## **Procedures for Reserve Study Calculations**

Calculations used the formula in § 5570 of the civil code and assumed 1% interest on bank accounts.

## **Outstanding Loans**

There are no outstanding loans.

Profit & Loss Budget Overview		
		FY 2024-25
Ordinary Income/Expense		
Income		
REGULAR INCOME		
HOA Assessments	\$	149,260.00
Allowance for bad debts	\$	(1,492.60)
Total REGULAR INCOME	\$	147,767.40
INTEREST INCOME		
Interest - Savings	\$	120.00
Interest - Checking	\$	12.00
Total INTEREST INCOME	\$	132.00
MISC INCOME		
Collection Fees/ Legal Costs	\$	1,500.00
Escrow Doc./Transfer Fees	\$ \$ \$ \$	1,500.00
Interest on Delinquent Accounts	\$	400.00
Key Income	\$	300.00
Late Charges	\$	100.00
Misc. income	<u>۲</u>	2 000 00
Total MISC INCOME	\$	3,800.00
Total Income	\$	151,699.40
Expense		
ADMINISTRATIVE EXPENSE		
Payroll Expenses		
Payroll Taxes	\$	2,000.00
WAGES-Pool Monitors	\$	20,000.00
Payroll Processing Expense	\$	1,400.00
Employee Bonuses	\$	200.00
Total Payroll Expense	\$	23,600.00
Office Expenses	7	23,000.00
Community Relations	\$	100.00
Office Supplies	\$	500.00
Printing & Copying	Ś	2,000.00
Postage	\$	1,100.00
Postal Annex mailbox-annual	\$	270.00
Software/Tech Support	Ś	1,000.00
Total Office Expense	\$ \$ \$ \$	4,970.00
Accounting & Mgmt. Services	\$	14,000.00
Insurance-(paid annually)	\$	9,000.00
Directors Bond Expense	\$	300.00
Workers Comp. Insurance	\$	900.00
Legal Fees	\$	4,000.00
Tax Prep/Audit/Reserve Study	\$	2,000.00
Bank Service Charges	\$	50.00
Security Service Fees	\$	1,350.00
Web site fees	\$	50.00
Misc. Admin. Expense	\$	29.40
License / Permits		500.00
	\$	
Federal & State Taxes	\$	150.00
Total ADMINISTRATIVE EXPENSE MAINTENANCE EXPENSE	\$	60,899.40
Common Area Repairs/Expense	\$	5,000.00
Janitorial Supplies	ç	500.00
Landscape Service	¢	12,500.00
Landscape Service  Landscape Repairs	ç	2,200.00
Landscape Supplies	\$ \$ \$ \$ \$	300.00
Pest Control Service	ς	300.00
Pool Repair	\$	2,500.00
Pool Service	Ś	5,500.00
Pool Supplies/Chemicals	\$	7,000.00
Total MAINTENANCE EXPENSE	\$	35,800.00
UTILITIES EXPENSE	<u> </u>	
Gas & Electric	\$	14,000.00
Telephone/ DSL	\$	2,000.00
Water / Sewer	\$	14,000.00
Total UTILITIES EXPENSE	\$	30,000.00
Total Expense	\$	126,699.40
Net Income before Reserve Allocations:	\$	25,000.00
ALLOCATIONS		
CAPITAL IMPROVEMENTS-(drawn from Reserve		
TRANSFERS to Reserves	\$	25,000.00

# ALLO

Net Income \$

# Reserve Study Executive Summary

Association Name: Mesa View Homeowners Association No. 2

Location: 8550 Lynx Rd, San Diego, CA Fiscal Year Ending: June 30, 2024

No. of Units: 440 Built: 1975
Level of Study: Level III: Update with no On-Site Inspection

Last Reserve Study with On-Site inspection: June 30, 2022

	CURRENT FISC	CAL YEAR EN	ND SUMMARY	OF RESERVE C	OMPONENTS		
(See Reserve Analysis Worksh				,			
Reserve	Estimated	Estimated	Estimated	Annual	Accumulated	Allocation	Percent
Component	Useful	Remaining	Replacement	Funding	Funding	of Fund	of Fund
Groups	Life	Life	Cost	Requirement	Requirement	Balance	Balance
ROOFING - POOL BUILDING	35 - 35	9 - 9	\$ 5,865	\$ 168	\$ 4,357	\$ 2,406	2.7%
PAINTING	6 - 20	1 - 17	16,342	2,445	11,161	6,163	6.9%
FENCE/GATES	12 - 25	4 - 18	64,573	3,565	30,363	16,766	18.9%
PAVED SURFACES	7 - 15	1 - 14	51,804	3,858	7,646	4,222	4.8%
POOLS	4 - 30	1 - 26	115,210	7,899	43,466	24,001	27.0%
SHADE STRUCTURES	20 - 25	14 - 19	66,372	2,731	16,384	9,047	10.2%
LANDSCAPING/IRRIGATION	4 - 25	1 - 10	39,273	3,956	6,270	3,462	3.9%
LIGHTING/ELECTRICAL	12 - 20	1 - 14	8,014	464	5,756	3,179	3.6%
MISCELLANEOUS	18 - 30	1 - 19	38,747	1,508	27,735	15,315	17.2%
CONTINGENCY (5%)			20,310	1,330	7,657	4,228	4.8%
TOTALS			\$ 426,510	\$ 27,924	\$ 160,795	\$ 88,788	

CURRENT FISCAL YEAR R	ESERVE FUNDS			
Current Budgeted Annual Reserve Allocation				\$ 20,000
Reserve Fund Balance as of: January 31, 2024				\$ 84,855
Anticipated Funding to Year End				10,000
To be Transferred from Reserves by Year End				(6,067)
Anticipated Expenditures to Year End				-
Cash Projected at Year End June 30, 2024				\$ 88,788
Accumulated Funding Requirement (Fully Funded)				\$ 160,795
Percentage Funded at the end of this Fiscal Year				55.2%
Accumulated Deficiency for Current Fiscal Year	\$	72,007	Per Unit	\$ 164
Deferred repair/replacement of any major component with a remaining I	fe of 30 years or less	?		NO

RESERVE FUNDING OPTIONS FOR THI	E FISCA	L YEAR ENDING: 20	)25	
funding options assume a 3% increase, unless otherwise noted	per ı	unit per month		per year
Annual Requirement Funding:	\$	5.45	\$	28,761
Current Budgeted Funding:	\$	3.90		20,600
Recommended Funding:	\$	4.17		22,000
Special Assessment/s Recommended?				NO
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 June 30, 2024, and the related reserve funding projection for the 30-year period from 2024 to 2054, 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.

Sonnenberg & Company, CPAs

February 26, 2024

Mesa View Homeowners Association No. 2 Level III: Update with no On-Site Inspection June 30, 2024

#### **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 \$426,510 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$27,924.

The accumulated funding requirement is calculated to be \$160,795.

As of June 30, 2024, the Association may have \$88,788 in accounts designated as reserve funds.

Therefore, a deficit of \$72,007 has been calculated, with a funding percentage of 55.2%. 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 \$28,761 or \$5 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

Fair level of funding in FY 2024/25.

Funding could reach the Strong level beginning FY 2030/31, future overfunding is likely.

**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, \$20,600 or \$4 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently funded at the Fair level of funding.

Reserves could fall to the Weak level of funding by FY 2037/38 and deficits could occur beginning FY 2039/40.

**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, \$22,000 or \$4 per unit per month.

To avoid deficits which could occur beginning FY 2039/40 and to bring reserves up to a stronger level of funding, the regular reserve allocation could be increased 10% annually in FY's 2024/25 through 2028/29.

To avoid possible future overfunding, the regular reserve allocation could be decreased to equal \$42,000 annually in FY 2043/44.

Reserves could maintain the Fair level of funding and could reach and maintain the Strong level of funding beginning FY 2032/33.

# Mesa View Homeowners Association No. 2

Assessment and Reserve Funding Disclosure Summary
June 30, 2024

# (1) Regular Assessments -

Assessments to members are averaged at \$160 per unit twice annually for the year ending June 30, 2024.

- \* 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 2039/40 and to bring reserves up to a stronger level of funding, the regular reserve allocation could be increased 10% annually in FY's 2024/25 through 2028/29. To avoid possible future overfunding, the regular reserve allocation could be decreased to equal \$42,000 annually in FY 2043/44. Reserves could maintain the Fair level of funding and could reach and maintain the Strong level of funding beginning FY 2032/33.

# (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 \$88,788. Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570, the estimated accumulated funding requirement is \$160,795. The percentage funded is: 55.2%

#### (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:

\$128,362 \$140,412 \$163,637 \$186,463 \$178,704

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:

\$49,919 \$54,925 \$70,954 \$86,563 \$71,581 % Funded 38.9% 39.1% 43.4% 46.4% 40.1%

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:

\$51,319 \$59,321 \$80,160 \$102,633 \$96,835 % Funded 40.0% 42.2% 49.0% 55.0% 54.2%

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.

February 26, 2024