

# Reserve Study Executive Summary

**Association Name:** Mesa View Homeowners Association #2  
**Location:** 8550 Lynx Rd., San Diego, CA **Fiscal Year Ending:** June 30, 2020  
**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, 2019

## 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 - POOL BUILDING	35 - 35	13 - 13	\$ 5,244	\$ 150	\$ 3,296	\$ 1,146	1.3%
PAINTING	6 - 20	1 - 4	13,488	2,083	7,920	2,753	3.0%
FENCE/GATES	15 - 25	2 - 9	45,869	2,249	32,464	11,285	12.5%
PAVED SURFACES	5 - 45	1 - 2	155,000	4,333	147,333	51,217	56.7%
POOLS	4 - 30	1 - 30	105,441	6,883	17,876	6,214	6.9%
SHADE STRUCTURES	20 - 25	18 - 23	57,937	2,387	4,774	1,659	1.8%
LANDSCAPING/IRRIGATION	3 - 25	1 - 6	12,725	1,359	6,845	2,379	2.6%
LIGHTING/ELECTRICAL	10 - 20	1 - 18	7,680	459	4,982	1,732	1.9%
MISCELLANEOUS	15 - 30	1 - 23	34,950	1,362	21,892	7,610	8.4%
CONTINGENCY (5%)			21,917	1,063	12,369	4,300	4.8%
<b>TOTALS</b>			<b>\$ 460,251</b>	<b>\$ 22,328</b>	<b>\$ 259,751</b>	<b>\$ 90,296</b>	

## CURRENT FISCAL YEAR RESERVE FUNDS

Current Budgeted Annual Reserve Allocation	\$ 32,400
Reserve Fund Balance as of: April 30, 2020	\$ 84,896
Anticipated Funding to Year End	5,400
Anticipated Expenditures to Year End	-
Cash Projected at Year End June 30, 2020	\$ 90,296
Accumulated Funding Requirement (Fully Funded)	\$ 259,751
Percentage Funded at the end of this Fiscal Year	34.8%
Accumulated Deficiency for Current Fiscal Year	\$ 169,455
Deferred repair/replacement of any major component with a remaining life of 30 years or less?	Per Unit \$ 385 YES

## 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:	\$ 4.36	\$ 22,998
Current Budgeted Funding:	\$ 5.87 (2020/21 Budget)	31,000
Recommended Funding:	\$ 5.87 (2020/21 Budget)	31,000
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 June 30, 2020, and the related reserve funding projection for the 30-year period from 2020 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*

June 15, 2020

Sonnenberg & Company, CPAs

**Mesa View Homeowners Association #2**  
**Level III: Update with no On-Site Inspection**  
**June 30, 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 \$460,251 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$22,328.

The accumulated funding requirement is calculated to be \$259,751.

As of June 30, 2020, the Association may have \$90,296 in accounts designated as reserve funds.

Therefore, a deficit of \$169,455 has been calculated, with a funding percentage of 34.8%. 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 \$22,998 or \$4 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

**Reserves could be at the Fair level of funding in FY 2020/21.**

**Deficits could occur beginning FY 2021/22.**

**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 2020/21 budget, \$31,000 or \$6 per unit per month will be allocated to reserves next fiscal year.

**Reserves are currently at the Fair level of funding.**

**With the 2020/21 budget, the reserves could fall into deficit in FY's 2021/22 through 2024/25.**

**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, using the 2020/21 budget is, \$31,000 or \$6 per unit per month.

**Using the 2020/21 budget, to avoid deficits, a Special Assessment, of about \$13 per unit per month, could be imposed in FY 2021/22.**

**To then avoid overfunding the reserves, no annual increases should be needed in FY's 2023/24 through 2031/32, and the Regular Reserve Allocation could be decreased in FY 2027/28, to equal \$26,000 annually.**

**The reserves could return to the Fair level of funding in FY 2022/23, and could reach the Strong level of funding by FY 2026/27.**

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

**Mesa View Homeowners Association #2**  
Assessment and Reserve Funding Disclosure Summary  
June 30, 2020

**(1) Regular Assessments -**

Assessments to members are averaged at \$126 per unit twice annually for the year beginning July 1, 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:** Using the 2020/21 budget, to avoid deficits, a Special Assessment, of about \$13 per unit per month, could be imposed in FY 2021/22. To then avoid overfunding the reserves, no annual increases should be needed in FY's 2023/24 through 2031/32, and the Regular Reserve Allocation could be decreased in FY 2027/28, to equal \$26,000 annually. The reserves could return to the Fair level of funding in FY 2022/23, and could reach the Strong level of funding by FY 2026/27.

Recommended Special Assessments		
Fiscal Yr of Assessment	Amount/unit/month	Total Assessment
2021/22	\$ 12.88	\$ 68,000.00

**(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 \$90,296. Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570, the estimated accumulated funding requirement is \$259,751. The percentage funded is: 34.8%

**(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:

\$244,817      \$82,770      \$106,215      \$109,619      \$126,688

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:

\$84,936      -\$67,329      -\$34,664      -\$21,722      \$5,231

% Funded 34.7%      -81.3%      -32.6%      -19.8%      4.1%

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:

\$84,936      \$671      \$33,343      \$45,632      \$71,038

% Funded 34.7%      0.8%      31.4%      41.6%      56.1%

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.

June 15, 2020