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Leonard C. Sonnenberg, CPA

**Mesa View
Homeowners Association #2
LEVEL III: UPDATE RESERVE STUDY
June 30, 2021**

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(These 3 pages should be distributed to owners as part of annual budget package)	
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Reserve Study Executive Summary

Association Name: Mesa View Homeowners Association #2
Location: 8550 Lynx Rd., San Diego, CA **Fiscal Year Ending:** June 30, 2021
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	12 - 12	\$ 5,313	\$ 152	\$ 3,491	\$ 2,252	1.9%
PAINTING	6 - 20	1 - 20	13,950	2,150	8,091	5,218	4.3%
FENCE/GATES	15 - 25	1 - 8	45,869	2,249	34,714	22,386	18.5%
PAVED SURFACES	5 - 20	1 - 1	55,000	3,500	51,500	33,211	27.4%
POOLS	4 - 30	1 - 29	106,341	6,943	24,945	16,086	13.3%
SHADE STRUCTURES	20 - 25	17 - 22	58,800	2,423	7,268	4,687	3.9%
LANDSCAPING/IRRIGATION	4 - 25	1 - 5	36,975	3,763	22,546	14,539	12.0%
LIGHTING/ELECTRICAL	12 - 20	6 - 17	8,080	464	4,000	2,579	2.1%
MISCELLANEOUS	15 - 30	1 - 22	35,000	1,365	22,605	14,577	12.0%
CONTINGENCY (5%)			18,266	1,150	8,958	5,777	4.8%
TOTALS			\$ 383,594	\$ 24,158	\$ 188,118	\$ 121,312	

CURRENT FISCAL YEAR RESERVE FUNDS

Current Budgeted Annual Reserve Allocation	\$ 31,000
Reserve Fund Balance as of: December 31, 2020	\$ 90,312
Anticipated Funding to Year End (budgeted reserve allocation is funded at fiscal year-end)	31,000
Anticipated Expenditures to Year End	-
Cash Projected at Year End June 30, 2021	\$ 121,312
Accumulated Funding Requirement (Fully Funded)	\$ 188,118
Percentage Funded at the end of this Fiscal Year	64.5%
Accumulated Deficiency for Current Fiscal Year	\$ 66,806
Deferred repair/replacement of any major component with a remaining life of 30 years or less?	Per Unit \$ 152 YES

RESERVE FUNDING OPTIONS FOR THE FISCAL YEAR ENDING: 2022

	per unit per month	per year
funding options assume a 3% increase, unless otherwise noted		
Annual Requirement Funding:	\$ 4.71	\$ 24,883
Current Budgeted Funding:	\$ 6.05	31,930
Recommended Funding:	\$ 6.05	31,930
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, 2021, and the related reserve funding projection for the 30-year period from 2021 to 2051, 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.



April 9, 2021

Sonnenberg & Company, CPAs

Mesa View Homeowners Association #2
Level III: Update with no On-Site Inspection
June 30, 2021

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 \$383,594 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$24,158.

The accumulated funding requirement is calculated to be \$188,118.

As of June 30, 2021, the Association may have \$121,312 in accounts designated as reserve funds.

Therefore, a deficit of \$66,806 has been calculated, with a funding percentage of 64.5%. 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 \$24,883 or \$5 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 2021/22, and could reach the Strong level of funding by FY 2029/30.

Overfunding of the reserves could occur beginning FY 2040/41.

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, \$31,930 or \$6 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently at the Fair level of funding, and could reach the Strong level of funding by FY 2024/25.

Overfunding of the reserves could occur beginning FY 2028/29.

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, \$31,930 or \$6 per unit per month.

To avoid overfunding the reserves, no annual increases should be needed in FY's 2022/23 through 2028/29, and the Regular Reserve Allocation could be decreased in FY 2029/30 to equal \$26,000 annually.

The reserves could maintain the current Fair level of funding, and could reach the Strong level of funding beginning FY 2024/25.



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Leonard C. Sonnenberg, CPA

April 9, 2021

**Mesa View
Homeowners Association #2
Level III: Update Reserve Study Report
June 30, 2021**

Board of Directors and Owners:

We have compiled the accompanying Level III: Update Reserve Study Report of the Mesa View Homeowners Association #2 as of June 30, 2021, the reserve funding projections for the thirty-year period from 2021 through 2051, 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:

Accountant's Program:

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

COMPONENT	Units Measured	Unit Cost	Srce	Current Replcmt Cost	Estimated Life: Usfl	Rmg	Annual Funding Reqrmnt	Accumlt'd Funding Reqrmnt	Cash In Reserves	Deficit	2021	2022	2023	2024	2025	
											2022 Disb	2023 Disb	2024 Disb	2025 Disb	2026 Disb	
												1	2	3	4	5
LANDSCAPING/IRRIGATION																
! Backflow Valve	1	ea	1,750.00	C/B	\$ 1,750	25	1	70	1,680	1,083	(597)	1,750				
Irrigation Control Valves			Allowance	C/B	775	10	3	78	543	350	(193)		822			
Landscaping/Irrigation Renovation			Allowance	C/B	30,000	10	4	3,000	18,000	11,608	(6,392)			32,700		
Irrigation Timers			Allowance	C/B	1,000	10	5	100	500	322	(178)				1,120	
Tree Trim			Allowance	C/B	950	4	1	238	713	459	(253)	950			1,064	
Tree Removal			Allowance	C/B	2,500	9	5	278	1,111	717	(395)				2,800	
			Subtotal		\$ 36,975											
LIGHTING/ELECTRICAL																
Post Lights	8	ea	695.00	C/B	\$ 5,560	20	6	278	3,892	2,510	(1,382)					
Lanai Lighting	4	ea	180.00	C/B	720	20	17	36	108	70	(38)					
			FY '21: Electrical Panel upgraded; 3 Security Lights upgraded to LED; Total Cost not reported													
* Misc. Lighting & Electrical			Allowance	C/B	1,800	12	12	150	-	-	-					
			Subtotal		\$ 8,080											
MISCELLANEOUS																
Ceramic Tile Shower	1	ea	Total	C/B	\$ 3,500	30	22	117	933	602	(331)					
Restroom Remodel	2	ea	Total	C/B	10,000	30	22	333	2,667	1,720	(947)					
Storage Shed			Total	C/B	3,500	25	8	140	2,380	1,535	(845)					
Water Heater	1	ea	1,500.00	C/B	1,500	15	7	100	800	516	(284)					
! Misc Plumbing			Allowance	C	15,000	25	1	600	14,400	9,286	(5,114)	15,000				
! Benches, Custom	3	ea	500.00	C/B	1,500	20	1	75	1,425	919	(506)	1,500				
			Subtotal		\$ 35,000											
CONTINGENCY (5%)					18,266			1,150	8,958	5,777	(3,181)	5,305	-	869	1,635	291
TOTALS					\$ 383,594			24,158	188,118	121,312	(66,806)	111,404	-	18,242	34,335	6,115

Accumulated Funding Requirement ->

188,118

100,871

125,754

133,120

125,118

146,060

! Repair/replacement deferred by Board of Directors

* Components repaired/replaced since previous study

** Components with lives extended; partial repair/replacement since previous study per (M)

Mesa View Homeowners Association #2
440 Units; Built 1975

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	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	2041 Disb	2046 Disb	2051 Disb
ROOFING - POOL BUILDING		6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30
Tile Underlayment	35 12							7,066										
PAINTING																		
Exterior Wood - Paint	6 1		2,419						2,788						3,157		3,526	
Lanai - Paint/Stain	6 3				8,184						9,372							
Interior Surfaces (Restrooms) - Paint	10 10					286										353		421
Stucco (Pool Bldg Exterior) - Paint	20 20															2,159		
Wood Fence @ Pool/Park - Paint																		
Wrought Iron Pool Fence & Gates - Paint	6 1		4,365						5,031						5,697		6,363	
FENCE/GATES																		
Electronic Card Reader/Gate Opener System	15 1											18,125						
Panic Hardware @ Pool Gates	20 1																	
Wood Fence - 6ft	20 7		7,228															
Metal Pool Fence - 7ft	25 8				26,310													
Metal Gates	25 8				4,235													
PAVED SURFACES																		
Concrete Paving	5 1	5,750					6,500					7,250						
Pool Concrete Deck - Repair	20 1																	
POOLS																		
Chlorinator System Automated - Large Pool	10 3								8,704									
Chlorinator System Automated - Wade Pool	10 6	3,680										4,640						
Coping Tiles - Large Pool	30 29																	
Coping Tiles - Wade Pool	30 29																	
Decoseal Joint Caulk - Large Pool	4 3		1,422				1,567				1,711				1,856			
Decoseal Joint Caulk - Wade Pool	4 3		484				533				582				631			
Decoseal Joint Caulk - Concrete Decking	4 1				930				1,020				1,110				1,290	
Filter - Large Pool	15 1											4,350						
Filter - Large Pool	15 9				3,720													
Filter - Wade Pool	15 1											1,885						
Pump/Motor - Variable Motors	12 1								8,976								11,352	
Pump/Motor - One Speed Motor	10 3								1,360									
Resurface/Retile - Large Pool	20 19														69,862			
Resurface/Retile - Wade Pool	20 19														5,920			
Solar Heater	15 12							19,950										
Large Pool Peripherals (Code Compliance,	10 9				3,534											4,389		
Small Pool Peripherals (Code Compliance,	10 9				1,779											2,210		
SHADE STRUCTURES																		
Lanai - Major Repair/Replace	25 22																	
Wading Pool Shade Structure	20 17												10,434					

Mesa View Homeowners Association #2
440 Units; Built 1975

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	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	2041 Disb	2046 Disb	2051 Disb
		6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30
LANDSCAPING/IRRIGATION																		
Backflow Valve	25	1																
Irrigation Control Valves	10	3							1,054									
Landscaping/Irrigation Renovation	10	4								41,700								
Irrigation Timers	10	5									1,420						1,720	
Tree Trim	4	1			1,178				1,292				1,406				1,634	
Tree Removal	9	5								3,475								
LIGHTING/ELECTRICAL																		
Post Lights	20	6	6,394															
Lanai Lighting	20	17											1,066					
Misc. Lighting & Electrical	12	12						2,394										
MISCELLANEOUS																		
Ceramic Tile Shower	30	22																
Restroom Remodel	30	22																
Storage Shed	25	8			4,235													
Water Heater	15	7	1,770															
Misc Plumbing	25	1																
Benches, Custom	20	1																
CONTINGENCY (5%)		791	884	1,739	966	14	430	1,471	1,511	2,259	654	1,813	701	-	4,686	126	1,294	21
TOTALS		16,615	18,572	36,519	20,292	300	9,029	30,881	31,737	47,434	13,740	38,063	14,716	-	98,408	2,638	27,179	442
Accumulated Funding Requirement ->		157,226	167,161	159,873	169,538	199,919	222,295	223,545	224,663	210,810	231,375	228,342	249,380	285,859	224,654	259,945	123,638	198,150

Mesa View Homeowners Association #2
440 Units; Built 1975

June 30, 2021

30-Year Cash Projections

30-Year Cash Projections:

Fiscal Year Ended ----->	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2040	2045	2050
Number of Years----->	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	20	25	30

Option 1 - Annual Requirement Funding: Reserves could be at the Fair level of funding in FY 2021/22, and could reach the Strong level of funding by FY 2029/30. Overfunding of the reserves could occur beginning FY 2040/41.

Reserve Allocation - Unit/Mth Beginning Cash	4.71 121312	4.85	5.00	5.15	5.30	5.46	5.63	5.80	5.97	6.15	6.33	6.52	6.72	6.92	7.13	8.26	9.58	11.11
Annual Funding w/3% incrs (includes 3% annual increase)	24883	25629	26398	27190	28006	28846	29712	30603	31521	32467	33441	34444	35477	36542	37638	43632	50582	58638
Net Interest On Balance (1%)	1213	360	620	708	643	869	1000	1121	1073	1196	1530	1789	1843	1899	1809	2269	1564	2634
Annual Disbursements	111404	0	18242	34335	6115	16615	18572	36519	20292	300	9029	30881	31737	47434	13740	2638	27179	442
Ending Cash Reserve - Option 1	36004	61993	70770	64333	86867	99966	112106	107310	119613	152976	178917	184269	189852	180858	206565	270155	181326	324214

Option 2 - Current Budgeted Funding: Reserves are currently at the Fair level of funding, and could reach the Strong level of funding by FY 2024/25. Overfunding of the reserves could occur beginning FY 2028/29.

Reserve Allocation - Unit/Mth Beginning Cash	6.05 121312	6.23	6.42	6.61	6.81	7.01	7.22	7.44	7.66	7.89	8.13	8.37	8.62	8.88	9.15	10.60	12.29	14.25
Current Funding w/3% incrs (includes 3% annual increase)	31930	32888	33875	34891	35937	37016	38126	39270	40448	41661	42911	44199	45525	46890	48297	55989	64907	75245
Net Interest On Balance (1%)	1213	431	764	928	942	1250	1467	1677	1721	1940	2373	2735	2896	3063	3088	4191	4252	6235
Annual Disbursements	111404	0	18242	34335	6115	16615	18572	36519	20292	300	9029	30881	31737	47434	13740	2638	27179	442
Ending Cash Reserve - Option 2	43051	76369	92765	94249	125014	146664	167685	172112	193990	237291	273546	289599	306283	308802	346448	476604	467204	704546

Option 3 - Recommended Funding: To avoid overfunding the reserves, no annual increases should be needed in FY's 2022/23 through 2028/29, and the Regular Reserve Allocation could be decreased in FY 2029/30 to equal \$26,000 annually. The reserves could maintain the current Fair level of funding, and could reach the Strong level of funding beginning FY 2024/25.

Reserve Allocation - Unit/Mth Beginning Cash	6.05 121312	6.05	6.05	6.05	6.05	6.05	6.05	6.05	4.92	5.07	5.22	5.38	5.54	5.71	5.88	6.82	7.90	9.16			
Recommended Funding (incls 3% annl incrs unless noted)	31930	31930	31930	31930	31930	31930	31930	31930	DECREASE		26000	26780	27583	28411	29263	30141	31045	35990	41722	48368	
		(no ann incrs in FY's 22/23 - 28/29)																			
Net Interest On Balance (1%)	1213	431	754	899	883	1150	1315	1462	1431	1502	1782	1985	1980	1975	1822	1926	790	1341			
Annual Disbursements	111404	0	18242	34335	6115	16615	18572	36519	20292	300	9029	30881	31737	47434	13740	2638	27179	442			
Ending Cash Reserve - Option 3	43051	75411	89853	88347	115045	131510	146184	143056	150195	178177	198513	198028	197535	182217	201345	227912	94318	183370			

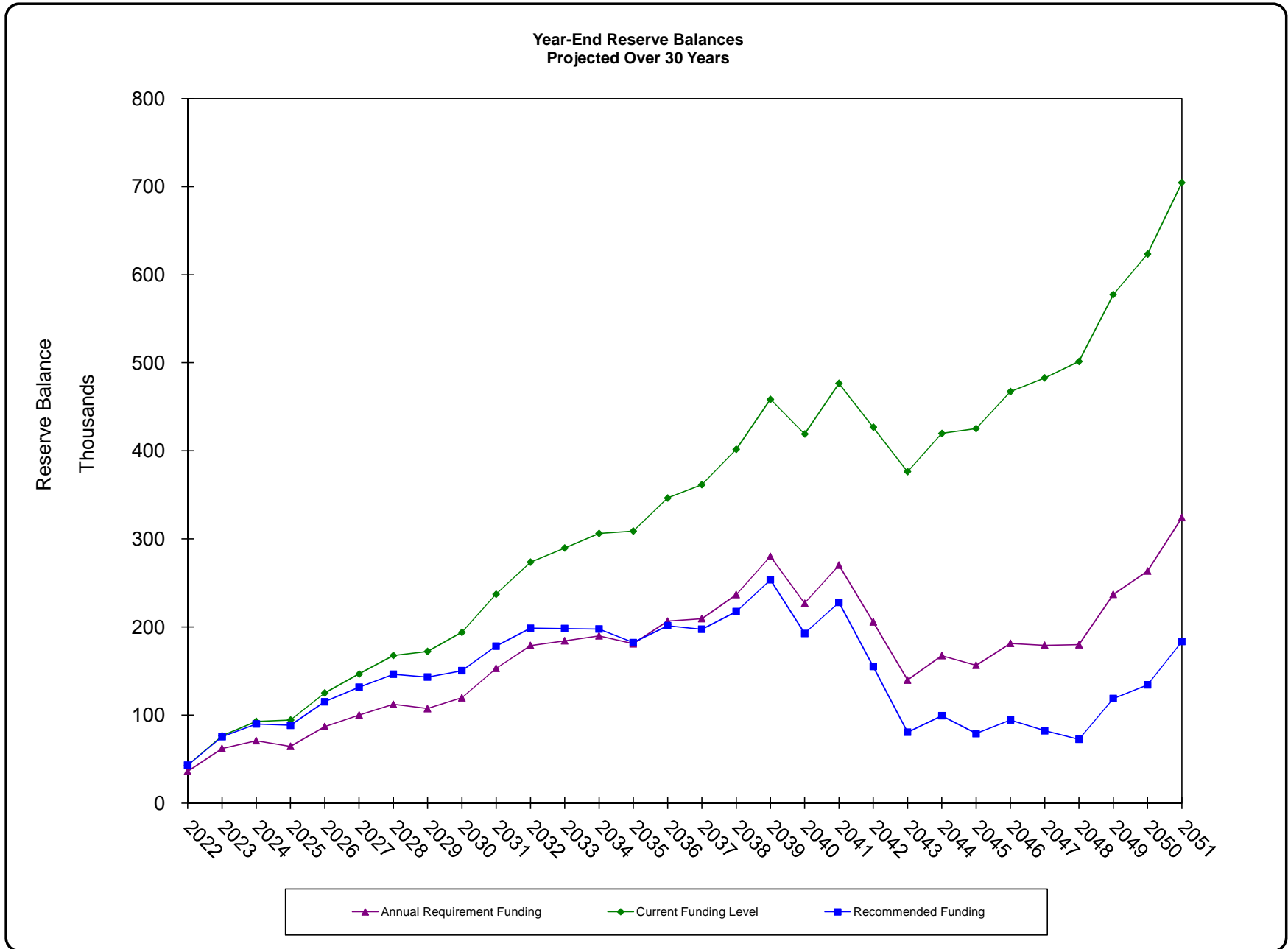
Projected Total Replacement Cost - 905282
Projected Funding to Cost Ratio - 20%

Percent of Accumulated Reserve Requirement Funded: 64.5%

Cash at End of Fiscal Year:

Cash at December 31, 2020 90,312
Monthly Allocations through Year End 31,000
Anticipated Expenditures through Year End -

Cash Projected at Year End June 30, 2021 121,312



Mesa View Homeowners Association #2

Notes and Assumptions

June 30, 2021

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.

Mesa View Homeowners Association #2

Notes and Assumptions

June 30, 2021

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.