



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

**Sunset Place
Association of Carlsbad
RESERVE STUDY
June 30, 2019**





Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

**Sunset Place
Association of Carlsbad
RESERVE STUDY
June 30, 2019**

<u>Section</u>	<u>Page</u>
RESERVE STUDY EXECUTIVE SUMMARY	1-2
ASSESSMENT AND RESERVE FUNDING DISCLOSURE SUMMARY	3
(These 3 pages should be distributed to owners as part of annual budget package)	
RESERVE STUDY REPORT	
Accountant's Report	4
Reserve Analysis Worksheets	5-6
Funding Projection Options	7
Chart Relating to Projections	8
Notes & Assumptions	9-10

Reserve Study Executive Summary

Association Name: **Sunset Place Association of Carlsbad**
Location: **4655 Sunburst Rd., Carlsbad, CA 92008**
No. of Units: **140** **Built: 1987** **Fiscal Year Ending: June 30, 2019**
Level of Study: **Level II: Update with On-Site Inspection** **Date of Physical Inspection: February 8, 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	Estimated Useful Life	Estimated Remaining Life	Estimated Replacement Cost	Annual Funding Requirement	Accumulated Funding Requirement	Allocation of Fund Balance	Percent of Fund Balance
PAINTING/REPAIRS	5 - 10	1 - 3	\$ 5,922	\$ 1,087	\$ 2,901	\$ 2,675	1.9%
FENCING/WALLS	1 - 40	1 - 24	47,589	4,172	27,720	25,560	18.5%
CONCRETE SURFACES	15 - 30	4 - 11	56,489	2,611	37,961	35,003	25.3%
LANDSCAPING/IRRIGATION	10 - 30	2 - 20	72,701	3,918	41,380	38,155	27.6%
LIGHTING/ELECTRICAL	15 - 20	7 - 17	3,700	195	785	724	0.5%
MISCELLANEOUS	10 - 30	4 - 14	44,418	2,358	32,037	29,540	21.4%
CONTINGENCY (5%)			11,541	717	7,139	6,583	4.8%
TOTALS			\$ 242,360	\$ 15,059	\$ 149,923	\$ 138,239	

CURRENT FISCAL YEAR RESERVE FUNDS

Current Budgeted Annual Reserve Allocation	\$ 18,480
Reserve Fund Balance as of: December 31, 2018	\$ 128,999
Anticipated Funding to Year End	9,240
Anticipated Expenditures to Year End	-
Cash Projected at Year End June 30, 2019	\$ 138,239
Accumulated Funding Requirement (Fully Funded)	\$ 149,923
Percentage Funded at the end of this Fiscal Year	92.2%
Accumulated Deficiency for Current Fiscal Year	\$ 11,684
Deferred repair/replacement of any major component with a remaining life of 30 years or less?	Per Unit \$ 83 NO

RESERVE FUNDING OPTIONS FOR THE FISCAL YEAR ENDING: 2020

	per unit per month	per year
funding options assume a 3% increase, unless otherwise noted		
Annual Requirement Funding:	\$ 9.23	\$ 15,511
Current Budgeted Funding:	\$ 11.33	19,034
Recommended Funding:	\$ 9.23	15,511
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, 2019, and the related reserve funding projection for the 30-year period from 2019 to 2049, 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

February 18, 2019

Sonnenberg & Company, CPAs

Sunset Place Association of Carlsbad
Level II: Update with On-Site Inspection
June 30, 2019

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 \$242,360 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$15,059.

The accumulated funding requirement is calculated to be \$149,923.

As of June 30, 2019, the Association may have \$138,239 in accounts designated as reserve funds.

Therefore, a deficit of \$11,684 has been calculated, with a funding percentage of 92.2%. 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 \$15,511 or \$9 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

Reserves could be at the Strong level of funding in FY 2019/20.

Overfunding of the reserves could occur beginning FY 2025/26.

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

Currently, with the 3% increase, \$19,034 or \$11 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently at the Strong level of funding.

Overfunding of the reserves could occur beginning FY 2021/22.

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.

Recommended funding is, \$15,511 or \$9 per unit per month.

To avoid future overfunding of the reserves, the Regular Reserve Allocation could be decreased in FY 2019/20 to equal the Annual Funding Requirement, with no annual increases needed in FY's 2020/21 through 2024/25.

Reserves could maintain the current Strong level of funding throughout the 30 year projection.



Sonnenberg & Company, CPAs

A Professional Corporation

5190 Governor Drive, Suite 201, San Diego, California 92122

Phone: (858) 457-5252 • (800) 464-4HOA • Fax: (858) 457-2211 • (800) 303-4FAX



Leonard C. Sonnenberg, CPA

February 18, 2019

**Sunset Place
Association of Carlsbad
Reserve Study Report
June 30, 2019**

Board of Directors and Owners:

We have compiled the accompanying Reserve Study Report of the Sunset Place Association of Carlsbad as of June 30, 2019, the reserve funding projections for the thirty-year period from 2019 through 2049, 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: Lindsay Management Services

Accountant's Program:

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

COMPONENT	Units Measured	Unit Cost	Src	Cond	Current Replcmt Cost	Estimated Life: Usfl	Rmg	Inspection Notes	Annual Funding Reqmnt	Accumlt'd Funding Reqmnt	Cash In Reserves	Deficit	2019 2020 Disb	2020 2021 Disb	2021 2022 Disb	2022 2023 Disb	2023 2024 Disb	
PAINTING/REPAIRS																		
Common Area Stucco Walls, Paint	Total		C/M	F	\$ 4,349	5	3	Touch-up done, some oxidation evident	870	1,740	1,604	(136)				4,610		
Stucco Wall Repair of Stucco	Allowance		C/M	G-P	973	10	3	No serious cracking, post repair may = cracks	97	681	628	(53)				1,031		
Electric Meter Boxes, Paint	Allowance		C/M	G-P	600	5	1	Some have oxidized paint/rust	120	480	443	(37)	600					
Subtotal					\$ 5,922													
FENCING/WALLS																		
Walkway Fencing, PVC	2,220 lf	14.16	C/M	G-F	\$ 31,435	30	15	Replaced when damaged, well maintained	1,048	15,718	14,493	(1,225)						
Wright Iron Desilt Fence/Gates+Paint	360 lf	54.00	C/M	G-F	1,950	1	1	Program is to replace one section per year	1,950	1,950	1,798	(152)	1,950	2,009	2,067	2,126	2,184	
Wood/Stucco Fence, Repair/Replace	Allowance		C/M	G-P	10,927	10	2	Board to consider program to repair leaning posts	1,093	8,742	8,060	(681)		11,255				
Masonry Retaining Walls, Repair	Allowance		C/M	G-F	3,277	40	24	No problems reported	82	1,311	1,209	(102)						
Subtotal					\$ 47,589													
CONCRETE SURFACES																		
Walkways (20%)	3,736 sf	9.27	M/C	G	\$ 34,635	30	11	Grinding done when concrete shifts	1,154	21,935	20,226	(1,709)						
Desiltation Basin, Repair	Allowance		C/M/A	G	21,854	15	4	Regular program, well maintained	1,457	16,026	14,777	(1,249)				23,821		
Subtotal					\$ 56,489													
LANDSCAPING/IRRIGATION																		
Timers (Average cost)	8 ea	1,738.00	M/C	N/A	\$ 13,904	10	5	No problems reported, no access	1,390	6,952	6,410	(542)					15,572	
Cabinets	8 ea	2,423.00	M/C	G-F	19,384	30	20	Some paint oxidation/chipping, no damage	646	6,461	5,958	(504)						
Backflow Valves	12 ea	1,416.00	M/C	N/A	16,992	30	7	No leaks evident	566	13,027	12,012	(1,015)						
Electric Meter Boxes (4311)	1 ea	1,797.00	C/M	F-P	1,797	20	6	A few rusty=red oxide primer & paint	90	1,258	1,160	(98)						
Electric Meter Boxes	5 ea	1,797.00	C/M	G	8,985	20	12	A few rusty=red oxide primer & paint	449	3,594	3,314	(280)						
Tree Replacement	Allowance		M	F	11,639	15	2	Replace as needed	776	10,087	9,301	(786)		11,988				
Irrigation System Re-wiring								Brightview Landscaping										
Valves/Heads/Misc								Brightview Landscaping										
Groundcover/Renovation								Brightview Landscaping										
Tree Trim/Removal								Brightview Landscaping										
Slope Clearance								Brightview Landscaping										
Subtotal					\$ 72,701													
LIGHTING/ELECTRICAL																		
Walkway Pagoda Fixtures	Operating budget																	
Photo Cells for Lights	Allowance		M/C	G-F	600	15	7	No problems reported	40	320	295	(25)						
Ground Mount Floods @ Monuments	4 ea Allowance		M/C	G-F	3,100	20	17	Replaced 2017	155	465	429	(36)						
Subtotal					\$ 3,700													
MISCELLANEOUS																		
Desiltation Basin Cleanout	Allowance		C/M	G	\$ 10,248	10	5	Well maintained, regular program	1,025	5,124	4,725	(399)					11,478	
Wood Signage	OPERATING BUDGET																	
Monuments-Ceramic Tile/Glass Block	4 ea Allowance		C	G-F	6,051	25	5	Board decided to keep ceramic signs	242	4,841	4,464	(377)					6,777	
Picnic Table/Benches	4 ea Allowance		C	G-F	5,047	30	14	Well maintained	168	2,692	2,482	(210)						
Mailboxes	14 ea	1,648.00	C/M	F-P	23,072	25	4	Some need primer and paint	923	19,380	17,870	(1,510)				25,148		
Subtotal					\$ 44,418													
CONTINGENCY (5%)																		
					11,541			Unforeseen exp & cost overrun	717	7,139	6,583	(556)	128	1,263	385	2,555	1,801	
TOTALS					\$ 242,360				15,059	149,923	138,239	(11,684)	2,678	26,514	8,094	53,650	37,812	

Accumulated Funding Requirement ->

149,923

162,304

151,301

159,170

121,935

100,989

Sunset Place Association of Carlsbad
140 Units; Built 1987

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

COMPONENT	Estimated Usfl/Remg Life	2024 2025	2025 2026	2026 2027	2027 2028	2028 2029	2029 2030	2030 2031	2031 2032	2032 2033	2033 2034	2034 2035	2035 2036	2036 2037	2037 2038	2038 2039	2043 2044	2048 2049	
		Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	Disb	
PAINTING/REPAIRS		6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	25	30	
Common Area Stucco Walls, Paint	5	3		5,262					5,915				6,567						
Stucco Wall Repair of Stucco	10	3							1,323										
Electric Meter Boxes, Paint	5	1	690				780					870							
FENCING/WALLS																			
Walkway Fencing, PVC	30	15									44,638								
Wright Iron Desilt Fence/Gates+Paint	1	1	2,243	2,301	2,360	2,418	2,477	2,535	2,594	2,652	2,711	2,769	2,828	2,886	2,945	3,003	3,062	3,354	3,647
Wood/Stucco Fence, Repair/Replace	10	2							14,533										
Masonry Retaining Walls, Repair	40	24																	
CONCRETE SURFACES																			
Walkways (20%)	30	11					45,025												
Desiltation Basin, Repair	15	4												33,655					
LANDSCAPING/IRRIGATION																			
Timers (Average cost)	10	5									19,744						23,915		
Cabinets	30	20														30,433			
Backflow Valves	30	7		20,051															
Electric Meter Boxes (4311)	20	6	2,067																
Electric Meter Boxes	20	12						11,950											
Tree Replacement	15	2											17,226						
Irrigation System Re-wiring																			
Valves/Heads/Misc																			
Groundcover/Renovation																			
Tree Trim/Removal																			
Slope Clearance																			
LIGHTING/ELECTRICAL																			
Walkway Pagoda Fixtures																			
Photo Cells for Lights	15	7		708															
Ground Mount Floods @ Monuments	20	17											4,588						
MISCELLANEOUS																			
Desiltation Basin Cleanout	10	5									14,552						17,627		
Wood Signage																			
Monuments-Ceramic Tile/Glass Block	25	5																11,315	
Picnic Table/Benches	30	14								7,015									
Mailboxes	25	4																	
CONTINGENCY (5%)			250	1,153	381	121	124	2,417	1,454	494	486	4,085	185	1,235	476	1,833	1,675	2,245	748
TOTALS			5,249	24,213	8,003	2,539	2,600	50,757	30,530	10,384	10,212	85,788	3,882	25,935	9,987	38,491	35,169	47,140	15,710

Accumulated Funding Requirement ->

113,058 106,615 116,833 132,968 149,492 118,312 107,810 117,906 128,626 64,222 82,175 78,527 91,279 75,979 64,453 93,002 141,630

30-Year Cash Projections:

Fiscal Year Ended ----->	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2038	2043	2048
Number of Years----->	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2039	2044	2049
	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 Strong level of funding in FY 2019/20. Overfunding of the reserves could occur beginning FY 2025/26.																		
Regular Dues - Unit/Month	9.23	9.51	9.79	10.09	10.39	10.70	11.02	11.35	11.70	12.05	12.41	12.78	13.16	13.56	13.97	16.19	18.77	21.76
Beginning Cash	138239																	
Annual Funding w/3% incrs (includes 3% annual increase)	15511	15976	16455	16949	17458	17981	18521	19076	19649	20238	20845	21471	22115	22778	23461	27198	31530	36552
Net Interest On Balance (1%)	1382	1525	1434	1532	1181	989	1126	1081	1202	1385	1575	1292	1214	1344	1483	1146	1810	2395
Annual Disbursements	2678	26514	8094	53650	37812	5249	24213	8003	2539	2600	50757	30530	10384	10212	85788	35169	47140	15710
Ending Cash Reserve - Option 1	152455	143442	153238	118069	98896	112617	108051	120205	138517	157540	129203	121436	134380	148290	87446	107725	167206	262720

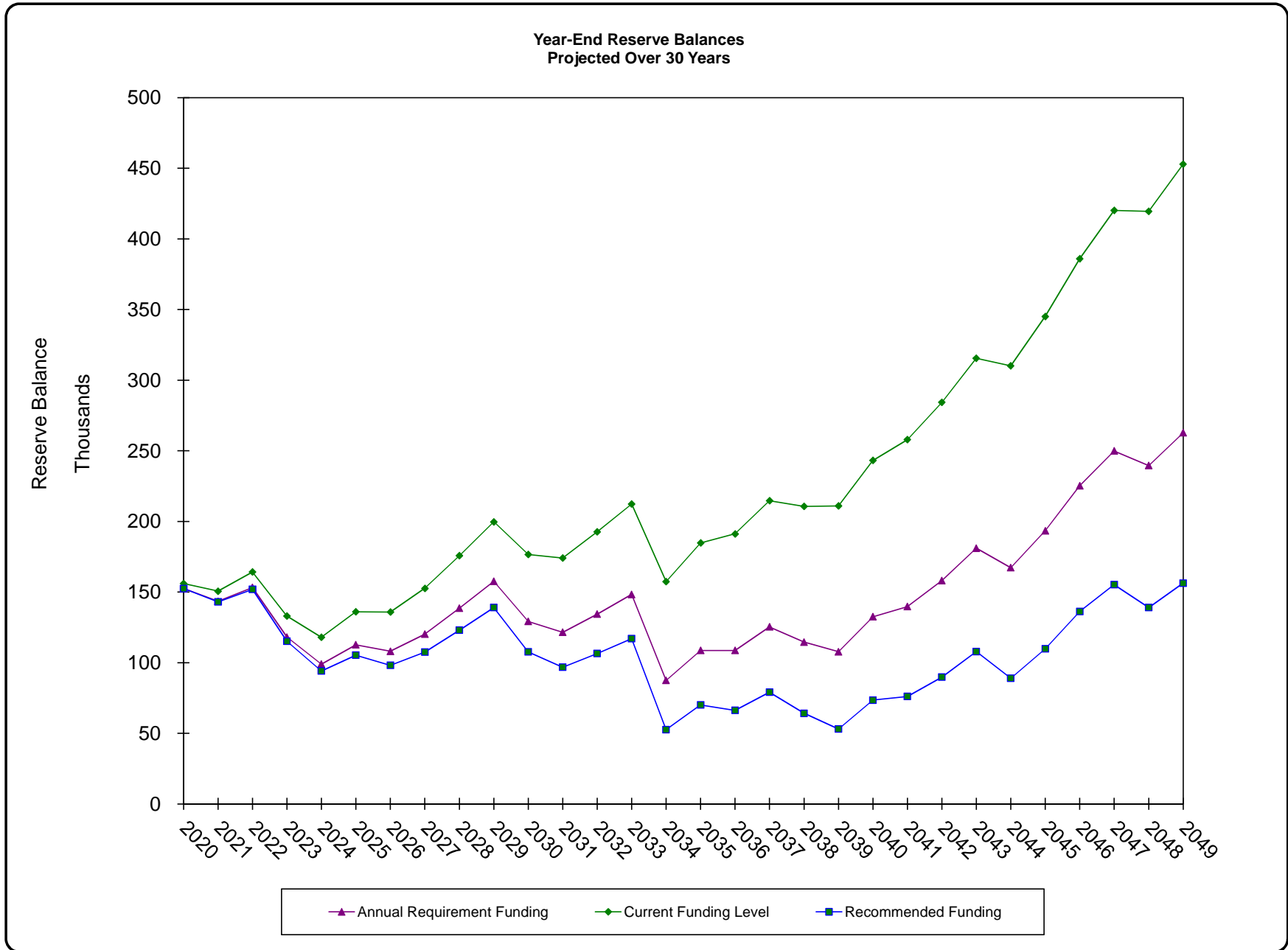
Option 2 - Current Budgeted Funding: Reserves are currently at the Strong level of funding. Overfunding of the reserves could occur beginning FY 2021/22.																		
Regular Dues - Unit/Month	11.33	11.67	12.02	12.38	12.75	13.13	13.53	13.93	14.35	14.78	15.23	15.68	16.15	16.64	17.14	19.87	23.03	26.70
Beginning Cash	138239																	
Current Funding w/3% incrs (includes 3% annual increase)	19034	19605	20194	20799	21423	22066	22728	23410	24112	24836	25581	26348	27139	27953	28791	33377	38693	44856
Net Interest On Balance (1%)	1382	1560	1506	1642	1330	1180	1360	1358	1526	1757	1997	1765	1741	1926	2123	2106	3154	4196
Annual Disbursements	2678	26514	8094	53650	37812	5249	24213	8003	2539	2600	50757	30530	10384	10212	85788	35169	47140	15710
Ending Cash Reserve - Option 2	155979	150630	164236	133028	117970	135967	135842	152607	175707	199699	176520	174103	192598	212264	157390	210953	310150	452892

Option 3 - Recommended Funding: To avoid future overfunding of the reserves, the Regular Reserve Allocation could be decreased in FY 2019/20 to equal the Annual Funding Requirement, with no annual increases needed in FY's 2020/21 through 2024/25. Reserves could maintain the current Strong level of funding throughout the 30 year projection.																			
Regular Dues - Unit/Mth	9.23	9.23	9.23	9.23	9.23	9.23	9.51	9.79	10.09	10.39	10.70	11.02	11.35	11.70	12.05	13.97	16.19	18.77	
Beginning Cash	138239																		
Recommended Funding (incls 3% annl incrs unless noted)	15511	15511	15511	15511	15511	15511	15976	16455	16949	17458	17981	18521	19076	19649	20238	23461	27198	31530	
		DECREASE (no ann incrs FY's 20/21 - 25/26)																	
Net Interest On Balance (1%)	1382	1525	1430	1518	1152	941	1053	981	1075	1230	1391	1077	968	1064	1169	641	1078	1391	
Annual Disbursements	2678	26514	8094	53650	37812	5249	24213	8003	2539	2600	50757	30530	10384	10212	85788	35169	47140	15710	
Ending Cash Reserve - Option 3	152455	142976	151823	115202	94053	105256	98072	107505	122990	139077	107692	96760	106419	116920	52539	53065	88922	156290	
																Projected Total Replacement Cost -		571969	
																Projected Funding to Cost Ratio -		27%	

Percent of Accumulated Reserve Requirement Funded: 92.2%

Cash at End of Fiscal Year:

Cash at December 31, 2018	128,999
Monthly Allocations through year-end	9,240
Anticipated Expenditures through year-end	-
Cash Projected at Year End June 30, 2019	<u>138,239</u>



Sunset Place Association of Carlsbad

Notes and Assumptions

June 30, 2019

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.

Sunset Place Association of Carlsbad

Notes and Assumptions

June 30, 2019

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.