

J.D. BROOKS

RESERVE STUDIES

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UPDATE - No SITE INSPECTION

PERSIMMON HILL HOA

OJAI, CA

RESERVE STUDY REPORT: AUGUST 10, 2017

RECOMMENDATIONS FOR THE BUDGET YEAR PERIOD

FROM: JANUARY 1, 2018

THROUGH: DECEMBER 31, 2018

COVER

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COLOR GRAPHS & CHARTS:

THIRTY-YEAR RESERVE BALANCE PROJECTIONS

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CALIFORNIA CIVIL CODE OVERVIEW

INTRODUCTION

UPDATE - NO SITE INSPECTION

This Reserve Study is an evaluation of the association's Common Area Components and their Reserve Funds.

The goal is to keep the Reserve Funds at a sufficient level for future repair and/or replacement of these components and to disclose this information formally to the Association.

Persimmon Hill HOA

a residential development consisting of forty three: single-family home lots, is located in Ojai, CA

The community is comprised of 43 units built approximately 1983.

The Association's Fiscal Year End is December 31.

This study's Reserve Component Inventory lists the components that require reserve funding.

The Projected Reserve Fund Balance at Fiscal Year End 2017 is \$222,300.

The Ideal Reserve Fund Balance at Fiscal Year End 2017 is \$267,879.

Therefore, the Reserve Fund is theoretically 83% Funded.

The Current (2017) Annual Reserve Contribution is set at approximately \$35,509.

J.D. Brooks recommends maintaining this Reserve Contribution, or reducing to \$34,516 (The Deficit Reduction Contribution) for 2018, plus a contribution increase of 3% annually.

This funding plan *should* keep the association's Reserve Fund above \$74,490 over a thirty-year period.

NOTE: This Funding Plan includes the assumption that all Interest earned on the Reserve Funds will be re-invested into the Reserve Accounts (Net after Tax obligations)

The Repair / Replace Estimates and other parameters used in this study were estimated with the assistance of information obtained from one or more of the following:

- 1 The Association's Board of Directors.
- 2 The Association's Property Manager.
- 3 Vendor (Subcontractor) Proposal / Contract for work.
- 4 Vendor (Subcontractor) experience with the Association.
- 5 Construction estimating reference books & databases.
- 6 J.D. Brooks database of area construction costs and similar reserve studies.

This reserve study does not imply a warranty or guarantee of any form.

The named Association, by receiving this study, agrees to release J.D. Brooks from any claims and/or lawsuits.

RESERVE STUDY SUMMARY

ASSOCIATION INFORMATION:

Name of Association: **PERSIMMON HILL HOA**
Location: **OJAI, CA**
Number of Units: **43**
Approximate Age of Complex: **34**

This report recommends contributions for Budget Year:

Beginning: **JANUARY 1, 2018**
Ending: **DECEMBER 31, 2018**

Reserve Study Report Date: **AUGUST 10, 2017**
Current Fiscal Year End: **DECEMBER 31, 2017**

CURRENT FUNDS SUMMARY:

Projected Reserve Balance at Current Fiscal Year End: **\$222,300**
Ideal Reserve Balance at Current Fiscal Year End: **\$267,879**

PERCENT FUNDED: **83%**

CURRENT RESERVE CONTRIBUTIONS:

	<u>Annual</u>	<u>Monthly</u>	<u>Monthly Per Unit</u>
2017 Budgeted Reserve Contribution:	\$35,509	\$2,959	\$68.82

RECOMMENDATIONS FOR BUDGET YEAR 2018

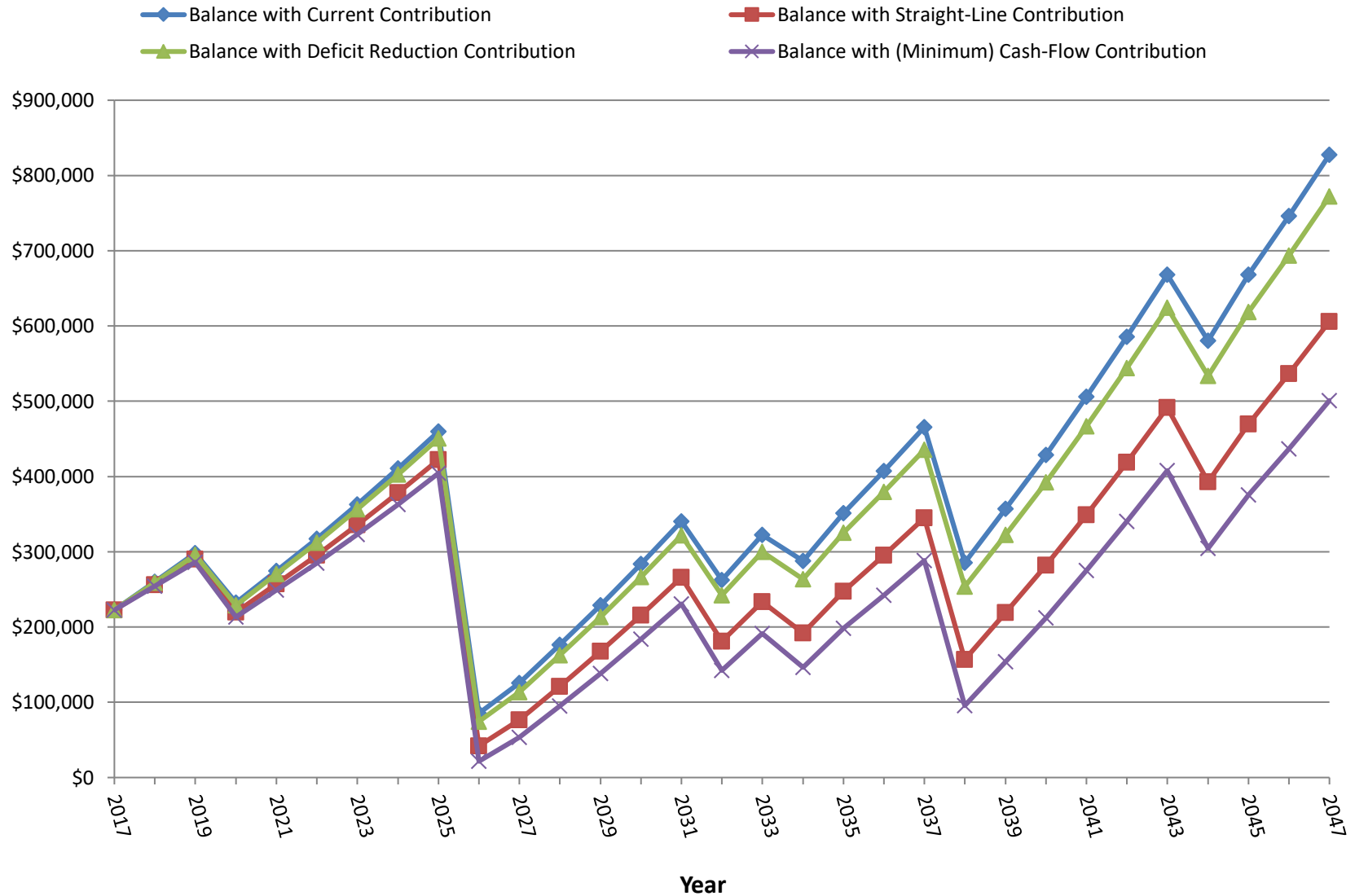
RESERVE CONTRIBUTION MODELS:

2018 J.D. Brooks Recommendation in Box

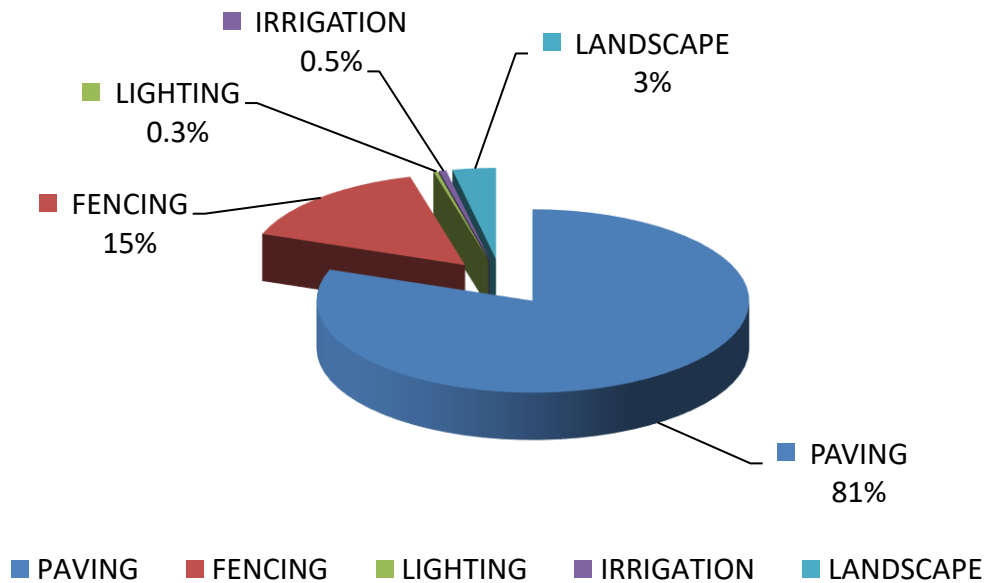
	<u>Annual</u>	<u>Monthly</u>	<u>Monthly Per Unit</u>
2018 Straight-Line Contribution:	\$31,540	\$2,628	\$61.12
2018 Deficit Reduction Contribution:	\$34,516	\$2,876	\$66.89
2018 Cash-Flow (Minimum) Contribution:	\$29,658	\$2,472	\$57.48

J.D. BROOKS
RESERVE STUDIES

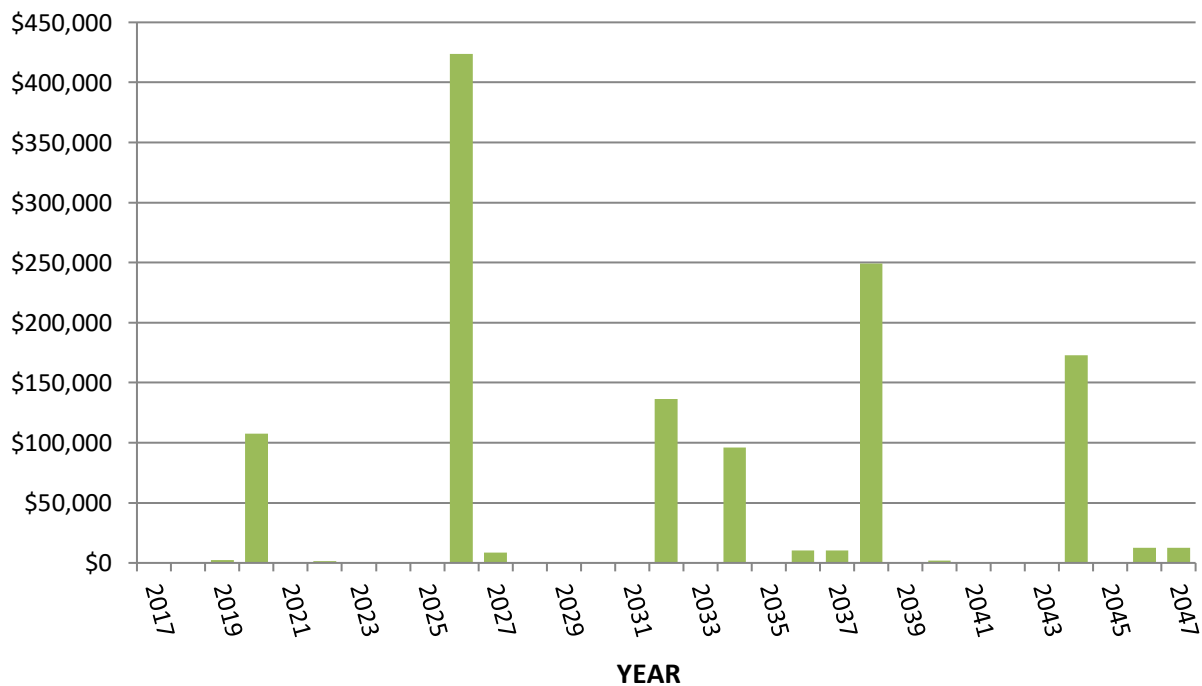
Thirty-Year Reserve Balance Projections



Reserve Category Values As Percentage Of All Components



Projected Annual Reserve Expenses



8/10/2017

<div> <div>RESERVE COMPONENT INVENTORY</div> <div> PERSIMMON HILL HOA CURRENT FISCAL YEAR END: DECEMBER 31, 2017 NUMBER OF UNITS: 43 </div> </div>											
CATEGORY	QUANTITY	UNIT TYPE	UNIT COST	REPAIR / REPLACE COST	USEFUL LIFE	RMNG. LIFE	STRAIGHT-LINE ANNUAL CONTRIBUTION	IDEAL BALANCE @F.Y.E.2017	PROJECTED BALANCE @F.Y.E.2017	DEFICIT	DEFICIT REDUCTION ANNUAL CONTRIBUTION
PAVING											
ASPHALT CHIP SEAL/PATCH	211,000	SqFt	0.480	101,280	6	3	16,880	67,520	67,520	-	16,880
ASPHALT OVERLAY: 50%	105,500	SqFt	1.734	182,940	30	9	6,098	134,156	129,789	(4,367)	6,583
CONCRETE SWALES: 10%	52,000	SqFt	11.20	58,240	12	9	4,853	19,413	18,781	(632)	4,924
CONCRETE WALKS: 10%	4,500	SqFt	11.20	5,040	12	9	420	1,680	1,625	(55)	426
FENCING											
3-RAIL VINYL FENCING	5,200	LnFt	12.75	66,300	40	17	1,658	39,780	-	(39,780)	3,998
LIGHTING											
ENTRY COACH LANTERNS	4	UNIT	330	1,320	18	5	73	1,027	1,027	-	73
MONUMENT & LANDSCAPE LIGHTING OPERATING MAINTENANCE EXPENSE											
IRRIGATION											
IRRIGATION TIMER CLOCK	2	UNIT	1180	2,360	15	2	157	2,203	2,203	-	157
LANDSCAPE											
LANDSCAPE REFURBISH	1	ENTRY	7000	7,000	10	9	700	1,400	1,354	(46)	705
LANDSCAPE REFURBISH	1	ENTRY	7000	7,000	10	10	700	700	-	(700)	770
MAILBOXES INDIVIDUAL HOMEOWNER'S EXPENSE											
STONE WALLS & ENTRY MONUMENTS REPAIR OPERATING MAINTENANCE EXPENSE											
PLUMBING & ELECTRICAL OPERATING MAINTENANCE EXPENSE											
CONTINGENCY: 0%											
TOTALS:				431,480			31,540	267,879	222,300	(45,579)	34,516

NET INTEREST ON RESERVE SAVINGS :	1%
INFLATION RATE :	2%
INCREASE TO ANNUAL RESERVE CONTRIBUTION:	3%

8/10/2017

PERSIMMON HILL HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PAVING																
ASPHALT CHIP SEAL/PATCH	-	-	-	107,479	-	-	-	-	-	121,039	-	-	-	-	-	136,310
ASPHALT OVERLAY: 50%	-	-	-	-	-	-	-	-	-	218,630	-	-	-	-	-	-
CONCRETE SWALES: 10%	-	-	-	-	-	-	-	-	-	69,602	-	-	-	-	-	-
CONCRETE WALKS: 10%	-	-	-	-	-	-	-	-	-	6,023	-	-	-	-	-	-
FENCING																
3-RAIL VINYL FENCING	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LIGHTING																
ENTRY COACH LANTERNS	-	-	-	-	-	1,457	-	-	-	-	-	-	-	-	-	-
IRRIGATION																
IRRIGATION TIMER CLOCK	-	-	2,455	-	-	-	-	-	-	-	-	-	-	-	-	-
LANDSCAPE																
LANDSCAPE REFURBISH	-	-	-	-	-	-	-	-	-	8,366	-	-	-	-	-	-
LANDSCAPE REFURBISH	-	-	-	-	-	-	-	-	-	-	8,533	-	-	-	-	-

CONTINGENCY: 0%

TOTALS:	0	0	2,455	107,479	0	1,457	0	0	0	423,661	8,533	0	0	0	0	136,310
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8/10/2017

PERSIMMON HILL HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
PAVING															
ASPHALT CHIP SEAL/PATCH	-	-	-	-	-	153,507	-	-	-	-	-	172,873	-	-	-
ASPHALT OVERLAY: 50%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CONCRETE SWALES: 10%	-	-	-	-	-	88,272	-	-	-	-	-	-	-	-	-
CONCRETE WALKS: 10%	-	-	-	-	-	7,639	-	-	-	-	-	-	-	-	-
FENCING															
3-RAIL VINYL FENCING	-	92,836	-	-	-	-	-	-	-	-	-	-	-	-	-
LIGHTING															
ENTRY COACH LANTERNS	-	-	-	-	-	-	-	2,082	-	-	-	-	-	-	-
IRRIGATION															
IRRIGATION TIMER CLOCK	-	3,305	-	-	-	-	-	-	-	-	-	-	-	-	-
LANDSCAPE															
LANDSCAPE REFURBISH	-	-	-	10,198	-	-	-	-	-	-	-	-	-	12,431	-
LANDSCAPE REFURBISH	-	-	-	-	10,402	-	-	-	-	-	-	-	-	-	12,680

CONTINGENCY: 0%

TOTALS:	0	96,141	0	10,198	10,402	249,418	0	2,082	0	0	0	172,873	0	12,431	12,680
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8/10/2017

PERSIMMON HILL HOA										
RESERVE COMPONENT INVENTORY		CURRENT FISCAL YEAR END: DECEMBER 31, 2017 NUMBER OF UNITS: 43								
CATEGORY	UNIT	UNIT	REPAIR /	USEFUL	RMNG.	STRAIGHT-LINE	IDEAL	PROJECTED	DEFICIT	
RESERVE COMPONENT	QUANTITY	COST	REPLACE	LIFE	LIFE	ANNUAL	BALANCE	BALANCE	DEFICIT	REDUCTION
			COST			CONTRIBUTION	@F.Y.E.2017	@F.Y.E.2017		ANNUAL
										CONTRIBUTION

<i>BALANCE FORECAST TYPE</i>	ANNUAL CONTRIBUTION
CURRENT ANNUAL CONTRIBUTION	35,509
STRAIGHT-LINE ANNUAL CONTRIBUTION	31,540
DEFICIT REDUCTION ANNUAL CONTRIBUTION	34,516
(CASH-FLOW) MINIMUM ANNUAL CONTRIBUTION	29,658

8/10/2017

PERSIMMON HILL HOA

RESERVE COMPONENT
INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
RESERVE COMPONENT	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT																
ANNUAL CONTRIBUTION	222,300	260,210	298,204	232,165	274,652	317,304	363,089	410,610	459,922	85,306	125,543	176,197	228,839	283,534	340,349	262,359
STRAIGHT-LINE																
ANNUAL CONTRIBUTION	222,300	256,220	289,942	219,462	257,332	295,186	335,986	378,330	422,266	42,067	76,511	121,152	167,556	215,780	265,883	180,934
DEFICIT REDUCTION																
ANNUAL CONTRIBUTION	222,300	259,212	296,137	228,987	270,320	311,772	356,309	402,535	450,503	74,490	113,278	162,428	213,510	266,586	321,722	241,992
(CASH-FLOW) MINIMUM																
ANNUAL CONTRIBUTION	222,300	254,329	286,027	213,441	249,123	284,703	323,140	363,030	404,418	21,574	53,271	95,063	138,511	183,668	230,589	142,341

8/10/2017

PERSIMMON HILL HOA

RESERVE COMPONENT INVENTORY

THIRTY-YEAR PROJECTED ANNUAL RESERVE EXPENSES

CATEGORY	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
RESERVE COMPONENT	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047

BALANCE FORECAST TYPE

THIRTY-YEAR PROJECTED ANNUAL RESERVE BALANCES

CURRENT															
ANNUAL CONTRIBUTION	322,249	287,835	351,467	407,310	465,383	285,759	356,996	428,904	505,736	585,513	668,330	580,545	667,999	746,283	827,624
STRAIGHT-LINE															
ANNUAL CONTRIBUTION	233,608	191,714	247,593	295,402	345,151	156,903	219,207	281,865	349,117	418,975	491,523	393,109	469,561	536,460	606,019
DEFICIT REDUCTION															
ANNUAL CONTRIBUTION	300,077	263,791	325,484	379,317	435,308	253,527	322,529	392,123	466,560	543,855	624,103	533,660	618,361	693,798	772,191
(CASH-FLOW) MINIMUM															
ANNUAL CONTRIBUTION	191,595	146,155	198,360	242,361	288,165	95,830	153,900	212,173	274,885	340,042	407,723	304,271	375,508	437,011	500,986

RESERVE STUDY DEFINITIONS

AVG. NET INTEREST ON RESERVE SAVINGS:

Average amount (after tax) of interest re-invested into the Reserve Account

CASH-FLOW (MINIMUM) CONTRIBUTION:

Calculated by not allowing the Reserve Balance to ever fall below (5% of the Total Replacement Cost of all the components) over a thirty-year period.

This Funding Plan should keep the Reserve Fund Balance just above \$0.

DEFICIT REDUCTION ANNUAL CONTRIBUTION:

Equals (the Straight-Line Annual Contribution) plus {(the Underfunded Balance if any) divided by (the Remaining Life)}.

F.Y.E. (FISCAL YEAR END):

End of the accounting budget year.

IDEAL BALANCE AT F.Y.E.:

Equals (the Straight-Line Annual Contribution) multiplied by (the age) of the component.

INFLATION RATE:

Average Inflation Rate for the region and year.

PERCENT FUNDED:

Equals (the Projected Reserve Balance at Fiscal Year End) divided by (the Ideal Reserve Balance at Fiscal Year End).

PROJECTED BALANCE AT F.Y.E.:

Projected Reserve Balances for each Reserve Component. Calculated according to priority (need) of replacement.

RESERVE COMPONENT:

Common Area item that requires replacement within thirty-years.

RMNG. LIFE (REMAINING LIFE):

Life-span remaining for the Reserve Component.

STRAIGHT-LINE ANNUAL CONTRIBUTION:

Equals (the Repair/Replace Cost) divided by (the Useful Life).

SURPLUS / DEFICIT:

Equals (the Ideal Balance at F.Y.E.) minus (the Projected Balance at F.Y.E.).

UNIT COST:

Cost per unit of measure.

UNIT TYPE:

Unit of measure.

USEFUL LIFE:

Expected life-span of the Reserve Component.

Civil Code §5300. Annual Budget Report.

(a) Notwithstanding a contrary provision in the governing documents, an association shall distribute an annual budget report 30 to 90 days before the end of its fiscal year.

(b) Unless the governing documents impose more stringent standards, the annual budget report shall include all of the following information:

(1) A pro forma operating budget, showing the estimated revenue and expenses on an accrual basis.

(2) A summary of the association's reserves, prepared pursuant to **Section 5565**.

(3) A summary of the reserve funding plan adopted by the board, as specified in paragraph (5) of subdivision (b) of **Section 5550**. The summary shall include notice to members that the full reserve study plan is available upon request, and the association shall provide the full reserve plan to any member upon request.

(4) A statement as to whether the board has determined to defer or not undertake repairs or replacement of any major component with a remaining life of 30 years or less, including a justification for the deferral or decision not to undertake the repairs or replacement.

(5) A statement as to whether the board, consistent with the reserve funding plan adopted pursuant to **Section 5560**, has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment.

(6) A statement as to the mechanism or mechanisms by which the board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacements or repairs, or alternative mechanisms.

(7) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the association is obligated to maintain. The statement shall include, but need not be limited to, reserve calculations made using the formula described

in paragraph (4) of subdivision (b) of **Section 5570**, and may not assume a rate of return on cash reserves in excess of 2 percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made.

(8) A statement as to whether the association has any outstanding loans with an original term of more than one year, including the payee, interest rate, amount outstanding, annual payment, and when the loan is scheduled to be retired.

(9) A summary of the association's property, general liability, earthquake, flood, and fidelity insurance policies. For each policy, the summary shall include the name of the insurer, the type of insurance, the policy limit, and the amount of the deductible, if any. To the extent that any of the required information is specified in the insurance policy declaration page, the association may meet its obligation to disclose that information by making copies of that page and distributing it with the annual budget report. The summary distributed pursuant to this paragraph shall contain, in at least 10-point boldface type, the following statement: This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

(c) The annual budget report shall be made available to the members pursuant to **Section 5320**.

(d) The summary of the association's reserves disclosed pursuant to paragraph (2) of subdivision (b) shall not be admissible in evidence to show improper financial management of an association, provided that other relevant and competent evidence of the financial condition of the association is not made inadmissible by this provision.

(e) The Assessment and Reserve Funding Disclosure Summary form, prepared pursuant to **Section 5570**, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to this article.

Civil Code §5550. Visual Inspection of Major Components.

(a) At least once every three years, the board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the common interest development, if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the association, excluding the association's reserve account for that period. The board shall review this study, or cause it to be reviewed, annually and shall consider and implement necessary adjustments to the board's analysis of the reserve account requirements as a result of that review.

(b) The study required by this section shall at a minimum include:

(1) Identification of the major components that the association is obligated to repair, replace, restore, or maintain that, as of the date of the study, have a remaining useful life of less than 30 years.

(2) Identification of the probable remaining useful life of the components identified in paragraph (1) as of the date of the study.

(3) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (1).

(4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain the components identified in paragraph (1) during and at the end of their useful life, after subtracting total reserve funds as of the date of the study.

(5) A reserve funding plan that indicates how the association plans to fund the contribution identified in paragraph (4) to meet the association's obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less,

not including those components that the board has determined will not be replaced or repaired.

Civil Code §5560. Reserve Funding Plan.

(a) The reserve funding plan required by **Section 5550** shall include a schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the reserve funding plan.

(b) The plan shall be adopted by the board at an open meeting before the membership of the association as described in Article 2 (commencing with **Section 4900**) of Chapter 6.

(c) If the board determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in **Section 5605**.

Civil Code §5565. Summary of Association Reserves.

The summary of the association's reserves required by paragraph (2) of subdivision (b) of **Section 5300** shall be based on the most recent review or study conducted pursuant to **Section 5550**, shall be based only on assets held in cash or cash equivalents, shall be printed in boldface type, and shall include all of the following:

(a) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component.

(b) As of the end of the fiscal year for which the study is prepared:

(1) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components.

(2) The current amount of accumulated cash reserves actually set aside to repair, replace,

restore, or maintain major components.

(3) If applicable, the amount of funds received from either a compensatory damage award or settlement to an association from any person for injuries to property, real or personal, arising out of any construction or design defects, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to paragraph (2). Instead of complying with the requirements set forth in this paragraph, an association that is obligated to issue a review of its financial statement pursuant to **Section 5305** may include in the review a statement containing all of the information required by this paragraph.

(c) The percentage that the amount determined for purposes of paragraph (2) of subdivision (b) equals the amount determined for purposes of paragraph (1) of subdivision (b).

(d) The current deficiency in reserve funding expressed on a per unit basis. The figure shall be calculated by subtracting the amount determined for purposes of paragraph (2) of subdivision (b) from the amount determined for purposes of paragraph (1) of subdivision (b) and then dividing the result by the number of separate interests within the association, except that if assessments vary by the size or type of ownership interest, then the association shall calculate the current deficiency in a manner that reflects the variation.