OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF

RESERVE STUDY

and/or

RESERVE SUMMARY/UPDATE ANNUAL DISCLOSURE

For Fiscal Year Beginning January 1, 2022

Based On Fiscal Year Ending December 31, 2021

30 Year Maintenance Funding Plan For Fiscal Year 2022 - 2051

Prepared and/or Reviewed By
Brenda Ohm
Nicole Veldstra
DRE Budget & Reserve Specialists
on

9/27/2021

Golden Consulting Group
965 East Yosemite Ave, Ste 22
Manteca, Ca 95336
Phone: (877) 697-6977
Fax: (925) 264-2091

Copyright 2008-2021, Golden Consulting Group. All Rights Reserved.

OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF

General Association Information

This Reserve Study and Cash Flow Analysis have been prepared for the board and their members. Oak Hills Homeowners Association-Arrowleaf located in Monterey County in the city of Salinas, CA. Each owner receives title to his unit, a membership in the Oak Hills Homeowners Association-Arrowleaf, and an undivided percentage interest as tenant in common in the common area on which their unit is located. The Board of Directors is accountable to the membership for the management and operation of the association. The reserve study and/or update summary and its recommended funding plan provides financial guidance which is often indispensable and shows due diligence from the board and its members.

Name of Association	OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF
Address of Association	14460 Charter Oak Blvd.
City of Association	Salinas
County of Association	Monterey
Number of Units	4
Built / Renovation	1979
Fiscal Year	January 1 - December 31
Last Reserve Study	2020
General Budget/Reserves	Shared Operating and Reserve Expenses
Reserve Study Type	Reserve Update Only
Reserve Percent Funded	100%
Overall Condition	Well Maintained
Management Company	Self-Managed

The board is hereby requested to review and notify Golden Consulting Group within 30 days after the receipt of the study or update with any requested changes, errors or discrepancies within the report. Golden Consulting Group will act within 48 hours to address any requested changes, errors or discrepancies within the study or update. The reserve study or update should be reviewed and approved by the board within 30 days of the receipt of the report.

The board is cautioned to understand that the funding plan has projected the current funds on hand and has increased the contributions in accordance to the thirty (30) year cash flow analysis as required by Davis-Stirling Act. It is impossible to project thirty (30) years into the future to ascertain the cost of repair or replacement of any of the components, let alone the value of money, changing building code requirements and other unknowns. Golden Consulting Group has estimated and projected future cost of repairs and replacement of those components for the Board of Directors of the above Homeowners Association.

For more information: See Davis-Stirling.com **Reference & Reprinted by Adams Kessler, PLC**

Board Alterations to Study and/or Updates

Question: I'm on our board and we just completed reviewing our reserve study. There are items on the list with a life that equals or exceeds the estimated life of the buildings. We wanted them removed, but the analyst refused. Doesn't our board have the authority to remove components?
Answer: Not really. That's like asking an attorney to change his legal opinion because the board disagrees with it. Or telling a CPA to change his audit report because directors don't like what he found. A reserve specialist is a professional who prepares a report based on his own observations and calculations--it's his report to the board.

Adjustments. Accordingly, boards have no "right" to dictate changes to an independent professional's report. However, adjustments can be made to draft opinions/reports by attorneys, CPAs and reserve specialists if the adjustments are reasonable and the professional agrees. For example if something is unclear or is missing and needs to be addressed by the professional, it can be included in the final report.

Funding. Although reserve specialists establish the list of major components, the board can choose not to fund particular items if it complies with Davis-Stirling disclosure requirements, i.e., the report must disclose:
Whether the board of directors of the association 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. (Civ. Code §5300(b)(4))

Accordingly, a reserve study could list components in the inventory and then eliminate them from funding calculations with a note that funding was removed at the board's request.

30-Year+ Life. Including components in the Study with useful life of over 30 years with no funding creates a “marker” for future inclusion in the funding plan when the life expectancy falls below 30 years. This is especially important when it comes to plumbing systems since they are hidden in walls and frequently overlooked by boards--until they fail and large special assessments are needed.

OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF

Percent Funding of Reserves

The Oak Hills Homeowners Association-Arrowleaf was originally built in and/or renovated in 1979 became an active Homeowner Association in 1979. An on-site visual inspection of the common reserve components was performed on September 24, 2020 by Golden Consulting Group.

The percent funded for Oak Hills Homeowners Association-Arrowleaf at Fiscal Year Ending, December 31, 2021 is estimated at 100%. Golden Consulting Group has based this method of calculation by dividing the actual reserve account balance as of fiscal year end by the estimated amount required in the reserve fund at the end of the current fiscal year. Based on the enclosed current 30 Year Reserve Study Funding Plan it is estimated that the reserve account balance SHOULD 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.

However in order to ensure the association's projected reserve expenditures the association should approve annual increases starting in fiscal year **2022** and continuing thru fiscal year **2051**. By using the enclosed 30 Year Reserve Study Funding Plan, a Special Assessment **WILL NOT** likely be necessary to fund the reserves.

In general, the Oak Hills Homeowners Association-Arrowleaf is overall in GOOD CONDITION. The baseline funding strategy sets a funding goal of keeping enough cash to maintain the association's reserve components always. The approximate replacement/repair costs for Association reserve components is estimated at approximately $19,125.

Golden Consulting Group has estimated the projected average future cost of repairs and replacement of those components for the Association. The annual reserves are based on a straight- line approach: Replacement Costs divided by Life Expectancy per each component. Based upon the Golden Consulting Group's calculations the annual reserve contribution would be approximately $1559 a year. The estimated fully funded accrued amount or the aged components is approximately $5,473. This is calculated Life Expectancy minus Remaining Life times (x) annual reserve contribution. The recommended annual reserve contribution for fiscal year beginning, January 1, 2022 should be increased from $1,056 to $1,200 or $25.00 per unit per month a 14% increase from previous year with annual increases each year starting in fiscal year 2023 to ensure the capital improvements/maintenance obligations of the Association.

Golden Consulting Group uses a 2.5% annual cpi inflation rate to calculate the 30 year funding maintenance plan. However, based on the inflation rates listed below the average inflation rate over the last 18 years is 2.2%.

PERCENT FUNDED	**100%**
Current US Inflation Rates: 2000-2020	2.50%
Estimated Interest Rate Reserve Account(s)	0.00%
Annual Reserves Required (Based on Straight Line Funding Method)	**$1,559**
Reserve Account Balance as of August 26, 2021	$4,530
2021 Reserve Contribution (Sept-Dec)	$968
2021 Average Interest Rate on Reserve Account @ .00%	$0
2021 Reserve Expenditures (Sept-Dec)	**$0**
Estimated Reserve Balance as of FYE, December 31, 2021	$5,498
Fully Funded Accrued Reserve Amount as of FYE, December 31, 2021	$5,473
Reserve Balance - Fully Funded Balance Surplus:	$25
Reserve Balance - Fully Funded Balance Surplus Per Unit	$6

The estimated reserve account balance does not take into consideration any monies owed to the reserve fund and/or any delinquent accounts. The estimated reserve balance only includes actual cash on hand located in the reserve account as of August 26, 2021 and any future reserve contributions minus any anticipated reserve expenditures.

Showing a reserve deficit/surplus does not necessarily indicate that an association is in good or poor financial condition. The current funding plan will help eliminate the presence of surplus and/or deficit over a period of years. However, funding levels could decrease or increase each year based upon repairs and/or replacements which may be scheduled and for unforeseen replacements, in which annual reserve updates are necessary to account for the changes and/or adjustments.

IMPORTANT NOTICE FOR ALL ASSOCIATIONS WITH EXTERIOR BALCONIES, DECKS OR STAIRS

EXTERIOR ELEVATED ELEMENTS "EEE" INSPECTION REPORT ☑ **N/A** ☐ **Applicable**

Civil Code 5551: Common interest developments: Requires an inspection of exterior elevated elements (EEE) and associated waterproofing elements, as defined, including decks and balconies, for buildings with 3 or more multifamily dwelling units. The first inspection shall be completed by January 1, 2025, and then every nine years thereafter in coordination with the reserve study inspection pursuant to Section 5550. All written reports shall be maintained for two inspection cycles as records of the association. At least once every nine years, the board of an association of a condominium project shall cause a reasonably competent and diligent visual inspection to be conducted by a licensed structural engineer or architect of a random and statistically significant sample of exterior elevated elements for which the association has maintenance or repair responsibility. See Civil Code 5551 in its entirety.

Balconies and decks, called “Exterior Elevated Elements” (“EEE”) in the statute, are common features in most multi-family buildings in California. Buildings containing three or more multi-family dwelling units are covered by the Balcony Bill. The bill covers not just “balconies” or “decks” and their associated supports and railings, but all “exterior elevated elements” – which is notably broadly defined to include “balconies, decks, porches, stairways, walkways, and entry structures that extend beyond exterior walls of the building and which have a walking surface that is elevated more than 6 feet above ground level, are design for human occupancy or use, and rely in whole or in substantial part on wood or wood-based products for structural support or stability of the exterior elevated element – and “all associated waterproofing elements.” The new statute applies to multifamily units with 3 or more units.

The enclosed reserve study/update is not a maintenance manual but it does provide some general guidelines regarding the association maintenance obligations. This Reserve Study is a good faith estimate from either plans prior to construction and/or completion and/or existing historical data. The association should conduct or should have conducted a reserve study after its first year of operation to adjust the reserve funding plan for any changes which may have taken place during construction. Although some components may be inspected, serviced and maintained by the Association, it's always advised to have a qualified licensed professional perform the maintenance and care of the product. If you are unsure of the maintenance, please refer to the manufactures user guide.

The enclosed reserve study/update should act as a long-term budgeting tool that evaluates the current financial status and helps develop a maintenance plan for future spending due to the aging and deterioration of the association’s reserve components.

During an on-site visual inspection of the reserve components, Golden Consulting Group will visually examined both the both physical appearance and working condition of the component(s). Normally only those components which have an estimated useful life of less than 30 years will be included in the study, in which the Association would be responsible for the maintenance (repaired, replaced, or service).

Any component that is scheduled to be repaired or replaced annually should be included in the operating budget unless the Board of Directors specifies otherwise. This reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of the historical records. No destructive testing has been undertaken nor will the study address any latent defects or life expectancies which are abnormally short due to either improper design and/or installation, unless the Association or members has contracted with an independent consulting to examine and report the findings on specific components. The reserve study is solely based upon the visual condition, maintenance, service and/or the replacement of the reserve components rather than the reconstruction, renovation, or remodeling of the component(s). It is impossible to project thirty (30) years into the future to ascertain the cost of repair or replacement of any of the components, let alone the value of money, changing building code requirements and other unknowns. It's always recommended and advised to have a qualified licensed professional perform the maintenance and care of the components. If you are unsure of the maintenance of a specific reserve component, please refer to the manufacturer guide.

Per Civil Code §5300(b)(4)) The board of directors of the association must disclose if they 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.

For Fiscal Year Ending 2021: The board HAS NOT chosen to defer maintenance and/or replacement of the anticipated reserve expenditures. (see study for more information)

The Anticipated Reserve Expenditures were as follows for Fiscal Year:	**2021**
NONE	

Maintenance will only be deferred 1 Year unless the Board of Directors specifies otherwise.

It is our recommendation that all anticipated reserve expenditures scheduled for fiscal year 2022 be inspected, repaired or replaced as indicated by a professional. Fully funded reserve components are components that have reached its useful life and/or exceeded its average life expectancy. The board should inspect and review each component before approving deferment, replacement and/or repair of the reserve components.

The Anticipated Reserve Expenditures are as follows for Fiscal Year:	**2022**
NONE	
Anticipated Reserve Expenditure Total For FYE: 2022	**$0**

OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF

Assessment and Reserve Funding Disclosure Summary

Based On Fiscal Year Ending December 31, 2021
Civil Code §5570

California Civil Code Section §5570 requires that this Assessment and Reserve Funding Disclosure Summary be prepared pursuant to section §5570, shall accompany each annual budget report or summary of the annual budget report that is delivered pursuant to California Civil Code section 5300.

1. The Regular Monthly Assessment for Fiscal Year Beginning January 1, 2022	$0.00	Per Month
The Operating Assessment Per Unit Per Month is	$0.00	Per Month
The Reserve Assessment Per Unit Per Month is	$25.00	Per Month

The Monthly Variable Assessment is as follows:

Unit Number	Monthly Assessment

Unit Number	Monthly Assessment

Unit Number	Monthly Assessment

2. Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Assessment is Due	Amount per unit per month	Purpose

3. 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 **X** No

4. 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 or the members.

Approximate date assessment will be due:	Amount per unit:

5. All major components are included in the reserve study and are included in its calculations.
Yes **X** No

Major Components:	Useful remaining life in years:	Reason this major component was not included:

OAK HILLS HOMEOWNERS ASSOCIATION - ARROWLEAF

Assessment and Reserve Funding Disclosure Summary

Based On Fiscal Year Ending December 31, 2021

Civil Code §5570

6. Based on the method of calculation in (4) of subdivision (b) of Section §5570, the estimated amount required in the reserve fund at the end of the current fiscal year is: 5,473 based in whole or in part on the last reserve study or update prepared by Golden Consulting Group as of September 2021. The projected reserve fund cash balance is $5,498 resulting in the reserves being 100% at this date.

7. Based on the method of calculation in (4) of subdivision (b) of Section §5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, leaving the reserves percent funding at the following:

FYE	Projected Contribution	Projected Cash Balance	Estimated Required	Percent Funded
2022	$1,200	$6,698	$7,032	95%
2023	$1,440	$5,699	$8,806	65%
2024	$1,680	$7,379	$7,965	93%
2025	$1,920	$9,299	$9,563	97%
2026	$2,160	$11,459	$11,161	103%

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before tax estimated interest rate earned on reserve funds is **0.00%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **2.50%** per year.

FUNDING DISCLOSURE SUMMARY

[Civil Code §5300(e)]

(b) For purposes of preparing a summary pursuant to this section:

1. “Estimated remaining useful life” means the time reasonably calculated to remain before a major component will require replacement.

2. “Major component” has the meaning used in section 55530. Components with an estimated remaining useful life of more than thirty (30) years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure.

3. The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to section §5300 this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

4. For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

Due to factors beyond the control of the Directors, including but not limited to the rate of inflation, the rate at which the major components actually deteriorate, unanticipated damage to the major components, fluctuations in material and labor costs and changes in building codes and regulations, the accuracy of the information set forth above is not, and cannot be, guaranteed. Depending upon the accuracy of the present and future assumptions used in providing the information and conclusions set forth in said may not be correct. Therefore, any person reviewing this Assessment and Reserve Funding Disclosure Summary should not, without conducting their own independent investigation and analysis, rely upon the accuracy of the information.

The information in the Assessment and Reserve Funding Disclosure Summary is deemed reliable as of the date of the disclosure, but is not guaranteed. Golden Consulting Group has obtained information, documentation, and materials from the Association and/or agent and this disclosure summary is based upon the accuracy of such information. The Association, by accepting this disclosure summary, agrees to release Golden Consulting Group form any claims, demands or damages and further agrees to indemnify, defend and hold harmless Golden Consulting Group from and against any and all liability, damages, losses, claims, demands, or lawsuits arising out of or relating to this disclosure.

Current US Inflation Rates: 2000-2020

published: http://www.usinflationcalculator.com/inflation/current-inflation-rates/

The Consumer Price Indexes (CPI) program produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Inflation has been defined as a process of continuously rising prices or equivalently, of a continuously falling value of money. The current inflation rate for the United States is published monthly by the U.S. Labor Department.

The annual inflation rate for the United States is 1.4% for the 12 months ended December 2020 as compared to 1.2% previously, according to U.S. Labor Department data published on January 13, 2021.

The chart and table below display annual US inflation rates for calendar years from 2000 and 2010 to 2020. (For prior years, see historical inflation rates.) If you would like to calculate accumulated rates between two different dates, use the US Inflation

The chart and table below display annual US inflation rates for calendar years from 2000 and 2010 to 2020. (For prior years, see historical inflation rates.) If you would like to calculate accumulated rates between two different dates, use the US Inflation Calculator.

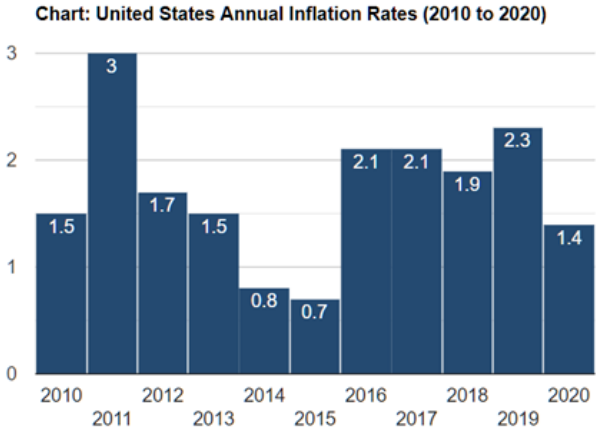

Table of Inflation Rates (%) by Month and Year (2000-2020)

Since figures below are 12-month periods, look to the December column to find inflation rates by calendar year. For example, the rate of inflation in 2020 was 1.4%. The last column, "Ave," shows the average inflation rate for each year using CPI data, which was 1.2% in 2020. They are published by the BLS but are rarely discussed in news media, taking a back seat to a calendar year's actual rate of inflation.

Golden Consulting Group uses a 2.5% annual cpi inflation rate to calculate the 30 year funding maintenance plan. However, based on the inflation rates listed below the average inflation rate over the last 20 years is 2.1%.

Year	Jan	Feb	March	April	May	June	July	August	Sept	Oct	Nov	Dec	Average
2020	2.5	2.3	1.5	0.3	0.1	0.6	1.0	1.3	1.4	1.2	1.2	1.4	1.2
2019	1.6	1.5	1.9	2.0	1.8	1.6	1.8	1.7	1.7	1.8	2.1	2.3	1.8
2018	2.1	2.2	2.4	2.5	2.8	2.9	2.9	2.7	2.3	2.5	2.2	1.9	2.4
2017	2.5	2.7	2.4	2.2	1.9	1.6	1.7	1.9	2.2	2.0	2.2	2.1	2.1
2016	1.4	1.0	0.9	1.1	1.0	1.0	0.8	1.1	1.5	1.6	1.7	2.1	1.3
2015	-0.1	0.0	-0.1	-0.2	0.0	0.1	0.2	0.2	0.0	0.2	0.5	0.7	0.1
2014	1.6	1.1	1.5	2.0	2.1	2.1	2.0	1.7	1.7	1.7	1.3	0.8	1.6
2013	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5	1.5
2012	2.9	2.9	2.7	2.3	1.7	1.7	1.4	1.7	2.0	2.2	1.8	1.7	2.1
2011	1.6	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5	3.4	3.0	3.2
2010	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1	1.2	1.1	1.5	1.6
2009	0.0	0.2	-0.4	-0.7	-1.3	-1.4	-2.1	-1.5	-1.3	-0.2	1.8	2.7	-0.4
2008	4.3	4.0	4.0	3.9	4.2	5.0	5.6	5.4	4.9	3.7	1.1	0.1	3.8
2007	2.1	2.4	2.8	2.6	2.7	2.7	2.4	2.0	2.8	3.5	4.3	4.1	2.8
2006	4.0	3.6	3.4	3.5	4.2	4.3	4.1	3.8	2.1	1.3	2.0	2.5	3.2
2005	3.0	3.0	3.1	3.5	2.8	2.5	3.2	3.6	4.7	4.3	3.5	3.4	3.4
2004	1.9	1.7	1.7	2.3	3.1	3.3	3.0	2.7	2.5	3.2	3.5	3.3	2.7
2003	2.6	3.0	3.0	2.2	2.1	2.1	2.1	2.2	2.3	2.0	1.8	1.9	2.3
2002	1.1	1.1	1.5	1.6	1.2	1.1	1.5	1.8	1.5	2.0	2.2	2.4	1.6
2001	3.7	3.5	2.9	3.3	3.6	3.2	2.7	2.7	2.6	2.1	1.9	1.6	2.8
2000	2.7	3.2	3.8	3.1	3.2	3.7	3.7	3.4	3.5	3.4	3.4	3.4	3.0

20 Year Average: **2.1**