November 11, 2025

Dear Homeowner,

As required by the Civil Code, the OHHA Board of Directors have reviewed the current year's budget compared to income and have determined that there will be an increase in the bi-monthly assessments for 2026 and there will be an increase in the bi-monthly private drive assessment, beginning January 1, 2026.

- **The bi-monthly OHHA assessment will be raised to $150.00 per unit per bi-monthly billing cycle.**
- **The bi-monthly private drive assessment will increase to $120.00 per unit per bi-monthly billing cycle.**

ANNUAL BUDGET REPORT

The new Civil Code §5300 creates new minimum disclosure requirements by consolidating various disclosures under the new "Annual Budget Report", which consists of the following Statements or Disclosures:

~2026 Operating Budget – *Enclosed* ~Summary of Reserves – *Enclosed* ~Reserve Funding Plan – *Enclosed*

~Assessment and Reserve Funding Disclosure Summary Form – *Enclosed*

~Major Component Repair Statement

In accordance with Civil Code § 5300(b)(4) and as of the date of this letter the Board has determined that maintenance will be deferred on the items listed on the reserved study update.

~Anticipated Special Assessment

In accordance with Civil Code § 5300(b)(5) and as of the date of this letter the Board does not Anticipate that a special assessment will be required to repair, replace or restore any major components or to provide adequate reserves.

~Reserve Funding Mechanism Statement

In accordance with Civil Code §5300(b)(6) the Board uses regular assessments to fund reserves to repair or replace major components.

~Procedures for Calculating Reserves Statements – *(Included in Reserve Funding Disclosure Summary)*

~Outstanding Loan Statement

In accordance with Civil Code section 5300(b)(7) The Association does not have any outstanding loans.

~Insurance Summary – *Enclosed*

A copy of the full reserve study is available upon request

ANNUAL POLICY STATEMENT

In an effort to clarify requirements relating to policy disclosures, new Civil Code § 5310 consolidates the various requirements. The Annual Policy Statement is a disclosure of the following:

~Association's Designate Recipient to receive official communication – *Civil Code §§ 5310(a)(1), 4035*

Board of Directors
Attn: Emma Waroff
14460 Charter Oak Blvd.
Salinas, CA 93907

~Right of Notice to Two Addresses

As provided in Civil Code § 4040(b) Upon receipt of a request by a member, pursuant to § 5620, Identifying a secondary address for delivery of notices of the following types, the association shall deliver an additional copy of those notices to the secondary address identified in the request.

~General Notice Location – *Pursuant Civil Code §§ 5310(a)(3), 4045(a)(3), The location designated for posting of the General Notice is:* **Pool House Bulletin Board**

~Right to Receive General Notice by Individual Delivery

As provided in Civil Code §4045(b) documents designated by the Civil Code as requiring General Delivery or General Notice will be delivered using one of the methods detailed in Civil Code §4045(a). If a member of the Association wishes to receive these general notice documents by individual delivery, they must make such a request to the Association, and the Association will comply with the request.

~Right to Receive Board Minutes

In accordance with Civil Code § 4950(b) the minutes or summary of minutes of the Board meeting, other than an executive session are available to members within 30 days of the meeting.

~Assessment Collection Policy – *Enclosed*
~Notice Assessment and Foreclosure Default Policy – *Enclosed*
~Dispute Resolution Procedure Summary (IDR & ADR) – *Enclosed*
~Assessment Collection Policy – *Enclosed*
~Overnight Payment Mailing Address – *Civil Code §§ 5310(a)(11)*

Oak Hills Homeowners Association
PO Box 174386
Denver, CO 80217-4386

The Board of Directors is obligated to uphold and enforce the CC&R's which in turn requires the Board to maintain, preserve and enhance the value and lifestyle of the Association and its property for the benefit of all Owners.

PLEASE REVIEW ALL OF THE ENCLOSED DOCUMENTS CAREFULLY.

Sincerely,
Oak Hills Homeowner's
Association Board of Directors
Enclosures

2026 Budget - Oak Hills HOA

INCOME	2026 Budget	Bi-Monthly Dues
4010 Dues including Private Drives	255,402	
Dues without Private Drives	242,100	150
4080 Fines	700	
4085 Collection Fees	3,000	
4090 Late Fees	2,550	
4095 HOA Interest Fees	0	
4220 NSF Check Charge	0	
Total Income	**261,652**	
Total Income w/o Prv Drv	**248,350**	
Expenses		
5020 Accounting Service	22,208	
5050 Community Event	1,500	
5060 Legal Fees	3,000	
5070 Licenses/Permits	1,913	
5080 Meeting Room Fees	780	
5090 Taxes	4,000	
5130 Postage	846	
5150 Office Expenses	1,200	
5170 Greenbelt Maint	30,000	
5250 Mileage	1,163	
5260 Membership	798	
5610 Insurance	14,156	
6105 Landscaping	35,883	
6205 Utilities	30,518	
6230 Telephone	3,067	
6740 Maintenance	3,090	
7010 Payroll	44,520	
7020 Payroll Expense	5,128	
7510 Pool Maintenance	12,101	
Total Expenses:	**215,872**	
Reserve		
Reserve Interest	4,000	Total Res Contrib $51600
8050 One Time Transfer to Reserve	15,122	
8010 Reserve Account	32,478	
Total Expenses & Reserve:	**248,350**	
		Bi-Monthly Dues
Private Drive Reserve:		
8020 Arrowleaf	2,352	98
8030 Clover	1,350	75
8040 Sandbur	2,880	120
8050 Shadow Oak	6,720	80
Total Private Drive:	13,302	
Total Expenses, Reserve, & Private Drives:	**261,652**	
INCOME - EXPENSES	**0**	

Oak Hills Homeowners Association

OHHA Insurance Summary 2026

Coverage		Carrier	Policy #
General Liability	$3,000,000	Farmers	60700-33-69
Property	$584,300	Farmers	60700-33-69
Directors & Officers	$2,000,000	Farmers	60700-33-69
Fidelity Bond	$500,000	Farmers	60700-33-69

INSURANCE

This summary of the association's policies of insurance provides only certain information, as required by subdivision (e) of Section 1365 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 provisions 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 does 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.

NOTICE TO MEMBERS

IN ACCORDANCE WITH CIVIL CODE SECTION 1363.05 (e0, ASSOCIATION MEMBERS ARE ADVISED OF THEIR RIGHT TO RECEIVE MINUTES OF DIRECTOR'S MEETINGS WITHIN 30 DAYS FOLLOWING THE MEETING. MINUTES ARE SENT TO MEMBERS IN THE FOLLOWING FORMAT:

U.S. MAIL.
PERSONAL ELECTRONIC MAIL, (When selected by the Member).
POSTED ON THE ASSOCIATION WEBSITE

Extract from California Civil Code § 5730
Notice Regarding Assessments and Foreclosure

NOTICE ASSESSMENTS AND FORECLOSURE

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

ASSESSMENTS AND FORECLOSURE

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure or without court action, often referred to as non-judicial foreclosure. For liens recorded on or after January 1, 2006, an association may not use judicial or non-judicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars ($1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars ($1,800) or more than 12 months delinquent, an association may use judicial or non-judicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 Part 5 of Division 4 of the Civil Code. When using judicial or non-judicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or non-judicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use non-judicial foreclosure to collect fines or penalties, except for costs to repair common areas damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) Chapter 8 of Part 5 Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code).

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain documents in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

PAYMENTS

When an owner makes a payment, he or she may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by so doing, specifically reserve the right to contest the disputed charge or sum in court or otherwise. An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code)

MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exist. (Section 5665 of the Civil Code)

The board of the directors must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code).

ALTERNATIVE DISPUTE RESOLUTION

Beginning January 1, 1994, California law provides that when the owner of a separate interest (a Homeowner) or the common interest development (CID)/association brings an action: a) solely for declaratory relief or injunction relief; or

b) either of those in conjunction with a claim for monetary damages; (Other than Association Assessments, not to exceed $5,000)

relating to the enforcement of the governing documents of the association, they shall endeavor to submit the matter to alternative dispute resolution (ADR).

What this means, in general, is that in those prescribed types of disputes, before filing a lawsuit, an attempt must be made to settle. This must be done in a semi technical manner. The method of beginning the attempt at ADR is to serve on the opposing party a Request for Resolution. With certain exceptions, the law requires a certificate be filed with any civil action, certifying compliance with the above stated requirements.

Please be advised that the statement above is intended to be only the broadest of interpretations and merely to advise that such a law exists. There are a number of other factors involved, including attorney's fees; arbitration or mediation costs; and the results of not conforming to this law (*Civil Code § 5825 through 5965).*

The California legislature has also provided that each year your Association must send out a summary of this law and that summary must specifically include the following excerpt of the law:

"Failure by any member of the association to comply with the pre-filing requirements of § 5930 of the *Civil Code* may result in the loss of your rights to sue the association or another member of the association regarding enforcement of the governing documents".

As you can see, failure to comply with this law may prejudice your rights. We strongly urge each one of you to carefully read the statue and consult with an attorney prior to commencing any litigation regarding the enforcement of the governing documents.

INTERNAL DISPUTE RESOLUTION PROCEDURE

The California Legislature has adopted new regulations codified in *Civil Code Sections 5900 through 5920,* which require Associations to adopt fair, reasonable and expeditious dispute resolution procedures, effective January 1, 2005. This separate and apart from, and precedes, the formal ADR (Alternative Dispute Resolution) requirements set forth in *Civil Code Section 5925 through 5965.* The Association has adopted the following procedures as required under such law:

1. The Association or an Owner may invoke the procedures herein by submitting a request to the other to meet and confer in an effort to resolve any existing dispute. The request must be in writing.

2. An Owner may refuse a request to meet and confer made by the Association with the understanding that further enforcement action may be taken if the dispute is not resolved. The Association may not refuse a request by an Owner to meet and confer.

3. The Association's Board of Directors shall designate a Board member to meet and confer with an Owner.

4. The designated Board member and the Owner shall meet promptly at a mutually convenient time and place. The parties shall explain their positions to each other and attempt, in good faith to resolve the dispute.

5. Any resolution of the dispute agreed to by the parties shall be set forth in writing and signed by the Owner and the designated Board member on behalf of the Association.

6. An agreement reached under this procedure is binding on the Owner and the Association and is enforceable in court if both of the following conditions are met:
    a. The agreement is not in conflict with law or the Association's governing documents.
    b. The agreement is consistent with the authority granted by the Board of Directors to the designated Board member or is ratified by the Board.

7. Owners will not be charged a fee to participate in the process.

Oak Hills HOA Policies

The Architectural Review Policy requires that homeowners receive approval from the Board for changes in the appearance of structures that are visible from the street. This includes fences. The policy and application can be found on the website at www.oakhillshoa.org.

The following policies are also posted on the website at www.oakhillshoa.org:

Greenbelt Vehicle Access

Landscape Rules and Regulations

Signage

Rules for Use of Pool and Hot Tub Access Key

Tennis Court Use

Oak Hills Fine Schedule

Violation of the Architectural Review Policy	$100 - $200/month
Greenbelt Vehicle Access	$50/occurrence
Landscape Rules and Regulations	$100/month
Pool and Hot Tub Use and Access	$0-$500 depending on the severity of the incident Use of the pool and hot tub may also be suspended
Tennis Court Use	$0-$200 depending on the severity of the incident Use of the tennis courts may also be suspended

Sandbur

Level 3 Reserve Study

Report Period - 1/1/2026 to 12/31/2026

Client Reference Number	**22544**
Property Type	**Single Family Homes**
Number of Units	**4**
Fiscal Year End	**12/31**
Type of Study	**Update without Site Visit**
Date of Site Visit	**N/A**
Prepared By	**Dylan Magnuson**
Analysis Method	**Cash Flow**
Funding Goal	**Full Funding**

Report prepared on - Jul 9, 2025

Applied Reserve Analysis

Applied Reserve Analysis
TEL: (800) 500-8505 | Fax: (800) 500-7305
www.AppliedReserveAnalysis.com

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Executive Summary - Sandbur - ID # 22544

Information to complete this Update without Site Visit Study was gathered through research with the client as well as from the previous report. In addition, we may also have obtained information by contacting any vendors and/or contractors that have worked on the property recently. To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of 1/1/2026	**$4,350**
Ideal Reserve Balance as of 1/1/2026	**$13,101**
Percent Funded as of 1/1/2026	**33%**
Recommended Reserve Contribution (per month)	**$239**
Recommended Special Assessment (FY 2026)	**$0**

Property Details

Sandbur Homeowners Association is a 4-unit community consisting of single family homes, located Salinas, CA. Construction on the common elements was completed in approximately 1997.

Currently Programmed Projected

There are currently no projects programmed to occur this fiscal year (FY 2025).

Significant Reserve Projects

The association's significant reserve projects include: Asphalt - Major Rehab. (Newer) (Comp #401). Asphalt - Preventive Maintenance (Comp #402). Concrete - Repair/Replace (Comp #403). Asphalt - Major Rehab. (Older) (Comp #401). The fiscal significance of these components is approximately 38%, 30%, 20% and 12% respectively. A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives. (See Page(s) 11)

Reserve Funding

In comparing the projected starting reserve balance of $4,350.00 versus the ideal reserve balance of $13,100.83 we find the association's reserve fund to be approximately 33% funded. This indicates a fair reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of $239.00 ($59.75/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Starting Reserve Balance

The starting reserve balance was provided by the client and was not audited or verified.

Funding Summary

Beginning Assumptions

# of units	4
Fiscal Year End	12/31
Budgeted Monthly Reserve Contribution	$210
Projected Starting Reserve Balance	$4,350
Ideal Starting Reserve Balance	$13,101

Economic Assumptions

Current Inflation Rate	4.00%
Reported After-Tax Interest Rate	1.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	33%

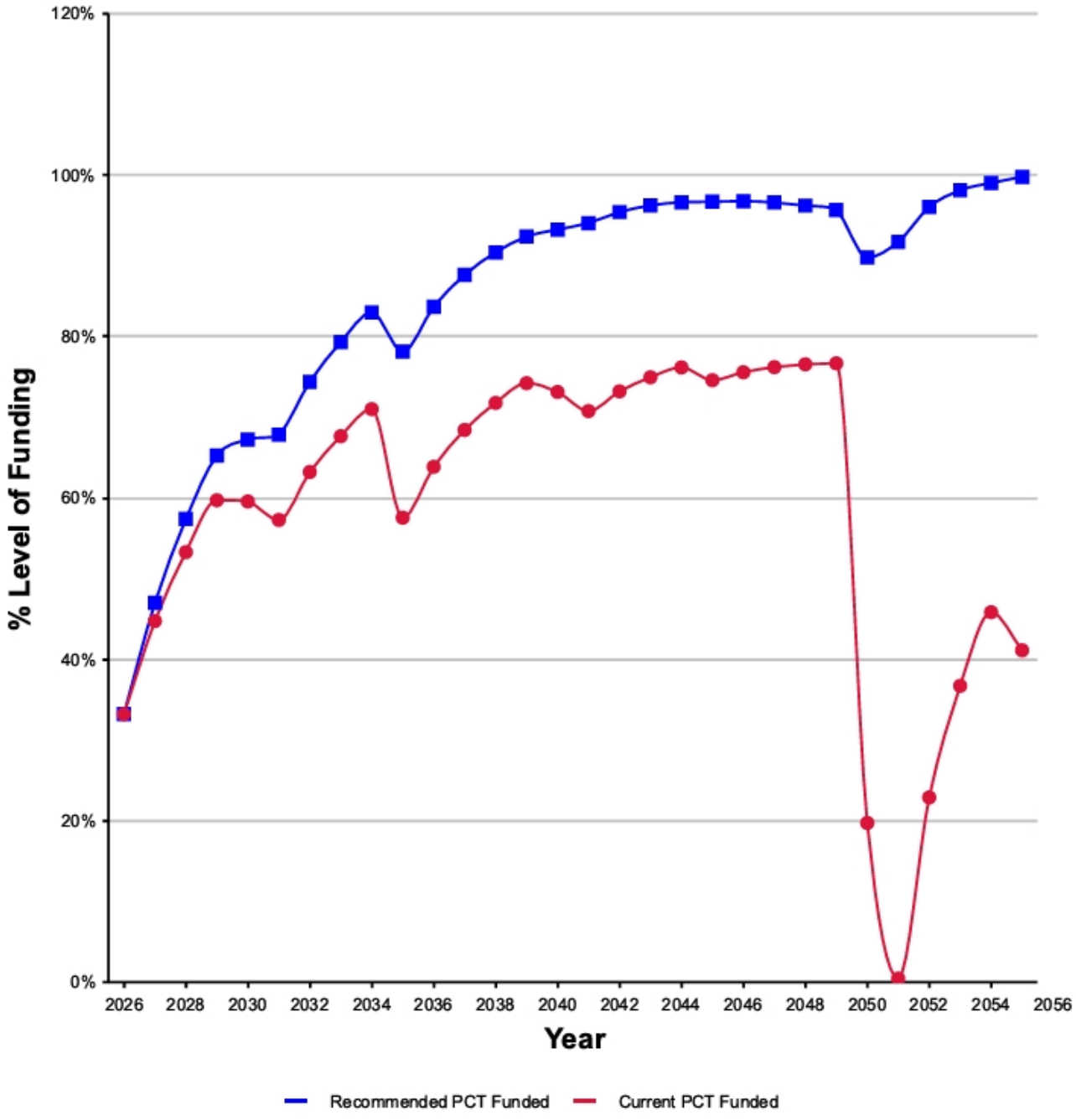
Recommendations

Recommended Special Assessment (FY 2026)	$0
Recommended Monthly Reserve Contribution	$239
Per Unit	$59.75
Future Annual Increases	4.00%
For number of years:	1
Increases thereafter:	3.00%

Changes From Prior Year

Recommended Increase to Reserve Contribution	$29
as Percentage	14%

Percent Funded - Graph



Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
Common Area								
401	Asphalt - Major Rehab. (Newer)	30	23	Approx 2,900 Sq.ft.	$21,025	$4,906	$0	$90.87
401	Asphalt - Major Rehab. (Older)	30	8	Approx 920 Sq.ft.	$6,675	$4,895	$1,050	$28.85
402	Asphalt - Preventive Maintenance	5	3	Approx 3,820 Sq.ft.	$2,775	$1,110	$1,110	$71.96
403	Concrete - Repair/Replace	10	4	Allowance	$3,650	$2,190	$2,190	$47.32
				Subtotals:	**$34,125**	**$13,101**	**$4,350**	**$239**
				Grand Total:	**$34,125**	**$13,101**	**$4,350**	**$239**

Current Fund Balance as a percentage of Ideal Balance: 33%

Yearly Summary

Year	Beginning Fully Funded Balance	Beginning Reserve Balance	Beginning % Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Ending Fully Funded Balance
2026	$13,101	$4,350	33%	$2,868	$87	$0	$7,305	$15,542
2027	$15,542	$7,305	47%	$2,983	$133	$0	$10,421	$18,157
2028	$18,157	$10,421	57%	$3,072	$181	$0	$13,674	$20,957
2029	$20,957	$13,674	65%	$3,164	$207	$3,121	$13,923	$20,706
2030	$20,706	$13,923	67%	$3,259	$203	$4,270	$13,115	$19,336
2031	$19,336	$13,115	68%	$3,357	$223	$0	$16,696	$22,441
2032	$22,441	$16,696	74%	$3,458	$278	$0	$20,432	$25,765
2033	$25,765	$20,432	79%	$3,562	$335	$0	$24,329	$29,318
2034	$29,318	$24,329	83%	$3,668	$297	$12,933	$15,362	$19,664
2035	$19,664	$15,362	78%	$3,778	$261	$0	$19,401	$23,179
2036	$23,179	$19,401	84%	$3,892	$322	$0	$23,615	$26,944
2037	$26,944	$23,615	88%	$4,009	$387	$0	$28,011	$30,973
2038	$30,973	$28,011	90%	$4,129	$454	$0	$32,594	$35,282
2039	$35,282	$32,594	92%	$4,253	$490	$4,621	$32,715	$35,079
2040	$35,079	$32,715	93%	$4,380	$479	$6,321	$31,254	$33,229
2041	$33,229	$31,254	94%	$4,512	$506	$0	$36,272	$38,011
2042	$38,011	$36,272	95%	$4,647	$583	$0	$41,502	$43,122
2043	$43,122	$41,502	96%	$4,786	$663	$0	$46,951	$48,581
2044	$48,581	$46,951	97%	$4,930	$704	$5,622	$46,963	$48,561
2045	$48,561	$46,963	97%	$5,078	$748	$0	$52,789	$54,543
2046	$54,543	$52,789	97%	$5,230	$837	$0	$58,856	$60,925
2047	$60,925	$58,856	97%	$5,387	$930	$0	$65,173	$67,730
2048	$67,730	$65,173	96%	$5,549	$1,026	$0	$71,748	$74,983
2049	$74,983	$71,748	96%	$5,715	$684	$58,660	$19,487	$21,701
2050	$21,701	$19,487	90%	$5,887	$268	$9,356	$16,285	$17,752
2051	$17,752	$16,285	92%	$6,063	$292	$0	$22,640	$23,573
2052	$23,573	$22,640	96%	$6,245	$389	$0	$29,275	$29,831
2053	$29,831	$29,275	98%	$6,433	$491	$0	$36,198	$36,552
2054	$36,552	$36,198	99%	$6,625	$534	$8,321	$35,036	$35,108
2055	$35,108	$35,036	100%	$6,824	$581	$0	$42,441	END

OAK HILLS HOMEOWNERS ASSOCIATION – Sandbur Private Drive

Assessment & Reserve Funding Disclosure Summary
Based on Fiscal Year Ending December 31, 2026
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, 2026:	$ 75.00 Per Month
The Operating Assessment Per Unit Per Month is:	$ 64.94 Per Month
The Reserve Assessment Per Unit Per Month is:	$ 10.06 Per Month

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
January 1,2026	$60.00	Sandbur Private Drive Reserve Fund

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 year?
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 assessments 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

6. Listed below are the components on which maintenance has been deferred:

Major Components	Useful remaining life in years:	Reason that maintenance was deferred:
None		

Oak Hills Homeowners Association

Level 3 Reserve Study

Report Period - 1/1/2026 to 12/31/2026

Client Reference Number	**16484**
Property Type	**Single Family Homes**
Number of Units	**269**
Fiscal Year End	**12/31**
Type of Study	**Update without Site Visit**
Date of Site Visit	**N/A**
Prepared By	**Dylan Magnuson**
Analysis Method	**Cash Flow**
Funding Goal	**Full Funding**

Report prepared on - Jul 22, 2025

Applied Reserve Analysis
TEL: (800) 500-8505 | Fax: (800) 500-7305
www.AppliedReserveAnalysis.com

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Glossary of Commonly used Words and Phrases

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Executive Summary - Oak Hills Homeowners Association - ID # 16484

Information to complete this Update without Site Visit Study was gathered through research with the client as well as from the previous report. In addition, we may also have obtained information by contacting any vendors and/or contractors that have worked on the property recently. To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of 1/1/2026	**$284,868**
Ideal Reserve Balance as of 1/1/2026	**$300,802**
Percent Funded as of 1/1/2026	**95%**
Recommended Reserve Contribution (per month)	**$4,300**
Recommended Special Assessment (FY 2026)	**$0**

Property Details

Oak Hills Homeowners Association is a 269-unit community consisting of single family homes, located Salinas, CA. The association's reserve responsibilities include the maintenance of the asphalt streets, concrete surfaces, pool, tennis courts, and common area components. Construction on the common elements was completed in approximately 1997.

Currently Programmed Projected

Projects programmed to occur this fiscal year (FY 2025) include: Gate / Fencing - Repair / Replace (Comp #1004). We have programmed an estimated $2,250.00 in reserve expenditures toward the completion of these projects.

Significant Reserve Projects

The association's significant reserve projects include: Landscaping / Irrigation - Renovate (Comp #1812). Tennis Court - Resurface (Comp #1201). Tennis Court - Replace / Rehab. (Comp #1202). Pool - Resurface (Comp #1101). The fiscal significance of these components is approximately 11%, 9%, 8% and 7% respectively. A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives. (See Page(s) 12 - 13)

Reserve Funding

In comparing the projected starting reserve balance of $284,868.00 versus the ideal reserve balance of $300,801.80 we find the association's reserve fund to be approximately 95% funded. This indicates a strong reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of $4,300.00 ($15.99/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

Starting Reserve Balance

The starting reserve balance was provided by the client and was not audited or verified.

Introduction

Reserve Study Purpose

The purpose of this Reserve Study is to provide the board with a budgeting tool to help ensure that there are adequate reserve funds available to perform future reserve projects. In this respect our estimates of the current and future Fully Funded balances are less significant than the recommended reserve contribution. The board should weigh carefully our recommendations when setting the Reserve Contribution. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

Preparer's Credentials

This reserve study was prepared under the responsible charge of Dylan Magnuson.
All individuals who assisted in the preparation of this study possess the appropriate experience and training and are solely affiliated with Complex Solutions Ltd. and its subsidiaries.

Mr. Magnuson entered the reserve study industry in 2021. Since then, he has contributed to and worked on reserve studies nationwide, with a primary focus on Nevada, Northern California, and Texas.

His experience spans a variety of projects, including single-family home communities, large master associations, condominium complexes, and high-rise towers.

Dylan is actively involved with several professional organizations, most notably the Community Associations Institute (CAI) and the Association of Professional Reserve Analysts (APRA). He has also completed numerous hours of training and trade education programs.

As a team member of Complex Solutions, Dylan has gained valuable expertise in utilizing proprietary software and databases to deliver highly accurate reserve studies and budgets, tailored to each client's specific needs.

Dylan is privileged to hold the Nevada Reserve Study permit designation number RSS.0289

Budget Breakdown

Every association conducts their business within a budget. There are typically two main parts to this budget, the Operating budget and the Reserve budget. The operating budget typically includes all expenses that occur on an annual basis as well as general maintenance and repairs. Typical Operating budget line items include management fees, maintenance expenses, utilities, etc. The reserves are primarily made up of capital replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis. Typically, the reserve contribution makes up 15% - 40% of the association's total budget. Therefore, reserves are considered to be a major part of the overall monthly association assessment.

Report Sections

The ***Reserve Analysis*** *Section* contains the evaluation of the association's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

The ***Component Evaluation*** *Section* contains information regarding the physical status and replacement cost of major common area components the association is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

General Information and Frequently Asked Questions

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know if you have enough funds in the reserve account if you don't have the proper information? Some associations look at the Reserve fund and think that $500,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed $750,000. So while $500,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly assessment. This report provides the essential information that is needed to guide the Board of Directors in establishing the reserve portion of the total monthly assessment. The reserve fund is critical to the future of the association because it helps ensure that significant reserve projects can be completed on time with quality contractors. In this way deferred maintenance can be avoided as well as the lower property values that typically accompanies it. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property.

After we have a Reserve Study completed, what do we do with it?

Hopefully, you will not look at this report and think it is too cumbersome to comprehend. Our intention is to make this Reserve Study easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (component information) are complete and accurate. If there are any components that the association feels should be added, removed, or altered as well as any other inaccuracies or changes that should be made, please inform us immediately so we may revise the report. In order to ensure the Board understands its role in the completion of this report, all reports are labeled as "DRAFT" until their input has been given and the report has been approved as finalized. **Note to user:** If this report has a "DRAFT" watermark it is not a finalized report and is not to be relied upon or used for budgeting purposes.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The reserve allocation makes up a large portion of the total monthly assessment and this report should help you determine the correct amount of money to go into the reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending projects. This will give you an opportunity to shop around for the best price available.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be professionally reviewed (Level III "no site visit" update study) each year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the results of the Reserve Study. Because of this projected future Fully Funded balances cannot be relied upon (in other words the Fully Funded balance for the current year of a report prepared 3 years earlier cannot be considered accurate or reliable). Therefore, this analysis should be professionally reviewed annually, and a "site visit" reserve study should be conducted at least once every three years

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the association to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "Operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the GREY areas of "maintenance" items that are often seen in a Reserve Study?

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital" item, it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers, including Applied Reserve Analysis, that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What are the GREY areas of major expenses that are not included in a Reserve Study?

Some components may appear to satisfy the requirements of being a reserve component but are still not included in the reserve study. Several Reserve Study providers, including Applied Reserve Analysis, limit the component list to physical components of the common area that are owned by the association. Certain elements of an association's common area, such as leased items, or non-physical components such as future reserve studies, financial audits, inspection reports etc. are not included in our reserve studies. In addition we typically do not fund for utility systems, plumbing, or components with an extended useful life. Associations that feel any of these components should be included in our reserve study should notify us with their request. These components will be added to help the association better plan and prepare their own budget and will not necessarily reflect the professional opinions of Applied Reserve Analysis.

Information and Data Gathered

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at the time of the site visit. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have also been excluded from this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Applied Reserve Analysis and should not be construed as a guarantee or assurance of predicting future events.

What happens during the Site Visit? (Site Visit Studies Only)

The Site Visit was conducted of the common areas as reported by client. There may be certain areas that are not located inside the community but still a part of the association's common area. This may include drainage easements or landscaped areas located outside of the community, such as across a street. It is the responsibility of the Association to inform us of all common area locations. From our site visit we identified those common area components that we have determined require reserve funding. Based on information provided by the client, client's vendors, and our assessment of the components we have developed a component list and life and cost estimates.

What is the Financial Analysis?

We project the starting balance by taking the most recent reserve fund balance as stated by the client and add expected reserve contributions to the end of the fiscal year. We then subtract the expenses of any pending projects. We compare this number to the Fully Funded Balance and arrive at the Percent Funded level. Based on that level of funding we then recommend a Funding Plan to help ensure the adequacy of funding in the future

Percent Funded Breakdown: The percentage of the current reserve fund balance versus the Fully Funded Balance. A "snap-shot" indicator of the general strength of the account at the time of report preparation. Because many variables affect the Fully Funded balance it is more important to maintain the recommended reserve contribution or "cash flow" moving forward rather than striving to attain a certain Fully Funded figure.

Measures of strength are as follows:

0% - 30% Funded is generally considered to be a "weak" financial position. Associations that fall into this category are subject to higher frequencies of special assessments and deferred maintenance, which could lead to lower property values. Furthermore, should components fail sooner than expected our recommendations may not be enough to get the community into a better financial position. In this case additional actions beyond our initial recommendations may be necessary to improve the financial strength of the reserve fund.

31% - 69% Funded is generally considered a "fair" financial position. The majority of associations fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is generally considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded is considered an "ideal" financial position. This means that the association theoretically has the exact amount of funds in the reserve account.

100%+ Funded is considered over-funded. This means that the association has more reserve funds than the theoretically ideal amount.

Disclosures:

Information provided to the preparer of a reserve study by an official representative of the association regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. A site visit conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

The results of this study are based on the independent opinion of the preparer and his experience and research during the course of his career in preparing Reserve Studies. In addition any opinions of experts on certain components have been gathered through research within their industry and with client's actual vendors. There is no implied warrantee or guarantee regarding our life and cost estimates/predictions. There is no implied warrantee or guarantee in any of our work product. Our results and findings will vary from another preparer's results and findings. A Reserve Study is necessarily a work in progress and subsequent Reserve Studies will vary from prior studies.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the site visit. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the site visit. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property. The physical analysis performed during this site visit is not intended to be exhaustive in nature and may include representative sampling.

The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves of the association.

This Reserve Study assumes that all construction assemblies and components identified herein are built properly and are free from defects in materials and/or workmanship. Defects can lead to reduced useful life and premature failure. It was not the intent of this Reserve Study to inspect for or to identify defects. If defects exist, repairs should be made so that the construction components and assemblies at the community reach their full and expected useful lives.

We have assumed any and all components have been properly built and will reach normal, typical life expectancies. In general a reserve study is not intended to identify or fund for construction defects. We did not and will not look for or identify construction defects during our site visit.

Site Visits: Should a site visit have been performed during the preparation of this reserve study no invasive testing was performed. The physical analysis performed during the site visit was not intended to be exhaustive in nature and may have included representative sampling.

Update Reserve Studies: Level II Studies: Quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies. **Level III Studies:** In addition to the above we have not visited the property when completing a Level III "No Site Visit" study. Therefore we have not verified the current condition of the common area components.

Insurance: We carry general and professional liability insurance as well as workers' compensation insurance.

Actual or Perceived Conflicts of Interest: Unless otherwise stated there are no potential actual or perceived conflicts of interest that we are aware of.

Inflation and Interest Rates: The after tax interest rate used in the financial analysis may or may not be based on the clients reported after tax interest rate. If it is we have not verified or audited the reported rate. The interest rate may also be based on an amount we believe appropriate given the 30-year horizon of this study and may or may not reflect current or historical inflation rates.

California Clients: CA Civil Code §5551 requires California condominium associations with 3 or more units to inspect all exterior elevated elements "that extend beyond the exterior walls of the building to deliver structural loads to the building from decks, balconies, stairways, walkways, and their railings, that have a walking surface elevated more than six feet above ground level, that are designed for human occupancy or use, and that are supported in whole or in substantial part by wood or wood-based products." We have not determined if any exterior elevated element is required to be inspected pursuant to CA Civil Code §5551. Any funding for such inspections within this report is not a determination that your association is required to perform such inspection on any of the exterior elements. Further lack of funding for these inspection is not a determination that your association is not required to perform such inspections. We recommend contacting your association's legal counsel for such a determination. Further we do not warrant that any such inspections have occurred and are not responsible for the findings of any such inspection. Should any such inspection recommend remediation or repairs we recommend those repairs be performed immediately as required whether or not they are funded for in this report. We will not/have not performed any inspections that would comply with CA Civil Code §5551 on your exterior elevated elements. This reserve study is a budgeting tool and nothing within this study should be construed as a requirement to perform any specific maintenance at any time or cost.

Funding Summary

Beginning Assumptions

# of units	269
Fiscal Year End	12/31
Budgeted Monthly Reserve Contribution	$0
Projected Starting Reserve Balance	$284,868
Ideal Starting Reserve Balance	$300,802

Economic Assumptions

Current Inflation Rate	4.00%
Reported After-Tax Interest Rate	1.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	95%

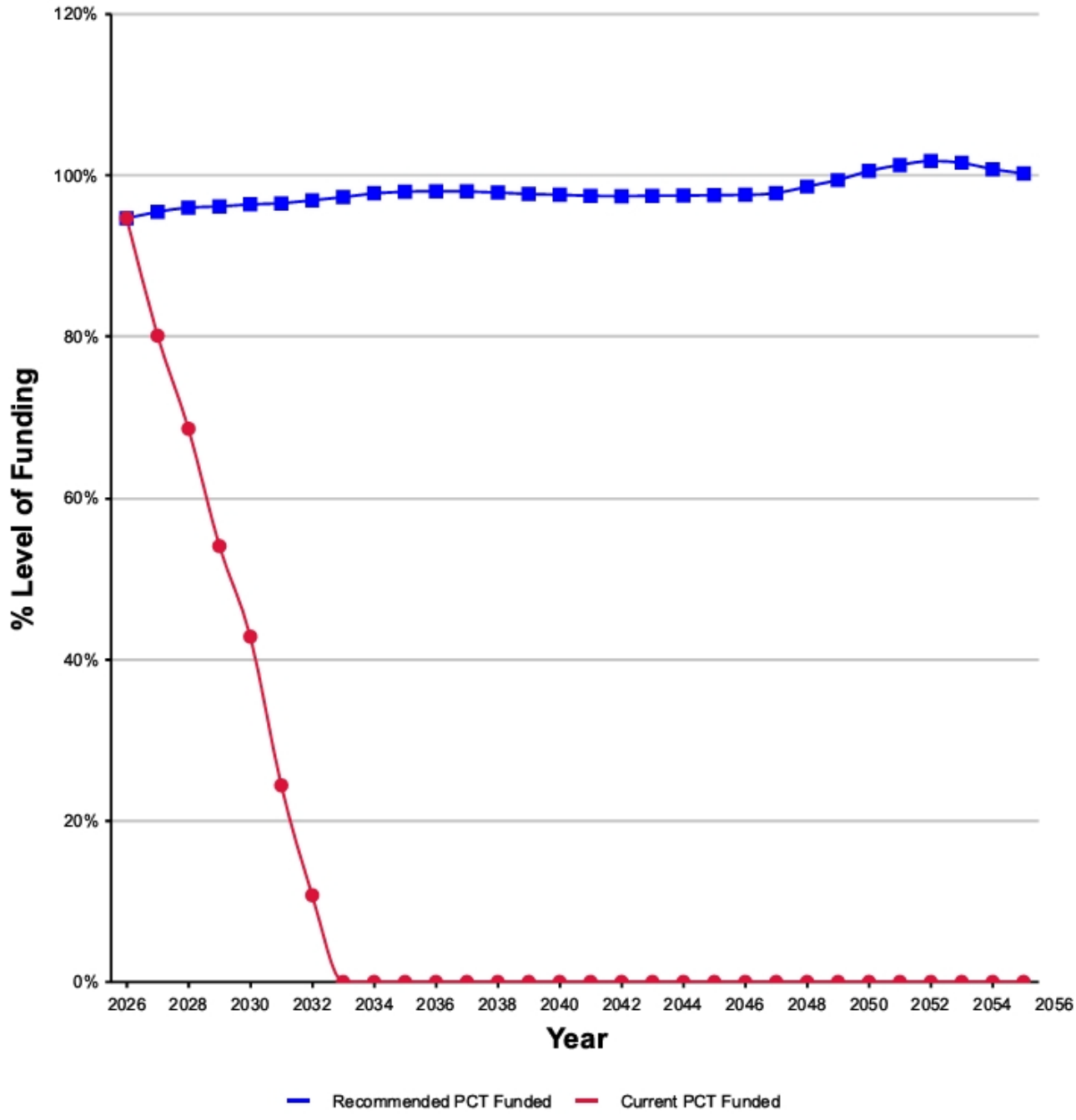
Recommendations

Recommended Special Assessment (FY 2026)	$0
Recommended Monthly Reserve Contribution	$4,300
Per Unit	$15.99
Future Annual Increases	4.00%
For number of years:	23
Increases thereafter:	2.00%

Changes From Prior Year

Recommended Increase to Reserve Contribution	$4,300
as Percentage	0%

Percent Funded - Graph



Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
Common Area								
401	Asphalt - Major Rehab.	30	23	Approx 8,795 Sq.ft.	$53,875	$12,571	$0	$181.88
402	Asphalt - Preventive Maintenance	5	3	Approx 8,795 Sq.ft.	$3,950	$1,580	$1,580	$80.01
403	Concrete - Repair/Replace	10	6	Allowance	$15,500	$6,200	$6,200	$156.98
504	Crash / Swing Gate - Replace	30	12	(1) Swing Gate	$5,750	$3,450	$3,450	$19.41
801	Monuments - Refurbish (2022)	20	16	(1) Monuments	$3,125	$625	$625	$15.82
805	Directory Sign - Replace	20	1	(1) Sign	$2,050	$1,948	$1,948	$10.38
1004	Gate / Fencing - Repair / Replace (2025)	10	9	Allowance	$2,340	$234	$234	$23.70
1306	Park Furniture - Replace	12	6	See General Notes	$13,000	$6,500	$6,500	$109.72
1812	Landscaping / Irrigation - Renovate	10	4	Allowance	$26,000	$15,600	$15,600	$263.32
				Subtotals:	**$125,590**	**$48,707**	**$36,137**	**$861**
Pool Area								
105	Pitched Roof - Comp Shingle - Replace	25	3	Approx 1,955 Sq.ft.	$11,238	$9,889	$9,889	$45.52
201	Building Exterior Surfaces - Repaint (2023)	12	9	(1) Building	$4,150	$1,038	$1,038	$35.03
207	Wrought Iron Fencing - Repaint	5	3	Approx 400 Linear ft.	$4,200	$1,680	$1,680	$85.07
506	Fob System - Replace (2024)	15	14	(1) System	$7,000	$467	$467	$47.26
603	Concrete Pool Deck - Reseal/Repair (2023)	5	2	Approx 3,050 Sq.ft.	$11,438	$6,863	$6,863	$231.67
604	Concrete Pool Deck - Resurface / Coping	20	10	Approx 3,050 Sq.ft.	$32,025	$16,013	$16,013	$162.17
703	Water Heater - Replace	12	9	(1) Water Heater	$2,500	$625	$625	$21.10
903	Camera System - Replace (2024)	10	8	(1) System	$3,000	$600	$600	$30.38
1002	Wrought Iron Fencing - Replace	25	17	Approx 400 Linear ft.	$37,000	$11,840	$11,840	$149.89
1101	Pool - Resurface	10	5	(1) Pool	$30,500	$15,250	$15,250	$308.90
1102	Spa - Resurface	6	2	(1) Spa	$7,100	$4,733	$4,733	$119.85
1104	Pool Heater - Replace	10	3	(1) Pool Heater	$5,700	$3,990	$3,990	$57.73
1105	Spa Heater - Replace	8	3	(1) Spa Heater	$5,200	$3,250	$3,250	$65.83
1107	Pool Filter - Replace	12	9	(2) Pool Filters	$12,100	$3,025	$3,025	$102.12
1108	Spa Filter - Replace	12	0	(1) Spa Filter	$2,850	$2,850	$2,850	$24.05
1110	Pool/Spa Pumps - Replace	8	4	(4) Pumps	$8,200	$4,100	$4,100	$103.81
1111	Pool/Spa Chlorinators - Replace	10	6	(2) Chlorinators	$7,100	$2,840	$2,840	$71.91
1121	Pool Furniture - Replace	6	0	See General Notes	$15,000	$15,000	$15,000	$253.20
1413	Restroom - Remodel	20	5	(2) Restrooms	$14,200	$10,650	$10,650	$71.91
2301	Storage Shed - Replace	30	14	(2) Sheds	$10,200	$5,440	$5,440	$34.43
				Subtotals:	**$230,700**	**$120,142**	**$120,142**	**$2,022**

Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
Rec. Area								
1003	Chain Link Fencing - Replace	30	15	Approx 795 Linear ft.	$37,763	$18,881	$18,881	$127.48
1201	Tennis Court - Resurface	8	4	(4) Courts	$32,400	$16,200	$16,200	$410.18
1202	Tennis Court - Replace / Rehab.	35	20	(4) Courts	$122,000	$52,286	$48,923	$353.03
1301	Play Structure - Replace	20	2	(1) Structure	$36,500	$32,850	$32,850	$184.83
1302	Swing Set - Replace	25	14	(1) Swing Set	$4,150	$1,826	$1,826	$16.81
1303	Sand Lot - Replenish	3	1	Approx 2,610 Sq.ft.	$5,550	$3,700	$3,700	$187.36
1306	Park Furniture - Replace	12	6	See General Notes	$10,500	$5,250	$5,250	$88.62
1307	Benches - Replace	15	13	(4) Benches	$7,200	$960	$960	$48.61
				Subtotals:	**$256,063**	**$131,953**	**$128,590**	**$1,417**
				Grand Total:	**$612,353**	**$300,802**	**$284,868**	**$4,300**

Current Fund Balance as a percentage of Ideal Balance: 95%