Reserve Study Executive Summary

Association Name: **Sunnyside Estates Homeowners Association**
Location: **47-800 Madison St., Indio, CA**
No. of Units: **231** Built: **1984** Fiscal Year Ending: **December 31, 2017**
Level of Study: **Level III: Update with no On-Site Inspection**
Last Reserve Study with On-Site inspection: **December 31, 2015**

CURRENT FISCAL YEAR END SUMMARY OF RESERVE COMPONENTS

(See Reserve Analysis Worksheet, pg. 5, for breakdown of all components individual lives, current costs, and projected future replacement costs)

Reserve Component Groups	Estimated Useful Life	Estimated Remaining Life	Estimated Replacement Cost	Annual Funding Requirement	Accumulated Funding Requirement	Allocation of Fund Balance	Percent of Fund Balance
ROOFING, Common	15 - 35	5 - 24	$ 26,055	$ 838	$ 9,054	$ 6,115	2.2%
PAINTING/REPAIRS	5 - 10	1 - 1	22,186	2,914	19,272	13,016	4.6%
FENCE/SECURITY	5 - 40	1 - 17	102,586	5,989	59,593	40,248	14.2%
PAVED SURFACES	4 - 40	1 - 23	517,821	28,791	148,343	100,188	35.3%
POOL & SPA	4 - 25	1 - 15	118,179	10,638	62,933	42,504	15.0%
INTERIOR CONTENTS	5 - 40	1 - 18	41,397	2,926	21,628	14,607	5.1%
MECHANICAL/PLUMBING	10 - 40	4 - 13	49,448	2,689	27,095	18,299	6.4%
BALL COURTS	7 - 7	7 - 7	10,555	1,508	-	-	0.0%
LANDSCAPING/IRRIGATION	3 - 20	3 - 13	39,865	3,601	13,424	9,066	3.2%
LIGHTING/ELECTRICAL	20 - 30	1 - 18	42,801	1,475	32,646	22,048	7.8%
MISCELLANEOUS	10 - 25	8 - 25	42,362	2,191	6,479	4,376	1.5%
CONTINGENCY (5%)			50,663	3,178	20,023	13,523	4.8%
TOTALS			$ 1,063,918	$ 66,738	$ 420,488	$ 283,990	

CURRENT FISCAL YEAR RESERVE FUNDS

Current Budgeted Annual Reserve Allocation			$	94,284
Reserve Fund Balance as of: October 31, 2017			$	268,276
Anticipated Funding to Year End				15,714
Anticipated Expenditures to Year End				-
Cash Projected at Year End December 31, 2017			$	283,990
Accumulated Funding Requirement (Fully Funded)			$	420,488
Percentage Funded at the end of this Fiscal Year				67.5%
Accumulated Deficiency for Current Fiscal Year	$ 136,499	Per Unit	$	591
Deferred repair/replacement of any major component with a remaining life of 30 years or less?				NO

RESERVE FUNDING OPTIONS FOR THE FISCAL YEAR ENDING: 2018

funding options assume a 3% increase, unless otherwise noted	per unit per month	per year
Annual Requirement Funding:	$ 25	$ 68,740
Current Budgeted Funding:	35	97,113
Recommended Funding:	25	68,740
Special Assessment/s Recommended?		NO

For funding option details please see Reserve Study Summary page 2

We present this summary of the repair and replacement funding program of the Association as of December 31, 2017, and the related reserve funding projection for the 30-year period from 2018 to 2047, based on information provided by management and based upon the consultant's estimates of the most probable reserve component replacement costs, conditions, and lives. The annual requirement is based on the cost of each component divided by its total useful life. The accumulated requirement is the annual requirement multiplied by the number of years each component has been in service. The difference between accumulated requirement total and the actual cash balance may indicate a deficit which would be expressed in the percentage funded.

The above information is a condensed summary of the reserve study, in compliance with CA Civil Codes 5300, 5550, and 5600, and is intended to be included in the annual budget package to be provided to owners not less than 30 nor more than 90 days prior to the Association fiscal year end. CACC 5550 requires an on-site inspection every 3 years, and the study to be reviewed annually. Assumptions have been made about costs, conditions, and future events that may occur. Some of these assumptions may not materialize; and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and lives may vary from this report and the variations may be material.

The compilation of this reserve funding analysis and projection is based on representations of management and the consultant's estimates. We have not audited or reviewed the accompanying analysis and projections and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events occurring after the date of issuance of this report.

Janaury 29, 2018

Sonnenberg & Company, CPAs

Inflation and Interest Earned on Reserves:

As an industry standard, provision has been made in the funding projections for inflation, computed at three percent (3%), and an assumed 1% net interest on the reserve balance has been added to the reserve funds. As costs increase in the future, the annual reserve reports should be revised accordingly.

Reserve Calculations:

Based on estimated current replacement costs of $1,063,918 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be $66,738.
The accumulated funding requirement is calculated to be $420,488.
As of December 31, 2017, the Association may have $283,990 in accounts designated as reserve funds.
Therefore, a deficit of $136,499 has been calculated, with a funding percentage of 67.5%. A portion of the annual reserve requirement may be provided for in the operating budget.

Industry Standard Measure of Funding Strength:

0% - 30% = WEAK At this level of funding, Special Assessments and deferred maintenance are likely.
31% - 70% = FAIR At this level of funding Special Assessment and deferred maintenance are less likely, but could still pose a concern. Efforts should be taken to increase to a healthier level of funding.
>70% = STRONG At this level of funding the Association should be well covered, with hopefully no need for deferred maintenance or Special Assessments.

Funding Calculations:

There are a variety of methods by which the Association can approach the desired level of funding. The Board is responsible for determining the optimum funding program. We have calculated three options:

Option 1: Annual Requirement Funding: This option assumes that the Association will maintain the annual funding requirement as calculated on page 5, without regard to any funding deficiency.

Currently the annual requirement allocation is $68,740 or $25 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

Reserves could be at the Fair level of funding in FY 2018, and could reach the Strong level of funding beginning FY 2021.

No deficits in the 30 year projection.

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

Currently, with the 3% increase, $97,113 or $35 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently at the Fair level of funding, and could reach the Strong level of funding beginning FY 2019.

Overfunding of the reserves could occur beginning FY 2022.

Option 3: Recommended Funding: This option is intended to calculate the amount of funding that would be the most sufficient for the Association over the next 30 years. The Current Budgeted Funding, and the Annual Requirement Funding are both taken into consideration while creating a Recommended Funding that is hopefully achievable by the Association.

Recommended funding is, $68,740 or $25 per unit per month.

To avoid any future overfunding of the reserves, the Regular Reserve Allocation could be decreased in FY 2018 to equal the Annual Requirement Funding.

No annual increases should be needed in FY's 2023 through 2026.

Reserves could maintain the current Fair level of funding, and could reach the Strong level of funding beginning FY 2021.

Sunnyside Estates Homeowners Association

Assessment and Reserve Funding Disclosure Summary

December 31, 2017

(1) Regular Assessments -

Assessments to members are averaged at $185 per unit per month for the year ending December 31, 2017.

* If assessments vary by the size or type of unit, the applicable assessment rates may be found in the Association's accompanying Annual Budget and /or can be provided by the Association/management agent.

(2) Special Assessments - Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, which have been approved by the Board and/or members:

Date assessment is due:	Amount/ unit/month	Purpose of this assessment is to fund or supplement the replacement costs of:
N/A		

(3) Reserve Account Balances -

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) Additional Assessments -

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 of directors or the members?

(Not applicable, proceed to #5)

(5) Major Components -

All major components are included in the reserve study and are included in its calculations.

(6) Current Funding Comparison -

As of the current reserve study or update, the balance in the reserve fund is projected to be $283,990.

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570, the estimated accumulated funding requirement is $420,488. The percentage funded is: 67.5%

(7) Funding over next 5 Budget Years -

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of each of the next five budget years is projected to be:

$310,971	$375,942	$399,546	$415,601	$449,382

The projected reserve fund cash balance at the end of each of those years is projected to be, taking into account only assessments already approved and other known revenues, as follows:

	$207,687	$306,021	$364,970	$418,048	$490,564
% Funded	66.8%	81.4%	91.3%	100.6%	109.2%

If the recommended reserve funding plan is approved by the Association and implemented, the projected reserve fund cash balance at the end of each of those years would be:

	$179,314	$248,141	$276,410	$297,599	$336,977
% Funded	57.7%	66.0%	69.2%	71.6%	75.0%

The law does not require the Association to fund reserves in accordance with these calculations.

The financial representations set forth in this summary are based on best estimates of the consultant at the time. These estimates regarding costs, lives and conditions are subject to change.

An assumed long-term inflation rate to be applied to major component repair and replacement costs was 3% per year.

An assumed long-term net interest rate earned on reserve funds is 1% per year.

Per CACC 5550, the Association is required to adopt a 5 year funding plan.

Janaury 29, 2018