

Riviera West Homeowners Association

California Disclosure Notes

The following notes are required by Sections 5300 and 5570 of the California Civil Code to be included in the annual budget distributed to all homeowners.

Assessment and Reserve Funding Disclosure Summary

For Fiscal Year Ending: 6/30/2021

The Association's Reserve Contribution for 2020 - 2021 is: \$50,000

This is an average per unit per month of: \$8.54

- 1) The current regular assessment per ownership interest is: \_\_\_\_\_ per Month. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached summary.
2) Additional regular or special 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:

Table with 3 columns: Year Due, Total Amount Per Ownership Interest, Purpose. All cells contain 'None'.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_\_ of the attached report.

- 3) Based on 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?

Answer: Yes

The answer to this question is dependent upon predictions of future events that are estimates that cannot be forecast with precision. These predictions include assumptions concerning component lives, replacement costs, inflation, and interest over the next 30 years that by their very nature cannot be accurately determined over that time period. In addition, it assumes that future Boards will both adequately maintain the property and make future increases in assessments as predicted in the Reserve Study upon which these disclosures are made.

- 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?

Table with 3 columns: Year Due, Total Amount Per Unit, Purpose. All cells contain 'None'.

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- 5) All major components are included in the Reserve Study and are included in its calculations.
- 6) For our Fiscal Year starting 7/1/20 our Reserve Study shows a current fund balance of \$285,000 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 the current fiscal year is \$222,439.28, based in whole or in part on the last reserve study or update prepared by The Helsing Group Inc., as of 2020-02-21. This results in a percentage funding of 128.12%.

An alternate, but generally accepted, method of calculation was also used. The alternate calculation gives credit to the interest earning power of the portfolio, as well as inflation. As depicted in the formula below, the results from this calculation reveal a required amount of \$254,334.35 and a Percent Funded Calculation of 112.06%. This formula is recognized by both The Association of Professional Reserve Analysts and Community Associations Institute.

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at the time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before tax interest rate earned on reserve funds was 1.00 percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3.30 percent per year.

## California Disclosure Notes

## 7) Reserve Fund Projections (Summary) over the next 30 Years

Fiscal Year	Ending Reserve Balance	Fully Funded Balance	Projected Percent Funded	Annual Reserve Contribution	Special Assessments	Interest Income	Reserve Expenses
2020 - 2021	\$271,541	\$208,374	130.3%	\$50,000.00	\$0.00	\$1,761	\$-65,220
2021 - 2022	\$323,205	\$258,005	125.3%	\$54,050.00	\$0.00	\$1,882	\$-4,268
2022 - 2023	\$375,018	\$306,294	122.4%	\$58,428.05	\$0.00	\$2,209	\$-8,824
2023 - 2024	\$429,637	\$358,321	119.9%	\$60,356.18	\$0.00	\$2,546	\$-8,284
2024 - 2025	\$476,875	\$404,028	118.0%	\$62,347.93	\$0.00	\$2,869	\$-17,978
2025 - 2026	\$497,455	\$424,023	117.3%	\$64,405.41	\$0.00	\$3,083	\$-46,909
2026 - 2027	\$567,355	\$493,354	115.0%	\$66,530.79	\$0.00	\$3,370	\$0
2027 - 2028	\$523,908	\$451,174	116.1%	\$68,726.31	\$0.00	\$3,453	\$-115,627
2028 - 2029	\$545,878	\$472,704	115.5%	\$70,994.27	\$0.00	\$3,385	\$-52,410
2029 - 2030	\$490,640	\$417,449	117.5%	\$73,337.08	\$0.00	\$3,280	\$-131,855
2030 - 2031	\$504,387	\$429,080	117.6%	\$75,757.21	\$0.00	\$3,149	\$-65,159
2031 - 2032	\$563,695	\$486,003	116.0%	\$78,257.20	\$0.00	\$3,380	\$-22,329
2032 - 2033	\$634,937	\$555,892	114.2%	\$80,839.68	\$0.00	\$3,793	\$-13,391
2033 - 2034	\$606,005	\$527,330	114.9%	\$83,507.39	\$0.00	\$3,927	\$-116,367
2034 - 2035	\$658,840	\$579,052	113.8%	\$86,263.14	\$0.00	\$4,003	\$-37,431
2035 - 2036	\$573,623	\$494,055	116.1%	\$89,109.82	\$0.00	\$3,900	\$-178,226
2036 - 2037	\$577,639	\$495,246	116.6%	\$92,050.45	\$0.00	\$3,643	\$-91,678
2037 - 2038	\$631,337	\$545,466	115.7%	\$95,088.11	\$0.00	\$3,826	\$-45,216
2038 - 2039	\$575,311	\$487,099	118.1%	\$98,226.02	\$0.00	\$3,818	\$-158,070
2039 - 2040	\$634,873	\$541,837	117.2%	\$101,467.48	\$0.00	\$3,830	\$-45,735
2040 - 2041	\$614,670	\$517,928	118.7%	\$104,815.90	\$0.00	\$3,954	\$-128,973
2041 - 2042	\$575,550	\$473,920	121.4%	\$108,274.83	\$0.00	\$3,766	\$-151,161
2042 - 2043	\$672,134	\$563,380	119.3%	\$111,847.90	\$0.00	\$3,948	\$-19,213
2043 - 2044	\$745,884	\$631,798	118.1%	\$115,538.88	\$0.00	\$4,487	\$-46,276
2044 - 2045	\$865,211	\$746,799	115.9%	\$119,351.66	\$0.00	\$5,098	\$-5,123
2045 - 2046	\$895,583	\$775,504	115.5%	\$123,290.27	\$0.00	\$5,572	\$-98,490
2046 - 2047	\$1,025,417	\$903,426	113.5%	\$127,358.84	\$0.00	\$6,079	\$-3,604
2047 - 2048	\$943,231	\$822,693	114.7%	\$131,561.69	\$0.00	\$6,230	\$-219,977
2048 - 2049	\$960,654	\$838,378	114.6%	\$135,903.22	\$0.00	\$6,025	\$-124,505
2049 - 2050	\$1,101,476	\$976,725	112.8%	\$140,388.03	\$0.00	\$6,526	\$-6,092

California Disclosure Notes

The Board of Directors does not anticipate the levy of any special assessments to defray the future repair, replacement or restoration of any major component or to provide adequate reserves therefor.

This Association’s funding plan provides adequate funds to meet expected expenditures and is based on the assumption that the Association will fund the reserves in accordance with the plan we have presented, which includes changes in annual funding as depicted in the statement of cash flows and expenditures established through an independent reserve study and funding updates as appropriate. The amount of reserves necessary was determined by calculating the annualized wearing out of the components, adjusting for the expected interest earnings of the reserve portfolio as well as expected inflationary impact on the future costs of the components. The most recent reserve study with detailed backup has been provided to your Board of Directors and is on file with the Association’s official records. This study must be reviewed and adjusted as necessary annually (California Civil Code Section 5550).

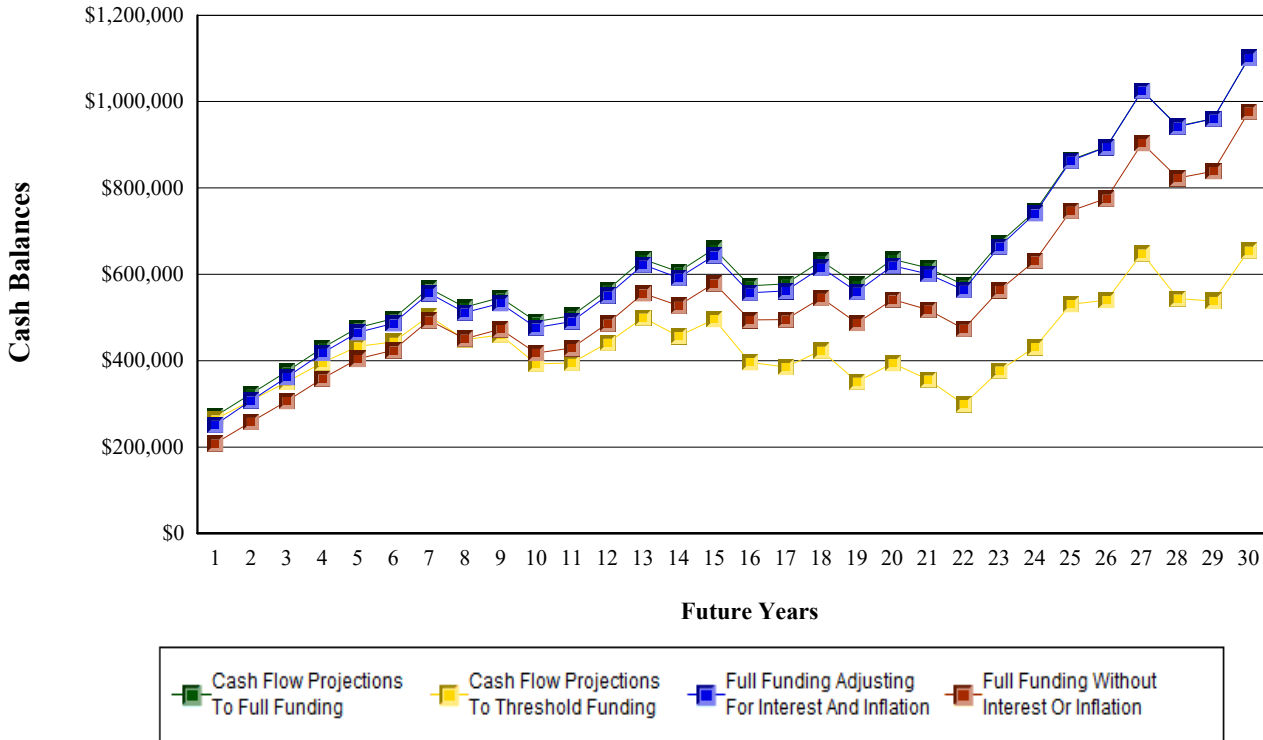
The accompanying table titled “Consolidated Component List” showing the estimated replacement costs, estimated current life, and estimated remaining life for the components is an integral part of this required disclosure.

Inflation Assumption: 3.30%      Pre-tax Interest Assumption: 1.00%      Tax Assumption: 1120H

The graph below depicts a forecast of the level of fund balances necessary over the next thirty years in order to remain 100% funded, as well as two commonly recognized funding alternatives. One method results in funding to this full funding level. The other method funds to some threshold set by the association which may be higher or lower than full funding depending on the needs and desires of the association.

The association has chosen to fund to full funding as depicted on the following table.

Cash Flow Projections Compared to Fully Funded Models



**California Disclosure Notes**

The percent funded figure disclosed on the previous page is required by the California Civil Code. However, such disclosures are problematic as they do not show the impact on current or future homeowners. It is possible for associations with very low funding percentages to recover to adequate funding levels in some cases with very little impact on homeowners. In other cases, the impact may be significant. Conversely, it is possible to have relatively high "percent funded" figures and still require significant increases in assessments, and in some cases special assessments, in order to recover any shortfall before expected expenditures are due. In order to help measure the impact of any underfunding status in the reserve fund the following table is provided:

**Impact of Fund Status on Current and Future Owners**

Measured in average impact per unit per month (PUPM)

<u>End of Fiscal Year</u>	<u>Notional Ideal Assessment</u>	<u>Assessment Needed to Achieve/Maintain Full Funding</u>	<u>Special Assessments</u>	<u>Impact of any Underfunding</u>	<u>Projected Percent Funded</u>
2020 - 2021	\$9.68	\$8.54	\$0.00	Fully Funded	107.98%
2021 - 2022	\$10.32	\$9.23	\$0.00	Fully Funded	104.98%
2022 - 2023	\$10.66	\$9.98	\$0.00	Fully Funded	103.72%
2023 - 2024	\$11.01	\$10.31	\$0.00	Fully Funded	102.88%
2024 - 2025	\$11.38	\$10.65	\$0.00	Fully Funded	102.42%
2025 - 2026	\$11.75	\$11.00	\$0.00	Fully Funded	102.29%
2026 - 2027	\$12.14	\$11.36	\$0.00	Fully Funded	102.03%
2027 - 2028	\$12.54	\$11.74	\$0.00	Fully Funded	102.43%
2028 - 2029	\$12.95	\$12.12	\$0.00	Fully Funded	102.47%
2029 - 2030	\$13.38	\$12.52	\$0.00	Fully Funded	102.91%
2030 - 2031	\$13.82	\$12.94	\$0.00	Fully Funded	102.72%
2031 - 2032	\$14.28	\$13.36	\$0.00	Fully Funded	102.31%
2032 - 2033	\$14.75	\$13.80	\$0.00	Fully Funded	102.08%
2033 - 2034	\$15.24	\$14.26	\$0.00	Fully Funded	102.38%
2034 - 2035	\$15.74	\$14.73	\$0.00	Fully Funded	102.33%
2035 - 2036	\$16.26	\$15.22	\$0.00	Fully Funded	102.96%
2036 - 2037	\$16.80	\$15.72	\$0.00	Fully Funded	102.91%
2037 - 2038	\$17.35	\$16.24	\$0.00	Fully Funded	102.62%
2038 - 2039	\$17.92	\$16.77	\$0.00	Fully Funded	102.88%
2039 - 2040	\$18.51	\$17.33	\$0.00	Fully Funded	102.40%
2040 - 2041	\$19.12	\$17.90	\$0.00	Fully Funded	102.35%
2041 - 2042	\$19.76	\$18.49	\$0.00	Fully Funded	102.09%
2042 - 2043	\$20.41	\$19.10	\$0.00	Fully Funded	101.19%
2043 - 2044	\$21.08	\$19.73	\$0.00	Fully Funded	100.65%
2044 - 2045	\$21.78	\$20.38	\$0.00	Fully Funded	100.26%
2045 - 2046	\$22.50	\$21.05	\$0.00	Fully Funded	100.12%
2046 - 2047	\$23.24	\$21.75	\$0.00	Fully Funded	100.02%
2047 - 2048	\$24.00	\$22.47	\$0.00	Fully Funded	100.10%
2048 - 2049	\$24.80	\$23.21	\$0.00	Fully Funded	100.04%
2049 - 2050	\$25.61	\$23.97	\$0.00	Fully Funded	100.02%

The above table presumes full funding in thirty years and is intended to provide a measure of the impact of any under or over funding on homeowners.

The association intends to follow the above funding plan.

**California Disclosure Notes**  
**Consolidated Component List**

NOTE: This listing is required to be provided to homeowners by the California Civil Code. In order to reduce print costs, it is a consolidated list provided for informational purposes only. Any mathematical projections or calculations made in the reserve funding analysis were made from an expanded list. Readers are cautioned not to attempt to make mathematical projections of their own from this list, but rather to refer to the "Detailed component List" provided in the complete reserve study on file with the association.

<b>Reserve Component</b>	<b>Quantity</b>	<b>Average Unit Cost</b>	<b>Current Useful Lives</b>	<b>Adjusted Useful Lives</b>	<b>Remaining Useful Lives</b>	<b>Current Cost</b>	<b>Future Cost</b>
Asphalt, Repair Fund	47,157 S.F.	\$ 2.50	20 to 20	20 to 20	8 to 16	\$ 117,893	\$ 169,357
Asphalt, Sealcoat	47,157 S.F.	\$ 0.27	5 to 7	5 to 5	1 to 1	\$ 12,712	\$ 13,131
Carpet, Clubhouse	1,242 S.F.	\$ 14.00	15 to 15	15 to 15	9 to 11	\$ 17,388	\$ 23,663
Clubhouse Bathrooms	12 Each	\$ 650.00	20 to 20	20 to 20	16 to 16	\$ 7,800	\$ 13,113
Clubhouse Furnishings	5 Each	\$ 5,890.00	10 to 20	10 to 20	1 to 16	\$ 29,450	\$ 45,270
Clubhouse Furnishings, Kitchen	6 Each	\$ 933.33	20 to 21	20 to 20	1 to 18	\$ 5,600	\$ 9,133
Clubhouse Furnishings, Office	1 Lot	\$ 4,500.00	10 to 10	10 to 10	6 to 6	\$ 4,500	\$ 5,468
Concrete, Repair Fund	4 Lot	\$ 1,125.00	5 to 9	5 to 5	1 to 4	\$ 4,500	\$ 4,946
Dock, Gangway	2 Each	\$ 11,745.66	25 to 25	25 to 25	20 to 20	\$ 23,491	\$ 44,969
Entry Gate, Marina	4 Each	\$ 1,312.50	15 to 20	15 to 20	3 to 8	\$ 5,250	\$ 6,574
Fence, Chain-link	649 L.F.	\$ 35.54	30 to 38	30 to 35	1 to 19	\$ 24,460	\$ 28,175
Fence, Wrought Iron	100 L.F.	\$ 50.00	30 to 30	30 to 30	29 to 29	\$ 5,000	\$ 12,820
Generator	1 Each	\$ 10,000.00	20 to 20	20 to 20	18 to 18	\$ 10,000	\$ 17,939
Irrigation	8 Each	\$ 375.00	13 to 19	12 to 15	1 to 1	\$ 3,000	\$ 3,099
Lights	48 Each	\$ 350.52	15 to 51	15 to 45	1 to 23	\$ 16,825	\$ 27,327
Linoleum, Clubhouse	706 S.F.	\$ 11.00	20 to 20	20 to 20	16 to 16	\$ 7,766	\$ 13,056
Marina Recreation Area	7 Each	\$ 1,028.57	20 to 22	15 to 20	1 to 17	\$ 7,200	\$ 11,412
Metal Stairs	1 Lot	\$ 8,000.00	20 to 20	20 to 20	19 to 19	\$ 8,000	\$ 14,825
Paint, Wood	10 S.F.	\$ 1.84	5 to 19	5 to 5	1 to 3	\$ 18	\$ 19
Paint, Wrought Iron	800 S.F.	\$ 2.50	5 to 5	5 to 5	4 to 4	\$ 2,000	\$ 2,277
Paint/Refinish Door	26 Each	\$ 100.00	10 to 18	10 to 10	1 to 8	\$ 2,600	\$ 2,739
Pool Area Furnishings	7 Each	\$ 400.00	15 to 16	15 to 15	1 to 13	\$ 2,800	\$ 3,680
Pool Mechanical	12 Each	\$ 1,912.41	7 to 25	5 to 25	1 to 16	\$ 22,949	\$ 31,893
Pool, Replacement	7,004 S.F.	\$ 10.00	12 to 24	12 to 24	5 to 10	\$ 80,660	\$ 108,664
Recreation Park	10 Lot	\$ 3,750.00	5 to 11	5 to 10	2 to 9	\$ 21,500	\$ 27,614
Reserve Study	1 Cycle	\$ 1,500.00	3 to 3	3 to 3	3 to 3	\$ 1,500	\$ 1,653
Roof, Composition Shingle	5,099 S.F.	\$ 9.00	20 to 20	20 to 20	17 to 17	\$ 45,891	\$ 79,695
Roof, Gutters & Downspouts	381 L.F.	\$ 15.00	27 to 27	25 to 25	1 to 1	\$ 5,715	\$ 5,904
Septic Tank, Pumping	1 Each	\$ 3,000.00	8 to 8	5 to 5	1 to 1	\$ 3,000	\$ 3,099
Shed	1 Each	\$ 1,500.00	15 to 15	15 to 15	2 to 2	\$ 1,500	\$ 1,601
Signs	40 Each	\$ 125.00	25 to 25	25 to 25	22 to 22	\$ 5,000	\$ 10,214
Wood, Repair Fund	7,035 S.F.	\$ 1.50	5 to 18	5 to 10	1 to 3	\$ 11,147	\$ 11,663
Wood, Replace	3,761 S.F.	\$ 35.00	11 to 20	11 to 20	10 to 19	\$ 150,055	\$ 243,571
<b>Grand Total:</b>						<b>\$ 667,170</b>	<b>\$ 998,563</b>