

Self-Managed

15559

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Dear Board Members,

This Reserve Study and Cash Flow Analysis have been prepared for the board and their members. DANA BY THE SEA HOMEOWNERS ASSOCIATION located in ORANGE COUNTY in the city of DANA POINT, CA. Each owner receives title to his unit, a membership in the DANA BY THE SEA HOMEOWNERS ASSOCIATION, 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.

The board is hereby requested to review and notify Golden Consulting Group within 30 days after the receipt of the study with any requested changes, errors or discrepancies within the Study. Golden Consulting Group will act within 48 hours to address any requested changes, errors or discrepancies within the study. The reserve study should be reviewed and approved by the board within 45 days of the receipt of the reserve study.

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.

The percent funded for DANA BY THE SEA HOMEOWNERS ASSOCIATION is estimated at Fiscal Year End, September 30, 2015 is 49%. 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 will 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 2016 and continuing thru fiscal year 2045. By using the enclosed 30 Year Reserve Study Funding Plan, a Special Assessment will not likely be necessary to fund the reserves.

<b>PERCENT FUNDED</b>	<b>49%</b>
Current US Inflation Rates: 1999-2015 (15 Year Average)	2.23%
Estimated Interest Rate Reserve Account	0.06%
Annual Reserve/Required based on straight line (replacement cost divided by life expectancy)	\$65,111
Reserve Balance as of July 31, 2015	\$253,018
2015 Reserve Contribution	\$8,280
2015 Reserve Interest Income	\$157
<b>2015 Anticipated Reserve Expenditures</b>	<b>-\$1,880</b>
Estimated Reserve Balance as of FYE September 30, 2015	\$259,575
Estimated Accrual Reserve Balance as of FYE September 30, 2015	\$527,122
Reserve Account Deficit:	-\$267,547
Reserve Account Deficit On A Per Unit Basis:	-\$12,740

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.

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The information included in the reserve study was based on the information provided, the onsite visual inspection and any other supporting documents which would be included within the study. Based on the enclosed current reserve study worksheet funding plan in order to ensure the associations projected reserve expenditures the association should approve annual increases starting in fiscal year 2016 and continuing thru fiscal year 2045.

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 July 31, 2015 and any future reserve contributions minus any anticipated reserve expenditures.

Based on the physical analysis reserve worksheet the annual straight line reserves for FYE, September 30, 2015 is \$65,111. The recommended annual reserve contribution for beginning fiscal year, October 1, 2016 may remain the same to \$49,682 or an average of \$197.14 per unit per month a zero percent increase. Recommend annual reserve increases starting next year.

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 2015: The board may have chosen to defer maintenance and/or replacement of the anticipated reserve expenditures due to the working condition of the components.

It is our recommendation that all anticipated reserve expenditures scheduled for fiscal year 2015 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.

There are certain assumptions that have been made during the compilation of this report because of certain conditions such as weather, any deferred maintenance, substandard materials used during construction or general workmanship of the component can decrease a component's useful life. Therefore, Golden Consulting Group recommends that reserve study update should be reviewed annually to make any necessary adjustments to the component and/or the reserve fund.

A general concept behind reserve funding is that owners over time will pay their fair share for the wear of the components, or at least the difference. While the State of California does not require that common interest developments maintain reserves, it does require that the association disclose to homeowners the status of the fund. This disclosure must include the amount of money expected to set aside in the reserve fund, as well as the amount of reserve money necessary, at the end of the fiscal year.

Clients like you are the foundation of our business. It has been a pleasure serving you, and we want you to know we appreciate your business. Thank you.

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