

Riviera Gardens Home Owners Association



*The Coachella Valley's Community
Management Company*

November, 2019

68950 Adelina Rd.
Cathedral City, CA 92234
Phone: (760) 325-9500
Fax: (760) 325-9300

Dear Homeowner,

As required by the Civil Code, the Board of Directors have reviewed the current year's budget compared to income and have determined a need for an increase in the monthly assessments in order for the Association to be able to meet monthly operating expenses.

**The monthly assessment will increase 7% per unit per month.
The following will be the assessment amounts:**

\$212.75
\$285.85
\$290.15
\$398.40
\$421.90

ANNUAL BUDGET REPORT

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

~2020 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 chosen not to defer any maintenance and will undertake replacement of any major component with a remaining life of 30 years or less as scheduled.

~Anticipated Special Assessment

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

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

~Outstanding Loan Statement

In accordance with Civil Code section 5300(b)(8) The Association does not have any outstanding loans.

~Insurance Summary – *Enclosed*

~Foreign Check Processing

Checks received from a foreign bank account are an added expense to process and a fee of \$25 will be charged to the owner's account when such checks are received as payment to the HOA or management.

A copy of the full reserve study is available upon request.

ANNUAL POLICY STATEMENT

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

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

*Board of Directors
c/o Personalized Property Management
Attn: David J. Schuknecht
68950 Adelina Road
Cathedral City, CA 92234*

~Right of Notice to Two addresses

As provided in Civil Code §4040(b) Upon receipt of a request by a member, pursuant to §5260, 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 to Civil Code §§ 5310(a)(3), 4045(a)(3):*

The location designated for posting of the General Notice is: Mailboxes

~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

Upon written request to the Associations managing agent and reimbursement of the association's costs for making that distribution. 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 & Foreclosure Default Policy - *Enclosed*

~Governing Document Enforcement and Fine Policy - *Enclosed*

~Dispute Resolution Procedure Summary (IDR & ADR) - *Enclosed*

~Architectural Guidelines and Procedures – *Enclosed*

~Charges for Documents Civil Code 4530 & 4525 - *Enclosed*

~Overnight Payment Mailing Address – *Civil Code §§ 5310(a)(11), 5655*

*Personalized Property Management
68950 Adelina Road
Cathedral City, CA 92234*

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,

**RIVIERA GARDENS
HOME OWNERS ASSOCIATION
BOARD OF DIRECTORS**

Enclosures

November 2019

Dear Homeowner-

We are pleased to continue to serve the homeowners of Riviera Gardens Home Owners Association. and your Board of Directors by providing the management services for your wonderful community. Our entire staff is dedicated to providing the attention necessary to enhance your enjoyment of the community, and to ensure that homeowner concerns are promptly addressed. Together with your Board of Directors we attempt to make your experience the best it can be!

When problems arise that may require management attention, i.e., sprinklers, lights, pools, or any other common area concerns, please contact our office as soon as possible. The telephone number is (760) 325-9500. Our regular office hours of operation are 8:00 a.m. - 4:00 p.m., Monday through Friday; we are closed from 12:00 p.m. - 1:00 p.m. for lunch. If an emergency develops after these hours, our twenty-four hour answering service will contact the appropriate service person and/or the property manager for resolution of the issue. We have structured our office to provide you prompt service as follows:

- A.) **DAVID J. SCHUKNECHT, CMCA, AMS** - **COMMUNITY MANAGER** – David is a graduate of University of California, Santa Barbara with over 5 years of experience in the community management industry. David interacts with and takes direction from your Board of Directors on community matters and is the primary contact on matters concerning your Association. David is also a licensed real estate agent. DRE License #02079933
- B.) **MARK SEE – MAINTENANCE SUPERVISOR**- This important position/department takes homeowner requests for maintenance (i.e. landscape concerns, lighting, etc.) Each Homeowner request is logged into our database and a work order is created for future reference. Should you have a maintenance need or concern, please ask for Mark.
- C.) **FRONT DESK RECEPTION** – Our receptionist answers telephone calls, distributes gate cards, keys, etc. and assists homeowners with all in-office requests. The reception desk is handled by a variety of our administrative staff from time to time.
- D.) **ACCOUNTS PAYABLE & RECEIVABLE** – These positions are responsible for assisting in coordinating vendor payments and homeowner assessments.

In the event that you phone our office and reach the voice mail for any of the above staff members, we ask you always leave a message. That person is most likely already on the phone with another Homeowner. Each voice mail call is logged and returned in a timely manner. We have organized our office in this fashion to free-up your Manager's time to be out on property, serving the community. We are very confident that this structure will exceed your expectation. We thank you for this opportunity and look forward to a continued, positive and productive relationship with your Association.

Sincerely,

Richard Warfield

Richard Warfield

President

Personalized Property Management Company

**RIVIERA GARDENS HOMEOWNERS ASSOCIATION
BUDGET
JANUARY 1, 2020 THRU DECEMBER 31, 2020**

	Operating Fund	Replacement Fund	Total Funds
REVENUES:			
Member Assessments	\$ 654,074	\$ 169,728	\$ 823,802
Interest Income		14,400	14,400
Other Income	13,620		13,620
TOTAL REVENUES	<u>\$ 667,694</u>	<u>\$ 184,128</u>	<u>\$ 851,822</u>
EXPENSES:			
Utilities			
Electricity	\$ 23,900		\$ 23,900
Gas	51,500		51,500
Water	76,000		76,000
Waste	33,132		33,132
Telephone	6,900		6,900
	<u>\$ 191,432</u>		<u>\$ 191,432</u>
Maintenance			
Landscape Contract	\$ 142,140		\$ 142,140
Landscape Extras	66,823		66,823
Pool Contract	15,821		15,821
Pool Maintenance	4,560		4,560
Buildings & Grounds	43,301		43,301
Maintenance Contract	47,320		47,320
Payroll Taxes	3,750		3,750
Pest Control	5,400		5,400
Property Protection	2,000		2,000
	<u>\$ 331,115</u>		<u>\$ 331,115</u>
Administrative			
Audit/Tax Prep/Rsv Study	\$ 3,625		\$ 3,625
Insurance	48,000		48,000
Legal & Professional	17,075		17,075
Management Fee	47,400		47,400
Taxes, Licenses & Permits	10,166		10,166
Office & Administrative	18,506		18,506
	<u>\$ 144,772</u>		<u>\$ 144,772</u>
TOTAL OPERATING EXPENSES	<u>\$ 667,319</u>		
Major Repairs and Replacements		<u>\$ 314,380</u>	
TOTAL EXPENSES	<u>\$ 667,319</u>	<u>\$ 314,380</u>	<u>\$ 981,699</u>
NET SURPLUS (DEFICIT)	\$ 375	\$ (130,252)	\$(129,877)

RIVIERA GARDENS APPROVED ASSESSMENTS

# of Units		<u>Current Assessment</u>
54	\$	198.83
26	\$	267.14
68	\$	271.16
34	\$	372.35
39	\$	394.30

221

	7%	<u>2020 Assessment</u>
\$	13.92	\$ 212.75
\$	18.70	\$ 285.85
\$	18.98	\$ 290.15
\$	26.06	\$ 398.40
\$	27.60	\$ 421.90

Reserve Summary

(As required by California Civil Code Section 5565)

RIVIERA GARDENS HOMEOWNERS ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level III Reserve Study (Financial Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within RIVIERA GARDENS HOMEOWNERS ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of December 31, 2019, the estimated ending reserve fund balance is \$1,126,000 and the estimated current replacement cost is \$3,093,935 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$4,003,186, calculated at an annually compounded inflation rate of 3.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 51.96%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$2,166,933.00 in the reserve fund.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$4,710.10. This is calculated by subtracting the ending balance (\$1,126,000) from the 100% funded figure (\$2,166,933.00), then divided by the number of ownership interests (221). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future inadequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a total of \$14,144 per month starting in 2020 (\$64.00 per unit per month for each of the 221 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included increases of 12.00% starting in 2021 for 5 years, 6.20% starting in 2026 for 1 year and 3.00% starting in 2027 for 23 years. The increase is scheduled to take effect in the year 2021. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: January 1, 2020 through December 31, 2020

Category	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	Fund Balance on Dec 31, 2019	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest
Access System	1 to 12	\$82,750	\$22,219	\$3,349.19	\$0.00	\$180.29
Asphalt & Concrete	0 to 4	\$406,578	\$150,473	\$22,681.58	\$0.00	\$1,221.00
Buildings, Balconies/Decks	1 to 2	\$36,472	\$14,580	\$2,197.71	\$0.00	\$118.31
Buildings, Doors	2 to 2	\$4,510	\$1,667	\$251.30	\$0.00	\$13.53
Buildings, Plumbing	0 to 0	\$30,000	\$34,102	\$5,140.44	\$0.00	\$276.72
Buildings, Roofs	0 to 26	\$1,183,143	\$476,539	\$71,831.26	\$0.00	\$3,866.83
Electrical/Lights	3 to 26	\$261,865	\$35,669	\$5,376.53	\$0.00	\$289.43
Fence/Gates/Rail	4 to 27	\$261,800	\$75,822	\$11,429.12	\$0.00	\$615.25
Irrigation	0 to 24	\$162,600	\$60,693	\$9,148.55	\$0.00	\$492.49
Landscape	0 to 0	\$15,000	\$15,819	\$2,384.48	\$0.00	\$128.36
Mailboxes	28 to 28	\$53,857	\$2,212	\$333.44	\$0.00	\$17.95
Paint	0 to 4	\$380,835	\$167,796	\$25,292.82	\$0.00	\$1,361.57
Pool Furniture	0 to 18	\$16,562	\$6,930	\$1,044.65	\$0.00	\$56.24
Pools & Spas	0 to 9	\$189,563	\$55,893	\$8,425.08	\$0.00	\$453.54
Signage	0 to 0	\$5,000	\$4,520	\$681.32	\$0.00	\$36.68
Site Amenities	0 to 14	\$3,400	\$1,065	\$160.53	\$0.00	\$8.64
Totals:		\$3,093,935	\$1,126,000	\$169,728	\$0	\$9,137

The complete reserve study is available by request from the Association.



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2020

(As illustrated by California Civil Code Section 5570(a))

(1) The regular assessment per ownership interest is **variable** per month, of which approximately **\$64.00** is allocated to reserves, monthly.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following 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: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:
<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. **NOT APPLICABLE***

(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 X

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(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(s) will be due:	Amount per ownership interest per month:
12.00% starting in 2021 for 5 years, 6.20% starting in 2026 for 1 year and 3.00% starting in 2027 for 23 years	(Current amount) X (the increases)

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

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$2,080,941.47**, as of **December 31, 2020**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** The projected reserve fund cash balance at the end of the current fiscal year is **\$990,484.81**, resulting in reserves being **47.60%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$314,380**. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*



Assessment and Reserve Funding Disclosure Summary For the Fiscal Year Ending December 31, 2020

(As illustrated by California Civil Code Section 5570(a))

(continued)

7) See below: **30-Year Reserve Funding Plan Table**...Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$(see ***“100% Funded”*** column below), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$(see ***“Cash Flow Balance with Funding Plan”*** column below), leaving the reserve at (see ***“Percent Funded”*** column below) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see ***“Cash Flow Balance with Funding Plan”*** column below), leaving the reserve at (see ***“Percent Funded”*** column below) percent funding. 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 interest rate earned on reserve funds was **1.00%** per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was **3.00%** per year.

30-Year Reserve Funding Plan Table

Fiscal Year: January 01, 2020 - December 31, 2020							
Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Contribution, Interest, Spec Assess	Contribution Unit/Month	Contribution % Change	Components, Taxes, Deferred Exp
2019	\$2,166,933	\$1,126,000	51.96%				
2020	\$2,080,941	\$990,485	47.60%	\$178,865	\$64.00		\$314,380
2021	\$1,950,784	\$816,573	41.86%	\$197,425	\$71.68	12.00%	\$371,337
2022	\$1,782,404	\$610,581	34.26%	\$218,096	\$80.28	12.00%	\$424,088
2023	\$1,848,506	\$672,826	36.40%	\$244,035	\$89.92	12.00%	\$181,791
2024	\$1,487,190	\$266,177	17.90%	\$268,669	\$100.71	12.00%	\$675,317
2025	\$1,440,709	\$229,343	15.92%	\$300,085	\$112.79	12.00%	\$336,919
2026	\$1,362,821	\$162,916	11.95%	\$318,122	\$119.78	6.20%	\$384,549
2027	\$1,435,983	\$270,502	18.84%	\$328,361	\$123.38	3.00%	\$220,775
2028	\$1,533,898	\$420,167	27.39%	\$339,589	\$127.08	3.00%	\$189,924
2029	\$1,596,444	\$519,561	32.54%	\$350,663	\$130.89	3.00%	\$251,269
2030	\$1,631,307	\$603,662	37.00%	\$361,872	\$134.82	3.00%	\$277,772
2031	\$1,525,703	\$495,035	32.45%	\$371,549	\$138.86	3.00%	\$480,175
2032	\$1,658,352	\$705,572	42.55%	\$384,508	\$143.03	3.00%	\$173,972
2033	\$1,896,057	\$1,046,423	55.19%	\$399,173	\$147.32	3.00%	\$58,322
2034	\$1,889,309	\$1,057,468	55.97%	\$411,087	\$151.74	3.00%	\$400,042
2035	\$1,836,501	\$1,027,437	55.95%	\$422,822	\$156.29	3.00%	\$452,854
2036	\$1,609,501	\$743,717	46.21%	\$432,483	\$160.98	3.00%	\$716,203
2037	\$1,771,130	\$955,125	53.93%	\$447,129	\$165.81	3.00%	\$235,721
2038	\$2,015,842	\$1,316,941	65.33%	\$463,798	\$170.78	3.00%	\$101,981
2039	\$2,289,339	\$1,721,645	75.20%	\$481,332	\$175.91	3.00%	\$76,628
2040	\$2,224,426	\$1,721,242	77.38%	\$495,428	\$181.18	3.00%	\$495,832
2041	\$2,076,954	\$1,533,330	73.83%	\$507,985	\$186.62	3.00%	\$695,897
2042	\$2,393,741	\$2,004,056	83.72%	\$527,174	\$192.22	3.00%	\$56,448
2043	\$2,693,380	\$2,459,747	91.33%	\$546,938	\$197.98	3.00%	\$91,247
2044	\$2,497,618	\$2,259,135	90.45%	\$560,894	\$203.92	3.00%	\$761,506
2045	\$2,530,042	\$2,402,286	94.95%	\$578,326	\$210.04	3.00%	\$435,175
2046	\$2,299,164	\$1,952,312	84.91%	\$590,730	\$216.34	3.00%	\$1,040,704
2047	\$2,581,336	\$2,382,207	92.29%	\$611,774	\$222.83	3.00%	\$181,879
2048	\$2,713,355	\$2,572,823	94.82%	\$631,418	\$229.52	3.00%	\$440,802
2049	\$3,024,174	\$3,032,629	100.28%	\$654,058	\$236.40	3.00%	\$194,252
30-Year Sum:				\$12,624,388			\$10,717,758



Summary

In accordance with our proposal, 2015-102, SCT Reserve Consultants, Inc. is pleased to provide this **Level III Reserve Study Financial Update Report for RIVIERA GARDENS HOMEOWNERS ASSOCIATION**. Our study was performed in accordance with the Davis-Stirling Common Interest Development Act, specifically §5550, of the California Civil Code. This report included a site inspection on July 23, 2018. This *condominium* common interest development (CID) is located in the 2000 block of N. Via Miraleste, between E. Via Escuela and E. Vista Chino (2023 N. Via Miraleste), Palm Springs, California 92262. We are using an inception date for the components of January 1, 1977. ***This study is for January 1, 2020 through December 31, 2020, the Association's fiscal year.***

In general, reserve funds are funds set aside from collected association fees paid by owners of a common interest development. These funds earn interest and are disbursed when deemed necessary by the Board of Directors. The purpose of a reserve study is to determine how much money should exist in a reserve fund at a given point in time or to project required future contributions and expenditure amounts so that sufficient reserve funds are available when needed. Our reserve study is generated using proprietary SCT software and a combination of local industry standards and national average replacement costs.

The SCT software utilizes the weighted average life (WAL) of the reserve components. The future cost method for the WAL is calculated by using the current replacement cost of each component, as of the analysis date, and the number of years until each reserve component is scheduled to be replaced. This determines the monthly reserve contributions needed and calculates the future reserve balances.

A 30-year "Cash Flow and Percent Funded Projection" analysis and "Graph" are produced to verify and define the relationship of the Cash Flow (annual beginning balance) with respect to the 100% funded amount. Ideally, the Cash Flow line of the graph should run parallel to and below the "Percent Funded" line of the graph, see funding goals.

The following study has been prepared with several assumed factors taken into account: 3.00% inflation rate; a 1.00% return on investment (interest earned); taxes on interest earned is paid for through the operating fund; an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that has a life cycle (full life) of less than two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$4,710.10. This is calculated by subtracting the ending balance (\$1,126,000) from the 100% funded figure (\$2,166,933.00), then divided by the number of ownership interests (221). There is currently no requirement to be fully funded.



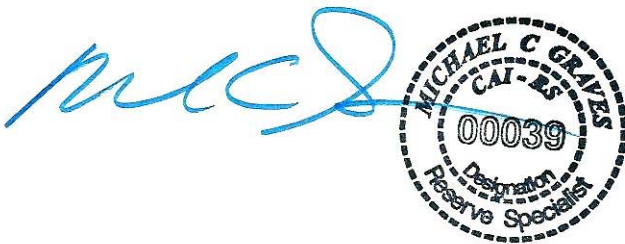
Summary (continued)

As of January 1, 2020, the estimated reserve fund balance is \$1,126,000 and the estimated current replacement cost is \$3,093,935 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$4,003,186, calculated at an annually compounded inflation rate of 3.00%. The Davis-Stirling Common Interest Development Act requires the disclosure of the *current reserve fund balance divided by the current replacement cost* (this is not *Percent Funded*). Currently, *this factor for RIVIERA GARDENS HOMEOWNERS ASSOCIATION is 36.39%*.

The Association's level of funding for the fiscal year (January 1, 2020 through December 31, 2020) which is based upon the final estimated reserve fund balance divided by the reserve components' fully funded amount is **47.60%, and is referred to as *Percent Funded***. The Association would be 100.00% funded if there were \$2,080,941.47 in the reserve fund.

Our original analysis of the cash flow for this association indicated future inadequate funding (see the graph, the "square box and/or pink line"). This line represents the cash flow if there were no annual increases to the Reserves. ***It is our understanding the Board of Directors will allocate a total of \$14,144 per month starting in 2020 (\$64.00 per unit per month for each of the 221 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included increases of 12.00% starting in 2021 for 5 years, 6.20% starting in 2026 for 1 year and 3.00% starting in 2027 for 23 years. The increase is scheduled to take effect in the year 2021.*** The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

Sincerely,



The image shows a handwritten signature in blue ink that reads "mcd". To the right of the signature is a circular professional seal. The seal has a dashed border and contains the following text: "MICHAEL C. GRAVES" at the top, "CAI-RS" in the center, "00039" below that, and "Designation Reserve Specialist" at the bottom.

Michael C. Graves, R.S. #00039
SCT Reserve Consultants, Inc.

