

Executive Summary of the Reserve Study for RANCHO CASA BLANCA ASSOCIATION

SCT Reserve Consultants is pleased to provide this Level I Reserve Study (Site Visit Full Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 1365, we are providing the following information to the Homeowners within the RANCHO CASA BLANCA ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 4.00% inflation rate; a 3.00% return on investment (interest earned); a 25.00% tax rate on interest earned from the reserve account(s); an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

Typically, any component that needs to be maintained or replaced within two years should be budgeted and paid for through normal operating or property maintenance funds and is not included as part of this study.

As of May 1, 2008, the estimated beginning reserve fund balance is \$1,304,602 and the estimated current replacement cost is \$5,939,802 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$8,173,170, calculated at an annually compounded inflation rate of 4.00%. 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 25.24%. This is referred to as Percent Funded. The Association would be 100.00% funded if there was \$3,484,219.00 in the reserve fund. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

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 \$25,632 starting in 2009 (\$32.00 per unit per month for each of the 801 units) per month towards the reserve fund. To offset the future cash shortfall we recommend and have included increases of 10.00% starting in 2010 for 13 years and 7.00% starting in 2023 for 4 years. The increase is scheduled to take effect in the year 2010. The Board of Directors may raise or lower this amount, however, it will impact the level of funding on reserves.

As required by Section 1365.a.2.d. The current deficiency (*or surplus if the number is negative*) in reserve funding expressed on a per unit basis is \$3,251.98. This is calculated by subtracting the ending balance (\$879,380.00) from the 100% funded figure (\$3,484,219.00), then divided by the number of ownership interests (801).

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 1365.

Fiscal Year: May 1, 2008 through April 30, 2009

Category	Estimated Remaining Useful Lives	Estimated Future Replacement Cost	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest	Fund Balance on Apr 30, 2008
Buildings	0 to 25	\$2,542,885	\$106,673.40	\$0.00	\$7,607.64	\$452,449.98
Electrical/Lights	0 to 17	\$1,172,499	\$45,253.20	\$0.00	\$3,227.33	\$191,939.00
Guard House	3 to 12	\$6,882	\$151.00	\$0.00	\$10.77	\$640.33
Irrigation	0 to 9	\$118,626	\$5,929.40	\$0.00	\$422.86	\$25,149.01
Maintenance Equip.	0 to 14	\$805,347	\$26,478.10	\$0.00	\$1,888.34	\$112,305.31
Maintenance Yard	2 to 16	\$33,912	\$720.00	\$0.00	\$51.35	\$3,054.09
Ponds/Retention Ba	0 to 4	\$66,410	\$5,615.50	\$0.00	\$400.48	\$23,818.07
Pools/Spa	0 to 15	\$484,309	\$32,771.10	\$0.00	\$2,337.14	\$138,997.18
Streets/Parking	2 to 15	\$2,312,901	\$54,207.50	\$0.00	\$3,865.92	\$229,918.58
Tennis Courts	0 to 3	\$29,854	\$1,845.30	\$0.00	\$131.60	\$7,827.00
Water Features/Lan	0 to 23	\$599,544	\$26,907.20	\$0.00	\$1,918.94	\$114,125.38
Taxes			\$1,032.23	\$0.00	\$73.62	\$4,378.00
Def Expenditures			\$0.00	\$0.00	\$0.00	\$0.00
Totals:		\$8,173,170	\$307,584	\$0	\$21,936	\$1,304,602



Assessment and Reserve Funding Disclosure Summary

(As illustrated by California Civil Code Section 1365.2.5)

(1) The current regular assessment per ownership interest is **\$255.00** per month, of which approximately **\$32.00** is allocated to reserves.

*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***

(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:	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:
10.00% starting in 2009-2010 for 13 years and 7.00% starting in 2022-2023 for 4 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 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$3,484,219.00**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS** as of **May 1, 2008**. The projected reserve fund cash balance at the end of the current fiscal year is **\$879,380.00**, resulting in reserves being **25.24%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount needed would be **\$754,742** and the Association's reserve fund balance (**\$1,304,602**) as of **May 1, 2008** plus contributions of **\$329,520** during the fiscal year (**May 1, 2008 through April 30, 2009**) will adequately provide cash to pay for such expenditures.

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

(As illustrated by California Civil Code Section 1365.2.5)

(continued)

7) **See below: 30-Year Reserve Funding Plan Table...** Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 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.

30-Year Reserve Funding Plan Table

Fiscal Date: May 01, 2008 - April 30, 2009						
Year	End of Year			Revenue Contribution Interest Spec Assess	Contribution % Change	Expenditures Components Taxes Deferred Exp
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)			
2009	\$3,484,219	\$879,380	25.24%	\$329,520	0.00%	\$754,742
2010	\$3,578,489	\$760,326	21.25%	\$356,316	10.00%	\$475,371
2011	\$3,811,505	\$788,064	20.68%	\$390,512	10.00%	\$362,774
2012	\$4,150,863	\$931,331	22.44%	\$431,479	10.00%	\$288,212
2013	\$4,459,255	\$1,056,592	23.69%	\$475,583	10.00%	\$350,322
2014	\$4,280,996	\$719,860	16.82%	\$509,986	10.00%	\$846,718
2015	\$4,491,399	\$794,405	17.69%	\$561,060	10.00%	\$486,515
2016	\$4,929,283	\$1,119,979	22.72%	\$624,486	10.00%	\$298,912
2017	\$4,758,082	\$875,280	18.40%	\$676,327	10.00%	\$921,027
2018	\$5,345,706	\$1,421,732	26.60%	\$757,607	10.00%	\$211,155
2019	\$5,289,654	\$1,373,976	25.97%	\$827,719	10.00%	\$875,476
2020	\$4,649,088	\$810,140	17.43%	\$891,965	10.00%	\$1,455,801
2021	\$4,979,577	\$1,274,820	25.60%	\$990,012	10.00%	\$525,333
2022	\$5,554,358	\$2,048,132	36.87%	\$1,108,219	10.00%	\$334,907
2023	\$5,826,130	\$2,565,729	44.04%	\$1,196,923	7.00%	\$679,326
2024	\$4,360,076	\$1,426,705	32.72%	\$1,241,495	7.00%	\$2,380,519
2025	\$4,656,308	\$2,108,392	45.28%	\$1,345,701	7.00%	\$664,014
2026	\$5,205,905	\$3,103,866	59.62%	\$1,465,115	7.00%	\$469,641
2027	\$5,624,044	\$3,938,353	70.03%	\$1,489,930	0.00%	\$655,443
2028	\$6,246,249	\$4,942,061	79.12%	\$1,519,778	0.00%	\$516,070
2029	\$6,546,680	\$5,592,292	85.42%	\$1,539,115	0.00%	\$888,884
2030	\$6,935,294	\$6,295,404	90.77%	\$1,560,023	0.00%	\$856,911
2031	\$7,470,490	\$7,105,134	95.11%	\$1,584,103	0.00%	\$774,373
2032	\$8,222,862	\$8,085,977	98.34%	\$1,613,271	0.00%	\$632,428
2033	\$8,987,463	\$9,030,200	100.48%	\$1,641,350	0.00%	\$697,127
2034	\$9,515,692	\$9,690,306	101.84%	\$1,660,980	0.00%	\$1,000,874
2035	\$9,940,258	\$10,197,904	102.59%	\$1,676,074	0.00%	\$1,168,476
2036	\$10,967,589	\$11,246,549	102.54%	\$1,707,259	0.00%	\$658,614
2037	\$11,744,073	\$11,983,499	102.04%	\$1,729,174	0.00%	\$992,224
2038	\$11,488,745	\$11,641,547	101.33%	\$1,719,005	0.00%	\$2,060,958
30-Year Sum:				\$33,620,087		\$23,283,145

