

Assessment and Reserve Funding Disclosure Summary

For the Fiscal Year Ending November 30, 2021

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

(1) The regular assessment per ownership interest is **\$365.00** per month, of which approximately **\$115.80** 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. **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 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 date 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:
1.50% starting in 2022 for 29 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 **\$334,282.60**, as of **November 30, 2021**, 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 **\$149,131.90**, resulting in reserves being **44.61%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$31,634**. (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.*



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For the Fiscal Year Ending November 30, 2021

(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: December 01, 2020 - November 30, 2021							
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
2020	\$317,879	\$108,750	34.21%				
2021	\$334,283	\$149,132	44.61%	\$72,015	\$115.80		\$31,634
2022	\$369,488	\$209,407	56.67%	\$73,665	\$117.54	1.50%	\$13,390
2023	\$411,405	\$278,143	67.61%	\$75,420	\$119.30	1.50%	\$6,684
2024	\$446,201	\$340,414	76.29%	\$77,132	\$121.09	1.50%	\$14,861
2025	\$443,501	\$360,304	81.24%	\$78,454	\$122.91	1.50%	\$58,564
2026	\$436,562	\$373,865	85.64%	\$79,715	\$124.75	1.50%	\$66,154
2027	\$422,689	\$377,602	89.33%	\$80,896	\$126.63	1.50%	\$77,160
2028	\$395,175	\$360,948	91.34%	\$81,896	\$128.52	1.50%	\$98,550
2029	\$376,261	\$355,247	94.42%	\$83,009	\$130.45	1.50%	\$88,710
2030	\$381,260	\$374,469	98.22%	\$84,382	\$132.41	1.50%	\$65,160
2031	\$413,958	\$429,482	103.75%	\$86,125	\$134.40	1.50%	\$31,112
2032	\$450,356	\$489,888	108.78%	\$87,952	\$136.41	1.50%	\$27,546
2033	\$457,586	\$518,168	113.24%	\$89,493	\$138.46	1.50%	\$61,213
2034	\$503,716	\$594,095	117.94%	\$91,494	\$140.53	1.50%	\$15,566
2035	\$504,646	\$600,254	118.95%	\$92,868	\$142.64	1.50%	\$86,709
2036	\$466,154	\$552,023	118.42%	\$93,715	\$144.78	1.50%	\$141,946
2037	\$475,235	\$580,713	122.19%	\$95,291	\$146.95	1.50%	\$66,601
2038	\$449,882	\$545,456	121.24%	\$96,310	\$149.16	1.50%	\$131,567
2039	\$486,934	\$601,943	123.62%	\$98,197	\$151.40	1.50%	\$41,710
2040	\$507,087	\$628,273	123.90%	\$99,855	\$153.67	1.50%	\$73,525
2041	\$490,952	\$616,050	125.48%	\$101,153	\$155.97	1.50%	\$113,376
2042	\$472,465	\$576,605	122.04%	\$102,197	\$158.31	1.50%	\$141,643
2043	\$486,149	\$581,504	119.61%	\$103,674	\$160.69	1.50%	\$98,775
2044	\$490,302	\$558,840	113.98%	\$104,929	\$163.10	1.50%	\$127,592
2045	\$514,487	\$599,299	116.48%	\$106,795	\$165.54	1.50%	\$66,337
2046	\$475,465	\$511,299	107.54%	\$107,486	\$168.03	1.50%	\$195,486
2047	\$536,888	\$587,649	109.45%	\$109,713	\$170.55	1.50%	\$33,362
2048	\$521,630	\$546,176	104.71%	\$110,908	\$173.10	1.50%	\$152,380
2049	\$528,414	\$545,415	103.22%	\$112,465	\$175.70	1.50%	\$113,226
2050	\$586,073	\$590,871	100.82%	\$114,503	\$178.34	1.50%	\$69,047
30-Year Sum:				\$2,791,707			\$2,309,586



Summary

In accordance with our proposal, 2004-015, SCT Reserve Consultants, Inc. is pleased to provide this **Level III Reserve Study Financial Update Report for PARK IMPERIAL COMMUNITY 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 26, 2018. This *condominium* common interest development (CID) is located at East Vista Chino Road and Via Miraleste, Palm Springs, California. We are using an inception date for the components of December 1, 1962. ***This study is for December 1, 2020 through November 30, 2021, 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 \$4,100.57. This is calculated by subtracting the ending balance (\$108,750) from the 100% funded figure (\$317,879.00), then divided by the number of ownership interests (51). There is currently no requirement to be fully funded.



Summary (continued)

As of December 1, 2020, the estimated reserve fund balance is \$108,750 and the estimated current replacement cost is \$692,209 of the portfolio of reserve components. The projected future replacement cost of the portfolio is \$1,088,846, 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 PARK IMPERIAL COMMUNITY ASSOCIATION is 15.71%*.

The Association's level of funding for the fiscal year (December 1, 2020 through November 30, 2021) which is based upon the final estimated reserve fund balance divided by the reserve components' fully funded amount is **44.61%, and is referred to as Percent Funded**. The Association would be 100.00% funded if there were \$334,282.60 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 \$5,906 per month starting in 2021 (\$115.80 per unit per month for each of the 51 ownership interests) towards the reserve fund. To offset the future cash shortfall we recommend and have included an increase of 1.50% starting in 2022 for 29 years. The increase is scheduled to take effect in the year 2022.*** 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,



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

