Reserve Study Executive Summary

Association Name: West Point Loma Owners Association, Inc.

Location: 4532-4578 West Point Loma Blvd., San Diego, CA

No. of Units: 24 Built: 1979-80 Fiscal Year Ending: December 31, 2022
Level of Study: Level II: Update with On-Site Inspection Date of Physical Inspection: October 25, 2022

CU	RRENT FISC	AL YEAR END	SUN	MARY OF	RES	ERVE COM	/IPON	ENTS			
(See Reserve Analysis Workshee	, 1 0 ,										
Reserve	Estimated	Estimated	Es	stimated	F	Annual	Acc	umulated	Α	llocation	Percent
Component	Useful	Remaining	Rep	lacement	F	unding		unding		of Fund	of Fund
Groups	Life	Life		Cost	Req	uirement	Rec	Juirement	I	Balance	Balance
ROOFING/DECKS	9 - 35	2 - 23	\$	177,500	\$	10,050	\$	114,355	\$	97,818	33.3%
BALCONY BILL	9 - 9	2 - 2		14,000		1,556		10,889		9,314	3.2%
PAINTING/REPAIRS	6 - 20	1 - 5		84,936		7,415		65,406		55,947	19.1%
FENCING/RAILS/GATES/SECURITY	10 - 30	1 - 20		66,600		3,786		36,578		31,288	10.7%
PAVED SURFACES	5 - 20	3 - 9		45,686		3,420		26,228		22,435	7.6%
SPA	5 - 30	1 - 6		20,900		2,047		16,837		14,402	4.9%
LANDSCAPING & IRRIGATION	5 - 25	3 - 12		16,000		1,140		7,580		6,484	2.2%
LIGHTING	6 - 9	2 - 9		4,350		586		1,233		1,055	0.4%
MISCELLANEOUS	5 - 35	1 - 14		65,750		3,366		47,834		40,917	13.9%
CONTINGENCY (5%)				24,786		1,668		16,347		13,983	4.8%
TOTALS			\$	520,508	\$	35,033	\$	343,287	\$	293,642	

CURRENT FISCAL YEAR RESERVE FUNDS					
Current Budgeted Annual Reserve Allocation				\$	18,000
Reserve Fund Balance as of: August 31, 2022 Anticipated Funding to Year End				\$	287,642 6,000
Anticipated Expenditures to Year End					-
Cash Projected at Year End December 31, 2022				\$	293,642
Accumulated Funding Requirement (Fully Funded)				\$	343,287
Percentage Funded at the end of this Fiscal Year					85.5%
Accumulated Deficiency for Current Fiscal Year	\$	49,645	Per Unit	\$	2,069
Deferred repair/replacement of any major component with a remaining life of 30 years or less?					YES

RESERVE FUNDING OPTIONS FOR 1	HE FISCAL	PEAR ENDING: 2	023	
	per unit pe	er month		per year
funding options assume a 3% increase, unless otherwise noted				
Annual Requirement Funding:	\$	125	\$	36,084
Current Budgeted Funding:		64		18,540
Recommended Funding:		72		20,700
Special Assessment/s Recommended?				NO
For funding option details please see Reserve Study Summary page 2				

We present this summary of the repair and replacement funding program of the Association as of December 31, 2022, and the related reserve funding projection for the 30-year period from 2023 to 2052, based on information provided by management and based upon the consultant's estimates of the most probable reserve component replacement costs, conditions, and lives. The annual requirement is based on the cost of each component divided by its total useful life. The accumulated requirement is the annual requirement multiplied by the number of years each component has been in service. The difference between accumulated requirement total and the actual cash balance may indicate a deficit which would be expressed in the percentage funded.

The above information is a condensed summary of the reserve study, in compliance with CA Civil Codes 5300, 5550, and 5600, and is intended to be included in the annual budget package to be provided to owners not less than 30 nor more than 90 days prior to the Association fiscal year end. CACC 5550 requires an on-site inspection every 3 years, and the study to be reviewed annually. Assumptions have been made about costs, conditions, and future events that may occur. Some of these assumptions may not materialize; and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and lives may vary from this report and the variations may be material

The compilation of this reserve funding analysis and projection is based on representations of management and the consultant's estimates. We have not audited or reviewed the accompanying analysis and projections and, accordingly, do not express an opinion or any other form of assurance on them. We assume no responsibility to update this report for events occurring after the date of issuance of this report.

Read Choeseley

October 26, 2022 Sonnenberg & Company, CPAs

Sonnenberg & Company, CPAs Reserve Study Summary, Page 1

West Point Loma Owners Association, Inc. Level II: Update with On-Site Inspection December 31, 2022

Inflation and Interest Earned on Reserves:

As an industry standard, provision has been made in the funding projections for inflation, computed at three percent (3%), and an assumed 1% net interest on the reserve balance has been added to the reserve funds. As costs increase in the future, the annual reserve reports should be revised accordingly.

Reserve Calculations:

Based on estimated current replacement costs of \$520,508 and estimated normal and remaining useful lives as determined by the independent consultant, the annual funding requirement is calculated to be \$35,033.

The accumulated funding requirement is calculated to be \$343,287.

As of December 31, 2022, the Association may have \$293,642 in accounts designated as reserve funds.

Therefore, a deficit of \$49,645 has been calculated, with a funding percentage of 85.5%. A portion of the annual reserve requirement may be provided for in the operating budget.

Industry Standard Measure of Funding Strength:

0% - 30% = WEAK At this level of funding, Special Assessments and deferred maintenance are likely.

31% - 70% = FAIR At this level of funding Special Assessment and deferred maintenance are less likely, but could still pose a concern. Efforts should be taken to increase to a healthier level of funding.

>70% = STRONG At this level of funding the Association should be well covered, with hopefully no need for deferred maintenance or Special Assessments.

Funding Calculations:

There are a variety of methods by which the Association can approach the desired level of funding. The Board is responsible for determining the optimum funding program. We have calculated three options:

Option 1: Annual Requirement Funding: This option assumes that the Association will maintain the annual funding requirement as calculated on page 5, without regard to any funding deficiency.

Currently the annual requirement allocation is \$36,084 or \$125 per unit per month (based on annual funding requirement, plus 3% inflation increase) beginning next fiscal year.

Strong level of funding in FY 2023.

Future overfunding is likely.

Option 2: Current Funding: The current budgeted funding level is projected over the 30-year period, including 3% inflation annual increase, as compared to option 1 and 3.

Currently, with the 3% increase, \$18,540 or \$64 per unit per month will be allocated to reserves next fiscal year.

Reserves are currently funded at the Strong level of funding.

However, reserves could fall to the Fair level of funding by FY 2025 and deficits could occur beginning FY 2032.

Option 3: Recommended Funding: This option is intended to calculate the amount of funding that would be the most sufficient for the Association over the next 30 years. The Current Budgeted Funding, and the Annual Requirement Funding are both taken into consideration while creating a Recommended Funding that is hopefully achievable by the Association. The 3% inflation annual increase is assumed, unless otherwise noted.

Recommended funding is, \$20,700 or \$72 per unit per month.

To avoid deficits which could occur beginning FY 2032, the regular reserve allocation could be increased 15% annually in FY's 2023 through 2029.

To avoid possible future overfunding, the regular reserve allocation could be decreased to equal \$45,000 annually in FY 2037.

Reserves could maintain the Strong level of funding beginning FY 2029.

West Point Loma Owners Association, Inc.

Assessment and Reserve Funding Disclosure Summary
December 31, 2022

(1) Regular Assessments -

Assessments to members are averaged at \$410 per unit per month for the year ending December 31, 2022.

- * If assessments vary by the size or type of unit, the applicable assessment rates may be found in the Association's accompanying Annual Budget and /or can be provided by the Association/management agent.
- (2) **Special Assessments -** Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, which have been approved by the Board and/or members:

Date assessment is due:	Amount/ unit/month	Purpose of this assessment is to fund or supplement the replacement costs of:
N/A		

(3) Reserve Account Balances -

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	No	X

(4) Additional Assessments -

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 of directors or the members?

Recommended Funding: To avoid deficits which could occur beginning FY 2032, the regular reserve allocation could be increased 15% annually in FY's 2023 through 2029. To avoid possible future overfunding, the regular reserve allocation could be decreased to equal \$45,000 annually in FY 2037. Reserves could maintain the Strong level of funding beginning FY 2029.

(5) Major Components -

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

(6) Current Funding Comparison -

As of the current reserve study or update, the balance in the reserve fund is projected to be \$293,642.

Based on the method of calculation in paragraph 4 of subdivision (b) of Section 5570 the estimated accumulated funding requirement is \$343,287. The percentage funded is: 85.5%

(7) Funding over next 5 Budget Years -

Based 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 each of the next five budget years is projected to be:

\$306,379 \$269,732 \$195,612 \$212,258 \$240,900

The projected reserve fund cash balance at the end of each of those years is projected to be, taking into account only assessments already approved and other known revenues, as follows:

\$243,177 \$191,974 \$102,308 \$102,050 \$113,342 % Funded 79.4% 71.2% 52.3% 48.1% 47.0%

If the recommended reserve funding plan is approved by the Association and implemented, the projected reserve fund cash balance at the end of each of those years would be:

\$245,337 \$198,865 \$116,974 \$128,086 \$154,975 % Funded 80.1% 73.7% 59.8% 60.3% 64.3%

The law does not require the Association to fund reserves in accordance with these calculations.

The financial representations set forth in this summary are based on best estimates of the consultant at the time. These estimates regarding costs, lives and conditions are subject to change.

An assumed long-term inflation rate to be applied to major component repair and replacement costs was 3% per year.

An assumed long-term net interest rate earned on reserve funds is 1% per year.

Per CACC 5550, the Association is required to adopt a reserve funding plan.

October 26, 2022