

Tahoe Tyrol Homes Association

2019 Budget Report

Approved By: Board of Directors

Date: October 5, 2018

For the Fiscal Year

January 1, 2019

to

December 31, 2019

Prepared By

The Helsing Group, Inc.

NOTICE

The California Civil Code requires disclosures pertaining to (1) the Status of the Reserve Funds, (2) the Association's Insurance coverage and possible effects of the coverage on homeowner liability. These notes are integral to the budget and should be attached to this document, as should be the budget itself. If any of these disclosures is missing you should contact your managing agent or Board of Directors.

INCOME

Assessments - Regular: The Assessments are on an annual basis and have been allocated to the individual members in accordance with the provisions of the Governing Documents as more specifically set forth in the California Civil Code. This budget requires a monthly assessment of **\$70.00** per unit per month.

Certain items in the budget are exempt from assessments if they have not been built or annexed to the association. Such exemptions could reduce the amount of the assessment in any given month. Assessments are due on the first day of each month and will be delinquent if received after the fifteenth (15th) day of the month. All amounts delinquent plus 10% of the delinquent installment or \$10.00 whichever is greater, and interest at 12% per year on the outstanding balance commencing thirty (30) days from the due date shall be added to the regular assessment.

Interest Revenues: Reserve funds are invested in an interest bearing account. Interest revenues are allocated to the Reserve Fund rather than the Operating Fund, in order to remain consistent with the Association's reserve funding plan.

Late and Interest Charge: This line item has not been budgeted.

We assume and report all interest income, including interest, which may be earned on the restricted reserve funds.

ESTIMATES OF EXPENSES

1. **Pool & Spa Certificate:** This line item has been increased by 0.1% or from \$785 to \$786 annually; per the Board of Directors request.
2. **Water-Domestic:** This line item has been increased by 6% or from \$3,100 to \$3,300 annually, to reflect historical data.

3. **Miscellaneous:** This line item has been removed by \$500 annually; per the Board of Directors Request.
4. **Patrol Service:** This line item has been decreased by 1% or from \$12,740 or \$12,672 annually, to reflect the 2018 pool monitor contract.
5. **Snow Removal:** This line item has been increased by 20% or from \$1,000 to \$1,200 annually, per the bid from Victor Maus.
6. **Pool Chemicals:** This line item has been increased by 9% or from \$3,520 to \$3,850 annually, to reflect historical data.
7. **Reserve Contribution:** This line item has been decreased by 5% or from \$3,776 to \$3,600 annually; per the Board of Directors request.
8. **Bank Interest Operating:** This line item has been removed by \$12 annually per request.
9. **Other:** This line item has been removed by \$133 annually per request.
10. **Revenue Offset (Post Office Box Rental):** This line item has been increased by 16% or from \$836 to \$968 annually, to reflect anticipated expenses.

LOAN DISCLOSURE

The Association does not have any outstanding loans with an original term of more than one year.

INSURANCE DISCLOSURE REQUIREMENTS

A summary of the Association's Insurance Policy is attached to this Budget Packet.

The association is required to provide you with certain disclosures concerning the association's insurance coverage annually.

This summary of the association's policies of insurance provides only certain information, as required by Section 5300 of the Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any association member may, upon request and provision of reasonable notice, review the association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the association maintains the policies of insurance specified in this summary, the association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association members should consult with their individual insurance broker or agent for appropriate additional coverage.

Tahoe Tyrol Homes Association

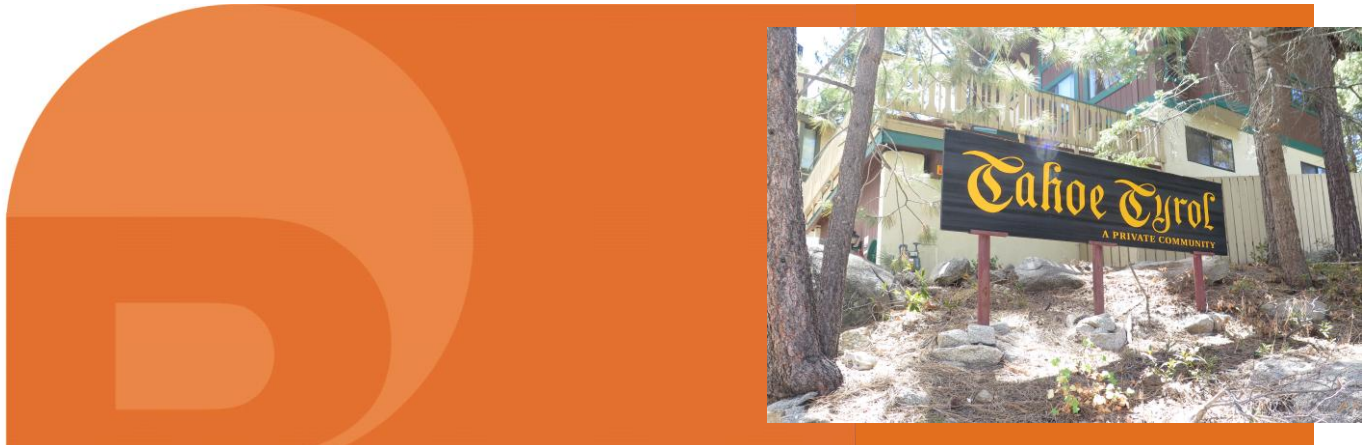
ANNUAL PROFORMA BUDGET

2019

Current State

116 # Units

		2019		
		Per Unit Per Month	Monthly Budget	Annual Budget
REVENUES				
62000	Average Members Assessments	70.00	8,120	97,440
63140	Post Office Box Rental	0.70	81	968
TOTAL	REVENUES	70.70	8,201	98,408
OPERATING COSTS				
		Operating Expenses		
81001	CPA Services/Review	1.08	125	1,500
86012	Pool & Spa Certificate	0.56	66	786
80022	Office Expense Mgmt	2.16	250	3,000
80100	Management Services	16.77	1,945	23,340
92000	Electricity	3.02	350	4,200
92001	Gas	4.57	530	6,360
92003	Water-Domestic	2.37	275	3,300
80999	Miscellaneous	0.00	0	0
83007	Patrol Service	9.10	1,056	12,672
80013	Communications	0.14	17	200
80017	Meetings	1.51	175	2,100
80018	Socials	0.22	25	300
TOTAL	Operating Expenses	41.49	4,813	57,758
		Maintenance Expenses		
83003	Minor Repairs	7.90	917	11,000
84211	Plant,Bark,Soil, Replacement	0.72	83	1,000
84002	Tree Mntc	7.18	833	10,000
89390	Snow Removal	0.86	100	1,200
86000	Pool Chemicals	2.77	321	3,850
86011	Pool/Spa Repairs	0.72	83	1,000
TOTAL	Maintenance Expenses	20.15	2,338	28,050
		Insurance		
93000	Property & Liability Insurance	6.47	750	9,000
TOTAL	Insurance	6.47	750	9,000
		Reserves		
91002	Reserve Contribution	2.59	300	3,600
TOTAL	Reserves	2.59	300	3,600
		Other		
70000	Bank Interest Operating	0.00	0	0
63650	Other	0.00	0	0
TOTAL	Other	0.00	0	0
TOTAL BUDGET		70.70	8,201	98,408
	Revenue Offset (Post Office Box Rental)	-0.70	-81	-968
TOTAL BUDGET After Revenue Offset		70.00	8,120	97,440



RESERVE STUDY

Member Distribution Materials

Tahoe Tyrol

Update w/o Site Visit Review

2018 Update- 2

Published - October 11, 2018

Prepared for the 2019 Fiscal Year

<i>Section</i>	<i>Report</i>	<i>Page</i>
<i>California:</i>	Member Summary	1
	Assessment and Reserve Funding Disclosure Summary	<i>[Civil Code §5570]</i> 3
<i>Section III:</i>	30 Year Reserve Funding Plan	<i>Cash Flow Method {c}</i> 5

October 11, 2018

This is a summary of the Reserve Study that has been performed for Tahoe Tyrol, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/o Site Visit Review for the January 1, 2019 - December 31, 2019 fiscal year.

Tahoe Tyrol is a Planned Development with a total of 116 Lots.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2018 Fully Funded Balance</i>	<i>2019 Fully Funded Balance</i>	<i>2019 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	21,994	2-20	0-4	17,150	17,512	684
02000 - Concrete	19,515	25-25	17-17	6,245	7,201	238
03000 - Painting: Exterior	11,208	3-8	2-5	4,123	6,074	399
04000 - Structural Repairs	5,358	5-5	2-2	3,215	4,394	226
05000 - Roofing	9,634	25-25	22-22	1,156	1,580	133
08000 - Rehab	8,458	15-30	4-4	6,910	7,479	86
11000 - Gate Equipment	567	5-5	2-2	340	465	24
12000 - Pool	19,316	5-20	1-9	9,677	11,590	379
13000 - Spa	9,445	5-10	1-5	6,557	7,932	252
14000 - Recreation	7,008	20-30	2-15	4,997	5,400	66
19000 - Fencing	3,026	6-6	3-3	1,513	2,068	109
21000 - Signage	2,049	8-8	3-3	1,281	1,575	55
23000 - Mechanical Equipment	1,770	15-20	1-2	1,588	1,737	22
25000 - Flooring	3,052	12-12	3-3	2,289	2,607	55
30000 - Miscellaneous	13,121	1-30	1-7	8,809	12,297	661
31000 - Reserve Study	1,500	3-3	1-1	1,000	1,538	103
32000 - Undesignated	1,051	1-1	1-1	525	1,077	108
Totals	\$138,072			\$77,374	\$92,524	\$3,600
Estimated Ending Balance				\$119,331	\$107,024	\$2.59
Percent Funded				154.2%	115.7%	/Lot/month @ 116

October 11, 2018

(1) The regular assessment per ownership interest is \$70.00 per month for the fiscal year beginning January 1, 2019.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on 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:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	\$0.00	N/A
Total:	\$0.00	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

(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 No

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(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 will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$77,374, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of October, 2018. The projected reserve fund cash balance at the end of the current fiscal year is \$119,331 resulting in reserves being 154% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated 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.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately 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 presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2019	\$92,524	\$107,024	115.7%
2020	\$95,913	\$87,118	90.8%
2021	\$91,574	\$79,569	86.9%
2022	\$99,483	\$48,945	49.2%
2023	\$83,478	\$31,787	38.1%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

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, 2.50% per year was the assumed long-term inflation rate, and 2.50% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of December 31, 2019 is zero dollars per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2019 Fully Funded Balance} - \text{2019 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

§5300(b)(5) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

Large increases to the annual reserve contribution are recommended in years 2020 - 2027 to maintain adequate reserve fund balances and avoid future shortfalls in reserves.

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Beginning Balance	116,000	119,331	107,024	87,118	79,569	48,945	31,787	24,335	8,716	9,779
Inflated Expenditures @ 2.5%	3,350	18,702	26,817	15,268	39,310	27,056	19,308	30,025	16,718	24,797
Reserve Contribution ¹	3,776	3,600	4,514	5,661	7,099	8,902	11,163	13,998	17,553	22,011
<i>Lots/month @ 116</i>	2.71	2.59	3.24	4.07	5.10	6.40	8.02	10.06	12.61	15.81
<i>Percentage Increase</i>		-4.7%	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	2,905	2,795	2,397	2,058	1,587	997	693	408	228	210
Ending Balance	119,331	107,024	87,118	79,569	48,945	31,787	24,335	8,716	9,779	7,202

1) 2019 reserve contribution per client direction. Large increases to the annual reserve contribution are recommended in years 2020 - 2027 to maintain adequate reserve fund balances and avoid future shortfalls in reserves.

	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Beginning Balance	7,202	16,677	11,855	17,156	21,290	30,772	34,227	39,372	7,130	27,070
Inflated Expenditures @ 2.5%	13,954	29,488	20,612	23,197	19,388	27,015	26,943	65,586	14,662	20,385
Reserve Contribution	23,134	24,314	25,554	26,857	28,227	29,667	31,180	32,770	34,179	35,649
<i>Lots/month @ 116</i>	16.62	17.47	18.36	19.29	20.28	21.31	22.40	23.54	24.55	25.61
<i>Percentage Increase</i>	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	4.3%	4.3%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	295	352	358	475	643	802	909	574	422	868
Ending Balance	16,677	11,855	17,156	21,290	30,772	34,227	39,372	7,130	27,070	43,201

	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Beginning Balance	43,201	59,163	50,509	46,603	71,953	71,321	97,391	107,944	109,393	142,816
Inflated Expenditures @ 2.5%	22,484	48,789	45,553	18,301	46,403	21,907	39,849	51,159	21,763	62,268
Reserve Contribution	37,182	38,781	40,449	42,188	44,002	45,894	47,867	49,925	52,072	54,311
<i>Lots/month @ 116</i>	26.71	27.86	29.06	30.31	31.61	32.97	34.39	35.87	37.41	39.02
<i>Percentage Increase</i>	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	1,264	1,354	1,199	1,464	1,769	2,083	2,535	2,683	3,114	3,471
Ending Balance	59,163	50,509	46,603	71,953	71,321	97,391	107,944	109,393	142,816	138,330