



3618 Ocean Ranch Blvd  
Oceanside, CA 92056  
Phone: (760) 481-7444  
Fax: (800) 646-1887

December 2022

Dear East Bluff Unit No. 4 Community Association Member:

The Board of Directors is preparing for the fiscal year 2023-2024. Please find enclosed the following year-end disclosures:

- Annual Policy Statement
- Annual Policy Statement
- Notice Assessments & Foreclosure
- Collection Policy
- IDR-ADR Summary of Dispute Resolution Procedures
- Annual Budget
- Budget Overview
- Insurance Disclosure
- Reserve Study Disclosure
- Fee Disclosure Statement
- Rules Enforcement Policy
- ARC/Design Review Procedures

The Board of Directors and the Avalon Management Group remain committed to maintaining the quality of East Bluff No. 4 while trying to contain costs without compromising the quality of services. Every effort is being made to make the operation of the Association as efficient as possible and the Board appreciates all of the input and feedback received from the community.

**Please be advised that the regular assessments for the fiscal year 2023-2024 will increase according to the following chart, per month, per home, commencing February 1, 2023, through January 31, 2024.**

Plan	Square Feet	Old Monthly fees	New Monthly Fees
1	1,270	\$487.68	<b>\$516.94</b>
2	1,358	\$496.81	<b>\$526.62</b>
3	1,570	\$522.40	<b>\$553.74</b>
4	1,650	\$529.68	<b>\$561.46</b>
5	892	\$443.84	<b>\$470.47</b>
6	1,103	\$467.58	<b>\$495.63</b>

Coupon booklets for making your monthly payments will be mailed to all owners in mid-December. If you pay by ACH (Automatic Clearing House), no coupon booklet will be sent. If you pay your assessments through online banking, please ensure your banking institution is mailing payments to P.O. Box 52982, Phoenix, AZ 85072-2982. If you use an online bill payment service through your bank, please be sure to change the assessment amount with your banking institution. If you use Zego/Paylease via the Homeowner Portal for re-occurring payments, please log-in and update your assessment amount.

The Board welcomes your attendance at any non-executive Board meeting. At such meetings, the Board of Directors sets policy, which guides the direction of the Homeowners Association. Notice and the meeting agendas are posted on the Association website [www.EastBluff4.com](http://www.EastBluff4.com).

Very Respectfully,

*Barbara Printz*  
As Agent for the Board of Directors

## Annual Policy Statement Disclosures

### **1. Designated Agent for Receipt of Association Mail [Civil Code §4035]**

The name and address of the person designated to receive official communications on behalf of the Association is as follows:

Barbara Printz, CCAM  
Senior Community Manager  
c/o Avalon Management Group  
3618 Ocean Ranch Blvd.,  
Oceanside CA 92056

### **2. Secondary Addresses for Owners [Civil Code §4040]**

As provided in Civil Code §4040(b) owners have a right to receive (1) annual reports the Association is required to provide to owners and for (2) mailings and notices related to assessment payments, delinquencies and foreclosures at an additional address if they submit a secondary address to the Association. The owner's request must be in writing and must be sent to the Association in the manner provided in Civil Code §§4035 and 5260.

### **3. Posting Location of General Notices [Civil Code §4045(a)]**

The location designated for posting of a General Notice is: Mail Kiosk Bulletin boards and/or electronic delivery, and on the association's website: [www.EastBluff4.com](http://www.EastBluff4.com).

### **4. Individual Delivery Notice [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.

### **5. Availability of Minutes [Civil Code §4950]**

The minutes or a summary of minutes of a Board meeting, other than an executive session are available to members within 30 days of the meeting. Minutes, proposed minutes, or summary of minutes will be distributed to any member upon request and upon reimbursement of the Association's costs for making that distribution.

In order to make a request for a copy of minutes, members should contact Avalon Management in writing.

### **6. Statement of Association's Policies for Collection of Delinquent Assessments [Civil Code §5310(a)(7)]**

For the Associations Collection Policy, see Association Collection Policy.

### **7. Discipline Policy and Penalty Schedule [Civil Code §5310(a)(8)]**

For the Association's Discipline Policy and Penalty Schedule, see Enforcement Policy.

**8. Mailing Address for Overnight Payment of Assessments [Civil Code §5655]**

East Bluff Unit No. 4  
c/o Avalon Management Group  
31608 Railroad Canyon Road  
Canyon Lake, CA 92587

**9. Miscellaneous Disclosures as Required by Law or Governing Documents [Civil Code §5310(a)(12)]**

**A. Preparation of Review [Civil Code 5305]**

As provided in Civil Code §5305, the Association will have an annual financial review prepared by a certified public accountant after the close of the fiscal year. That document and any information required by Corporations Code §8321 should be available to you within 120 days after the close of the fiscal year.

**B. Asbestos Notification [California Health & Safety Code §25915.2]**

**"ASBESTOS NOTICE:** Certain units in the building have original "popcorn" ceilings, linoleum flooring, insulation, etc. which are asbestos containing materials ("ACMs"). As required by Health and Safety Code §25915.2, the Association is giving owners this written notice concerning the presence of ACMs in the building, at least in those units in which the e.g., popcorn ceiling, linoleum floor, etc. has not been removed. This is also notice to prospective purchasers that ACMs may be present in the unit you are purchasing. The Association has not made an inspection of all units to test for the location of ACMs. The individual unit owners, not the Association, are responsible for maintenance, repair and replacement of the materials in which asbestos is located.

"California Business and Professions Code §7058.5 requires that only those contractors who are specially licensed to remove and dispose of ACMs may be used to remove materials containing ACMs. It is unlawful for anyone who is not so licensed to remove ACMs, and the Association will require proof of a contractor's asbestos removal certification along with insurance for automobile liability, general liability and workers compensation insurance from a company authorized to issue insurance in California before any contractor may enter the Association's building to remove and dispose of any ACMs. The danger from asbestos is that it disintegrates easily into small dust-like fibers that can be circulated through ventilating systems, dragged through carpeting, and stirred up through vacuuming and cleaning until it is ultimately inhaled. The Association will react promptly and vigorously to the actions of any owner who fails to observe the requirements of the law for removal and disposal of ACMs from the building. For additional information regarding ACMs, please refer to California Health & Safety Code §25915 et seq."

**C. Disclosure of Rental Restrictions [Civil Code section 4525(a)(9)]**

The following provisions found in Article 5, Section 5.3 of the Association's recorded Declaration or CC&Rs impose restrictions on rental or leasing of your property. The following briefly summarizes the nature of those provisions: No leases or rentals shall be for a period of less than thirty (30) days, leases and rentals agreements shall be in writing, and the owner must promptly notify the Association in writing of the names of all tenants and members of a tenant's family who occupy such unit. However, you should review the full text for a complete description of the requirements.

#### **D. Community Service Association Disclosure [Civil Code §5580]**

Our Association is NOT subject to the requirements of Civil Code §5580 because there is a community service organization whose funding from our Association, or our members exceeds 10 percent of the community Association's annual budget.

#### **E. FHA Disclosure Statement**

Certification by the Federal Housing Administration may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [ is not (circle one)] a condominium project. The association of this common interest development [ is not (circle one)] certified by the Federal Housing Administration.

#### **F. VA Disclosure Statement**

Certification by the federal Department of Veterans Affairs may provide benefits to members of an association, including an improvement in an owner's ability to refinance a mortgage or obtain secondary financing and an increase in the pool of potential buyers of the separate interest.

This common interest development [ is not (circle one)] a condominium project. The association of this common interest development [ is not (circle one)] certified by the federal Department of Veterans Affairs.

### **Optional Disclosures**

#### **1. Architectural Modifications for Persons with Disabilities.**

**Apparent Architectural Violations or other Alleged Violations of our Governing Documents May Not Be Violations Due to Compliance with the Federal Fair Housing Act and/or the California Fair Employment and Housing Act.**

Occasionally residents may see something that appears to be a violation of our governing documents and rules. Appearances can be deceiving! Sometimes what seem to be "violations" are, in fact, "accommodations" required by law to be given to disabled residents. This is necessary to give disabled residents an equal opportunity to use and enjoy the premises. Please recognize that some disabilities may not be apparent just by looking at the person who has a disability. Also, the type of architectural change made may seem as if it is unrelated to any form of disability, but that is because there are so many different types of disabilities that require many different types of accommodations. These accommodations should not be interpreted as meaning the Association is not serious about enforcing community standards and rules, only that the Association is mindful of its legal duty to comply with disability protection laws.

You probably already know from your dealings with doctors and pharmacies that they are required to be very protective of each patient's medical information. Article I, Section 1 of the California Constitution also includes a personal right to privacy. Thus, even if you ask about an apparent architectural or other

violation, we may not be able to tell you very much, if anything, about it. About all we can say is that we are aware of it, and the Association authorized it to make an accommodation required by law. We trust you will understand. If you have questions about this issue, please contact management.

## **2. Distribution of Owner Mailing List to Members**

The Association is required by Civil Code §5200(a), under the circumstances covered by the statute, to provide members with the name, property address, and mailing address of all members. Association members may opt out of sharing his or her name, property address, and mailing address by notifying the Association in writing that the member prefers to be contacted via the alternative process described in Corporations Code §8330(c). The alternative method may require the member wanting the list to provide the materials to the Association for the Association to mail it to the members who have opted out without revealing the mailing list information to the requesting member. Any opt-out remains in effect until changed by the member.

## **3. Gated Communities and Associations with Locked Entry Doors or Patrols**

While the Association may have: Gated entryways locked exterior doors, periodic patrols, and Neighborhood Watch Programs, these features cannot be relied upon to guarantee your personal safety and security. Some are merely deterrents, and others may help to identify a criminal after the fact, but even that is not certain. Thus, each owner is responsible for his or her own personal safety and security on the property. Owners must communicate these facts to their respective tenants and guests

## **4. Smoke and Carbon Monoxide Detectors**

**Owners are required by law to have operational smoke detectors and carbon monoxide detectors.**  
**[Health and Safety Code §§13113, 717926 & 17926.1]**

Please note that it is common for many detectors to last no longer than 10 years, so please test your detectors regularly, follow the manufacturer's instructions about replacement and replace them whenever their useful life ends. If you have tenants, there are battery-operated detectors that have tamper-resistant features to prevent removal of batteries. Some hard-wired detectors have batteries designed to last for the life of the detectors.

## **Notice Assessments & Foreclosures**

### **Statement of Assessment Collection Policies [Civil Code §5730]**

#### **NOTICE ASSESSMENTS AND FORECLOSURE**

This notice outlines some of the rights and responsibilities of owners of property in common interest developments and the associations that manage them. Please refer to the sections of the Civil Code indicated for further information. A portion of the information in this notice applies only to liens recorded on or after January 1, 2003. You may wish to consult a lawyer if you dispute an assessment.

#### **ASSESSMENTS AND FORECLOSURE**

Assessments become delinquent 15 days after they are due, unless the governing documents provide for a longer time. The failure to pay association assessments may result in the loss of an owner's property through foreclosure. Foreclosure may occur either as a result of a court action, known as judicial foreclosure, or without court action, often referred to as nonjudicial foreclosure. For liens recorded on and after January 1, 2006, an association may not use judicial or nonjudicial foreclosure to enforce that lien if the amount of the delinquent assessments or dues, exclusive of any accelerated assessments, late charges, fees, attorney's fees, interest, and costs of collection, is less than one thousand eight hundred dollars (\$1,800). For delinquent assessments or dues in excess of one thousand eight hundred dollars (\$1,800) or more than 12 months delinquent, an association may use judicial or nonjudicial foreclosure subject to the conditions set forth in Article 3 (commencing with Section 5700) of Chapter 8 of Part 5 of Division 4 of the Civil Code. When using judicial or nonjudicial foreclosure, the association records a lien on the owner's property. The owner's property may be sold to satisfy the lien if the amounts secured by the lien are not paid. (Sections 5700 through 5720 of the Civil Code, inclusive)

In a judicial or nonjudicial foreclosure, the association may recover assessments, reasonable costs of collection, reasonable attorney's fees, late charges, and interest. The association may not use nonjudicial foreclosure to collect fines or penalties, except for costs to repair common area damaged by a member or a member's guests, if the governing documents provide for this. (Section 5725 of the Civil Code)

The association must comply with the requirements of Article 2 (commencing with Section 5650) of Chapter 8 of Part 5 of Division 4 of the Civil Code when collecting delinquent assessments. If the association fails to follow these requirements, it may not record a lien on the owner's property until it has satisfied those requirements. Any additional costs that result from satisfying the requirements are the responsibility of the association. (Section 5675 of the Civil Code)

At least 30 days prior to recording a lien on an owner's separate interest, the association must provide the owner of record with certain documents by certified mail, including a description of its collection and lien enforcement procedures and the method of calculating the amount. It must also provide an itemized statement of the charges owed by the owner. An owner has a right to review the association's records to verify the debt. (Section 5660 of the Civil Code)

If a lien is recorded against an owner's property in error, the person who recorded the lien is required to record a lien release within 21 days, and to provide an owner certain document in this regard. (Section 5685 of the Civil Code)

The collection practices of the association may be governed by state and federal laws regarding fair debt collection. Penalties can be imposed for debt collection practices that violate these laws.

## PAYMENTS

When an owner makes a payment, the owner may request a receipt, and the association is required to provide it. On the receipt, the association must indicate the date of payment and the person who received it. The association must inform owners of a mailing address for overnight payments. (Section 5655 of the Civil Code)

An owner may, but is not obligated to, pay under protest any disputed charge or sum levied by the association, including, but not limited to, an assessment, fine, penalty, late fee, collection cost, or monetary penalty imposed as a disciplinary measure, and by doing so specifically reserve the right to contest the disputed charge or sum in court or otherwise.

An owner may dispute an assessment debt by submitting a written request for dispute resolution to the association as set forth in Article 2 (commencing with Section 5900) of Chapter 10 of Part 5 of Division 4 of the Civil Code. In addition, an association may not initiate a foreclosure without participating in alternative dispute resolution with a neutral third party as set forth in Article 3 (commencing with Section 5925) of Chapter 10 of Part 5 of Division 4 of the Civil Code, if so requested by the owner. Binding arbitration shall not be available if the association intends to initiate a judicial foreclosure.

An owner is not liable for charges, interest, and costs of collection, if it is established that the assessment was paid properly on time. (Section 5685 of the Civil Code).

## MEETINGS AND PAYMENT PLANS

An owner of a separate interest that is not a time-share interest may request the association to consider a payment plan to satisfy a delinquent assessment. The association must inform owners of the standards for payment plans, if any exists. (Section 5665 of the Civil Code)

The board must meet with an owner who makes a proper written request for a meeting to discuss a payment plan when the owner has received a notice of a delinquent assessment. These payment plans must conform with the payment plan standards of the association, if they exist. (Section 5665 of the Civil Code)

## **EAST BLUFF UNIT NO. 4 COMMUNITY ASSOCIATION**

### **SUMMARY OF POLICIES AND PROCEDURES OF LIEN RIGHTS AND OTHER LEGAL REMEDIES FOR DEFAULT IN PAYMENT OF ASSESSMENTS**

Prompt payment of assessments by all owners is critical to the financial health of the East Bluff Unit No. 4 Community Association ("Association"), and to the enhancement of the property values of the homes within the Association. Your Board of Directors ("Board") takes very seriously its obligations under the Declaration of Covenants, Conditions and Restrictions of East Bluff Unit No. 4 ("CC&Rs") and the California *Civil Code* to enforce the members' obligations to pay assessments. The following are the Association's assessment collection practices and policies pursuant to the CC&Rs and Civil Code Section 5310(a)(7) and payment plan standards consistent with Civil Code Section 5665:

- 1. Regular and Special Assessments.** Regular assessments are due and payable, in advance, on the first day of each month. If imposed, special assessments shall be due and payable on the due date specified by the Board. Assessments, late charges, interest, collection costs and reasonable attorneys' fees if any are imposed are the personal obligation of the Owner(s) of the separate interest (Unit) at the time when the assessment or other charge fell due.
- 2. Late Charges.** Regular and special assessments are delinquent thirty (30) days after they become due. A late charge of ten percent (10%) of the assessment or ten dollars (\$10.00), whichever is greater, will be applied if payment in full is not received fifteen (30) days after the payment is due.
- 3. Interest.** Interest at the annual rate of twelve percent (12%) may be charged on all sums due that are thirty (30) or more days delinquent.
- 4. Additional Charges, Costs and Attorneys' Fees.** Pursuant to Civil Code, the Association is entitled to recover reasonable collection costs, including reasonable attorneys' fees, incurred in connection with collection of delinquent assessments. Costs may include, but are not limited to, publication, recording, posting, service, and mailing.
- 5. Application of Payments on Delinquent Assessments.** Payments received on delinquent assessment accounts will be applied first to the regular or special assessments owed, and then applied to interest, late charges, collection costs, administration fees, attorney's fees, reimbursement assessments, and any other amount due to the Association in connection with collection of delinquent assessments.
- 6. Pay or Lien Letter.** Any Owner who is more than thirty (30) days delinquent in the payment of his or her assessments may be referred to the Association's management company or the Association's attorney for collection and will receive a pay-or-lien demand letter, via certified mail. The letter will be sent at least thirty (30) days prior to a Notice of Delinquent Assessment Lien ("Lien") being recorded against the delinquent Owner's property, and will notify the Owner of record in writing of the following pursuant to Civil Code:
  - (a) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount;

- (b) An itemized statement of the amounts owed, including delinquent assessments, fees and reasonable costs of collection, reasonable attorneys' fees, late charges and interest charges, if any;
- (c) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection if it is determined the assessment was paid on time to the Association.

7. **Standards for Payment Plans.** A delinquent Owner may request a payment plan to satisfy his or her debt. Payment plans will be considered on a case-by-case basis. Generally, no payment plan may exceed twenty-four (24) months in duration. Fees and/or costs may be charged for the administration of any payment plan and may vary based upon the duration of the payment plan. Any request for a payment plan must be accompanied by a written explanation of the reason for the request, which includes documentation of the Owner's special circumstances, financial hardship, and ability to make the payments requested. If a lien has not been recorded prior to the time that any payment plan is entered into, one may be recorded during the repayment period to secure the debt while the payment plan is pending. Payment plans must provide for full payment of the delinquent amounts, in addition to the amounts which will accrue during the repayment period, including any regular and/or special assessments, and any fees and/or costs related to the administration of the payment plan and/or for the recording and/or release of any lien. Once a payment plan is entered into, additional late charges will generally not accrue for so long as the Owner complies with the terms of the payment plan. In the event of a default in any payment agreement, the Association will resume collection efforts from the time prior to entering into the payment plan without any prior notice.

8. **Lien/Notice of Delinquent Assessment.** If the delinquent Owner does not bring their account current within thirty (30) days of the pay-or-lien demand letter, and unless a dispute over such debt has been resolved or a payment plan has been entered into as set forth above, a Lien will be recorded against the Owner's property. The Lien shall include an itemized statement of the charges included in the amount of the Lien including the delinquent assessments and all other sums owed, such as late charges, costs and reasonable attorneys' fees, a legal description of the property, the name of the record Owner, and the name and address of the trustee authorized to enforce the Lien by sale. A copy of the itemized statement of charges shall be recorded with the Lien.

A copy of such Lien will be mailed by certified mail to every person whose name is shown as an Owner of the separate interest in the Association's records within ten (10) days of the date the Lien is recorded. Upon receipt of a written request by an Owner (mailed in a manner indicating the Association has received the same such as by certified mail) identifying a secondary address to which the Owner wishes collection notices to be sent, the Association shall also send additional copies of any required collection notices by certified mail to such secondary address. The Lien is subject to judicial or non-judicial foreclosure, and the property may ultimately be foreclosed upon and sold without court action to satisfy the debt owed. Reasonable collection costs incurred in connection with preparing and recording the Lien may be included in the amount of the Lien. The Lien is a continuing lien and shall secure all other payments and/or assessments which shall become due and payable with respect to the Owner's property following such recording, and all costs (including attorneys' fees) and interest accruing therein.

**9. Foreclosure.** Either Judicial or Non-judicial foreclosure will then be commenced by the Association's law firm pursuant to the CC&Rs, and Civil Code as follows:

- (a) **"Initiate Foreclosure"-Notice of Default and Election to Sell ("NOD").** A Notice of Default and Election to Sell (NOD) will be recorded with the County Recorder's Office which puts the property into foreclosure. The Association cannot continue with the non-judicial foreclosure on the property for ninety (90) days from the date the NOD is recorded. The delinquent Owner is responsible for all fees and costs incurred to initiate foreclosure in addition to the delinquent assessments, late charges and interest.
- (b) **"Approve Foreclosure"- Notice of Sale (NOS).** If the delinquency is not cured within ninety (90) days of the NOD being recorded, the attorney will proceed by recording, publishing and posting a NOS. The delinquent Owner is responsible for all fees and costs incurred to prepare, record, publish and post the NOS, in addition to the delinquent assessments, late charges and interest.

**10. Suspension of Membership Rights.** Without prejudice to its right to continue with and/or take other collection action, an Owner's rights to use the Common Area recreational facilities may be suspended after notice and a hearing. The Association will not deny an Owner's or his or her occupants' physical access to the property by way of any such suspension.

**11. Secondary Address.** Owners may submit a written request to the Association to communicate with Owner at a secondary address in addition to the Owner's primary address. Any such request by Owner as to a secondary address must be in writing to the Association.

**12. Redemption.** An Owner may redeem the property foreclosed upon by the Association by paying all amounts due and owing within ninety (90) days of the date of the foreclosure sale.

**13. Lawsuit.** The Association may, at any time, determine to file a personal lawsuit against the delinquent Owner to recover all delinquent charges pursuant to relevant law. All costs and attorneys' fees in connection with the lawsuit, in addition to the delinquent charges and other collection costs, will be sought from the delinquent Owner.

**14. Release of Liens Upon Payment.** Within twenty-one (21) days of payment in full of all delinquent assessments and charges, or if it is determined that a Lien previously recorded was recorded in error, the attorney will prepare a Release of Lien which will be recorded by the County Recorder's Office and will provide Owner with a copy of such release or notice that the delinquent assessment has been satisfied.

**15. Right to Receipt.** When an Owner makes a payment, the Owner may request a receipt and the Association shall provide same which shall indicate the date of payment and person who received such payment.

**16. Overnight Payments.** Payments may be made by overnight mail to the following address:

**If Account is being handled by Association:**

East Bluff Unit No. 4  
c/o Avalon Management  
31608 Railroad Canyon Rd.  
Canyon Lake, CA 92587

**If Account is being handled by Attorney:**

Community Legal Advisors, Inc.  
509 N. Coast Hwy.  
Oceanside, CA 92054  
(760) 529-5211

## IDR-ADR

### Summary of Dispute Resolution

#### **Summary of Association's Dispute Resolution Procedures (ADR and IDR) [Civil Code**

#### **§§5310(a)(9), 5900-5920, and 5925-5965]**

#### **Alternative Dispute Resolution Procedures**

The California Legislature has established a public policy in this state that requires the use of Alternative Dispute Resolution ("ADR") before resorting to litigation to resolve certain conflicts that arise in condominiums, planned developments and other common interest developments. The law requires every association to distribute a summary of California Civil Code §§5925 through 5965 to its members annually in its Annual Policy Statement prepared pursuant to Civil Code §5310. Rather than attempt to summarize the law, which is lengthy, and may result in omissions or misunderstandings of what the law provides, we are providing a copy of law in its entirety below. **PLEASE NOTE, Civil Code §5965 states:**

"Failure of a member of the association to comply with the alternative dispute resolution requirements of §5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."

Please note that the section headings below are not a part of the law, but are present only to assist you in identifying the contents of each section.

#### **§5925. ADR Definitions**

As used in this article:

(a) "Alternative dispute resolution" means mediation, arbitration, conciliation, or other nonjudicial procedure that involves a neutral party in the decision-making process. The form of alternative dispute resolution chosen pursuant to this article may be binding or nonbinding, with the voluntary consent of the parties.

(b) "Enforcement action" means a civil action or proceeding, other than a cross-complaint, for any of the following purposes:

(1) Enforcement of this act.

(2) Enforcement of the Nonprofit Mutual Benefit Corporation Law (Part 3 (commencing with Section 7110) of Division 2 of Title 1 of the Corporations Code).

(3) Enforcement of the governing documents.

**§5930. ADR Required Before Filing Certain Actions**

- (a) An association or a member may not file an enforcement action in the superior court unless the parties have endeavored to submit their dispute to alternative dispute resolution pursuant to this article.
- (b) This section applies only to an enforcement action that is solely for declaratory, injunctive, or writ relief, or for that relief in conjunction with a claim for monetary damages not in excess of the jurisdictional limits stated in Sections 116.220 and 116.221 of the Code of Civil Procedure.
- (c) This section does not apply to a small claims action.
- (d) Except as otherwise provided by law, this section does not apply to an assessment dispute.

**§5935. Initiating ADR by Request for Resolution**

- (a) Any party to a dispute may initiate the process required by Section 5930 by serving on all other parties to the dispute a Request for Resolution. The Request for Resolution shall include all of the following:
  - (1) A brief description of the dispute between the parties.
  - (2) A request for alternative dispute resolution.
  - (3) A notice that the party receiving the Request for Resolution is required to respond within 30 days of receipt or the request will be deemed rejected.
  - (4) If the party on whom the request is served is the member, a copy of this article
- (b) Service of the Request for Resolution shall be by personal delivery, first-class mail, express mail, facsimile transmission, or other means reasonably calculated to provide the party on whom the request is served actual notice of the request.
- (c) A party on whom a Request for Resolution is served has 30 days following service to accept or reject the request. If a party does not accept the request within that period, the request is deemed rejected by the party.

**§5940. Time for Completing ADR Process and Cost Splitting**

- (a) If the party on whom a Request for Resolution is served accepts the request, the parties shall complete the alternative dispute resolution within 90 days after the party initiating the request receives the acceptance, unless this period is extended by written stipulation signed by both parties.
- (b) Chapter 2 (commencing with Section 1115) of Division 9 of the Evidence Code applies to any form of alternative dispute resolution initiated by a Request for Resolution under this article, other than arbitration.
- (c) The costs of the alternative dispute resolution shall be borne by the parties.

**§5945. Effect of ADR on Statutes of Limitation**

If a Request for Resolution is served before the end of the applicable time limitation for commencing an enforcement action, the time limitation is tolled during the following periods:

- (a) The period provided in Section 5935 for response to a Request for Resolution.
- (b) If the Request for Resolution is accepted, the period provided by Section 5940 for completion of alternative dispute resolution, including any extension of time stipulated to by the parties pursuant to Section 5940.

**§5950. Filing ADR Certificate when Filing Court Action**

- (a) At the time of commencement of an enforcement action, the party commencing the action shall file with the initial pleading a certificate stating that one or more of the following conditions are satisfied:
  - (1) Alternative dispute resolution has been completed in compliance with this article.
  - (2) One of the other parties to the dispute did not accept the terms offered for alternative dispute resolution.
  - (3) Preliminary or temporary injunctive relief is necessary.
- (b) Failure to file a certificate pursuant to subdivision (a) is grounds for a demurrer or a motion to strike unless the court finds that dismissal of the action for failure to comply with this article would result in substantial prejudice to one of the parties.

**§5955. Referral to ADR and Stay of Court Action by Stipulation**

- (a) After an enforcement action is commenced, on written stipulation of the parties, the matter may be referred to alternative dispute resolution. The referred action is stayed. During the stay, the action is not subject to the rules implementing subdivision (c) of Section 68603 of the Government Code.
- (b) The costs of the alternative dispute resolution shall be borne by the parties.

**§5960. Refusal to Participate in ADR; Effect on Award of Fees and Cost**

In an enforcement action in which attorney's fees and costs may be awarded, the court, in determining the amount of the award, may consider whether a party's refusal to participate in alternative dispute resolution before commencement of the action was reasonable.

**§5965. Annual Disclosure of ADR Procedures to Members**

- (a) An association shall annually provide its members a summary of the provisions of this article that specifically references this article. The summary shall include the following language: "Failure of a member of the association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code may result in the loss of the member's right to sue the association or another member of the association regarding enforcement of the governing documents or the applicable law."
- (b) The summary shall be included in the annual policy statement prepared pursuant to Section 5310.

**East Bluff Unit No. 4 Community Association**  
**Fiscal Year 2024 APPROVED BUDGET**  
(Febraruay 1, 2023 - January 31, 2024)

	2023 Annual	2024 Annual	2024 Monthly	2024 Unit/Month
<b>REVENUE</b>				
Assessments	\$ 1,188,012.00	\$ 1,259,292.00	\$ 104,941.00	\$ 527.34
Late Charges	\$ -	\$ -	\$ -	\$ -
Collections Costs	\$ -	\$ -	\$ -	\$ -
Interest Income	\$ -	\$ -	\$ -	\$ -
ACH Fees	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<b>\$ 1,188,012.00</b>	<b>\$ 1,259,292.00</b>	<b>\$ 104,941.00</b>	<b>\$ 527.34</b>
<b>EXPENSES</b>				
<b>Administrative Expenses</b>				
Management Contract	\$ 67,800.00	\$ 96,024.00	\$ 8,002.00	\$ 40.21
Legal/Professional Services	\$ 48,000.00	\$ 48,000.00	\$ 4,000.00	\$ 20.10
Collection Expense	\$ -	\$ -	\$ -	\$ -
Permits/license/fees	\$ 600.00	\$ 864.00	\$ 72.00	\$ 0.36
Reserve Study	\$ 1,200.00	\$ 1,200.00	\$ 100.00	\$ 0.50
Audit & Tax Prep	\$ 1,500.00	\$ 1,500.00	\$ 125.00	\$ 0.63
Admin, Printing & Postage	\$ 10,800.00	\$ 6,000.00	\$ 500.00	\$ 2.51
Board Meetings	\$ 9,000.00	\$ 6,000.00	\$ 500.00	\$ 2.51
<b>Total Administrative Expenses</b>	<b>\$ 138,900.00</b>	<b>\$ 159,588.00</b>	<b>\$ 13,299.00</b>	<b>\$ 66.83</b>
<b>Insurance Expense</b>				
Insurance - Master Policy	\$ 40,800.00	\$ 45,000.00	\$ 3,750.00	\$ 18.84
Insurance - Earthquake	\$ 38,604.00	\$ 42,000.00	\$ 3,500.00	\$ 17.59
<b>Total Insurance Expense</b>	<b>\$ 79,404.00</b>	<b>\$ 87,000.00</b>	<b>\$ 7,250.00</b>	<b>\$ 36.43</b>
<b>Landscape Expenses</b>				
Landscape - Service Contract	\$ 168,000.00	\$ 168,000.00	\$ 14,000.00	\$ 70.35
Landscape - Extras	\$ 9,600.00	\$ 12,000.00	\$ 1,000.00	\$ 5.03
Irrigation Repairs	\$ 12,000.00	\$ 20,400.00	\$ 1,700.00	\$ 8.54
Tree Maintenance	\$ 30,000.00	\$ 33,996.00	\$ 2,833.00	\$ 14.24
<b>Total Landscape Expenses</b>	<b>\$ 219,600.00</b>	<b>\$ 234,396.00</b>	<b>\$ 19,533.00</b>	<b>\$ 98.16</b>

**East Bluff Unit No. 4 Community Association**  
**Fiscal Year 2024 APPROVED BUDGET**  
(February 1, 2023 - January 31, 2024)

	2023 Annual	2024 Annual	2024 Monthly	2024 Unit/Month
<b>Maintenance Expenses</b>				
Common Area Repairs & Maint	\$ 39,000.00	\$ 48,000.00	\$ 4,000.00	\$ 20.10
Pest Control	\$ 14,040.00	\$ 12,000.00	\$ 1,000.00	\$ 5.03
Lighting/ Electrical Service	\$ 9,600.00	\$ 9,600.00	\$ 800.00	\$ 4.02
Fire Watch - Inspect/Repair	\$ 984.00	\$ 780.00	\$ 65.00	\$ 0.33
Plumbing Maintenance	\$ 12,000.00	\$ 12,000.00	\$ 1,000.00	\$ 5.03
Plumbing - Remediation/Repairs	\$ 9,600.00	\$ 9,600.00	\$ 800.00	\$ 4.02
Roof Maintenance	\$ 18,000.00	\$ 24,000.00	\$ 2,000.00	\$ 10.05
Janitorial Maint Contract	\$ 6,540.00	\$ 6,540.00	\$ 545.00	\$ 2.74
Janitorial Supplies	\$ 1,200.00	\$ 1,200.00	\$ 100.00	\$ 0.50
<b>Total Maintenance Expenses</b>	<b>\$ 110,964.00</b>	<b>\$ 123,720.00</b>	<b>\$ 10,310.00</b>	<b>\$ 51.81</b>
<b>Pool Expenses</b>				
Pool/Spa Maintenance	\$ 22,380.00	\$ 24,900.00	\$ 2,075.00	\$ 10.43
<b>Total Pool Expenses</b>	<b>\$ 22,380.00</b>	<b>\$ 24,900.00</b>	<b>\$ 2,075.00</b>	<b>\$ 10.43</b>
<b>Utilities</b>				
Water & Sewer	\$ 110,400.00	\$ 103,200.00	\$ 8,600.00	\$ 43.22
Gas & Electric	\$ 36,000.00	\$ 42,000.00	\$ 3,500.00	\$ 17.59
Refuse & Recycling Services	\$ 11,328.00	\$ 12,300.00	\$ 1,025.00	\$ 5.15
<b>Total Utilities</b>	<b>\$ 157,728.00</b>	<b>\$ 157,500.00</b>	<b>\$ 13,125.00</b>	<b>\$ 65.95</b>
<b>Operating Contingency</b>				
Contingency Expense	\$ 36,444.00	\$ 39,360.00	\$ 3,280.00	\$ 16.48
<b>Total Operating Contingency</b>	<b>\$ 36,444.00</b>	<b>\$ 39,360.00</b>	<b>\$ 3,280.00</b>	<b>\$ 16.48</b>
<b>Total Operating Expenses - Before Reserve Contribution</b>	<b>\$ 765,420.00</b>	<b>\$ 826,464.00</b>	<b>\$ 68,872.00</b>	<b>\$ 346.09</b>
<b>Reserve Contribution</b>				
Monthly Reserve Contribution	\$ 422,592.00	\$ 432,828.00	\$ 36,069.00	\$ 181.25
<b>Total Reserve Contribution</b>	<b>\$ 422,592.00</b>	<b>\$ 432,828.00</b>	<b>\$ 36,069.00</b>	<b>\$ 181.25</b>
<b>Total Expenses</b>	<b>\$ 1,188,012.00</b>	<b>\$ 1,259,292.00</b>	<b>\$ 104,941.00</b>	<b>\$ 527.34</b>

## Required Annual Budget Report Statements

### **1. Pro Forma Operating Budget for Fiscal Year 2023-2024 Prepared on an Accrual Basis [Civil Code §5300(b)-(b)(1)]**

**Statement of Increase in Assessments:** With the new fiscal year for our Association, our Board of Directors has reviewed the operating budget with the goal of providing efficient operations and funding adequate reserves to meet long-term requirements. Based on this review, the Board has determined that, in order to maintain the financial integrity of our Association and to meet the ongoing maintenance costs, no increase to monthly assessments has been approved. As of February 1, 2023, the assessments will be as shown in the cover letter.

- a. The annual revenues are projected to be \$1,259,292.00 on an accrual basis.
- b. The projected annual expenses, including contribution to the Reserve Fund, are \$1,259,292.00.

### **2. Summary of the Association's Reserves [Civil Code §§5300(b)(2) and 5565]**

The Reserve Summary is based on the reserve study described in Section I(3) below (or the latest annual update to it). This information is based only on assets held in cash or cash equivalents. It includes: the current estimated replacement cost, estimated remaining life, and estimated useful life of each major component; the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components; and the current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain major components. It also shows the ratio, expressed as a percentage, between the current estimated replacement cost of each major component and the current amount of cash reserves set aside, and the current deficiency in reserve funding expressed on a per unit basis.

### **3. Summary of Board Adopted Reserve Funding Plan [Civil Code §§5300(b)(3) and 5550(b)(5)]**

In conjunction with the budget review and in accordance with California Civil Code §5550(a), the Board engages a professional reserve study analyst, at least once every three years, to prepare a reserve study, to review our reserve funding program and to make recommendations for future funding. The 3-year reserve study involves a visual inspection of our development. The accompanying replacement funding program reflects assumptions about future events. The replacement funding program is based on factors such as manufacturers' specifications, information from contractors and subcontractors, construction pricing, scheduling manuals and the reserve study preparer's experience. The analyst then uses this information to calculate and establish the reserve amounts needed to defray the future repairs, replacement or additions to the components that the Association is obligated to maintain. A copy of the full reserve study is available upon request.

### **4. Statement of Items Deferred for Maintenance, Repair or Replacement [Civil Code §5300(b)(4)]**

In accordance with Civil Code §5300(b)(4) and as of the date of this letter, the Board has chosen not to defer and will undertake replacement of any major component with a remaining life of 30 years or less.

### **5. Statement of Anticipated Special Assessments [Civil Code §5300(b)(5)]** In accordance with Civil Code §5300(b)(5), and as of the date of this letter, the board does not anticipate a special assessment in 2023. The foregoing statement is based on the reserve funding plan

adopted pursuant to Civil Code §5560 and the knowledge and information the Board has at the present time. Thus, this statement is not a guarantee, and it is subject to change in the future.

#### **6. Statement of Mechanisms to Fund Reserves [*Civil Code §5300(b)(6)*]**

The Board uses the following mechanism or mechanisms to fund reserves to repair or replace major components: **Regular Assessment and a Special Assessment**

#### **7. Statement Addressing Procedures Used to Calculate and Establish Reserves [*Civil Code §5300(b)(7)*]**

As provided in Civil Code §5550, the Board had a reserve study performed in 2021. A complete reserve study must be done at least once every three years and be reviewed and adjusted annually. In determining future needs, Civil Code §5570(b)(4) does not allow the Association to assume an earnings growth in the reserve fund that is more than two percent above the discount rate published by the Federal Reserve Bank of San Francisco at the time the calculation was made. As also required by Civil Code §5570(b)(4), the reserve study has calculated the total reserves currently needed by determining the current cost of replacement or repair of each major component multiplied by the number of years the component has been in service and then dividing by the total useful life of the component. In effect, this computes the percentage of each component's useful life that has been used up as of the date of the reserve study or annual review and converts that to a current dollar cost of repair or replacement. For example, if a component has been in service for two years, its total useful life is ten years, and the component would cost \$100,000 to replace, then 2/10 or 20% of its useful life has been used up. When 20% is multiplied by the current replacement cost of \$100,000, the result is \$20,000. In other words, the portion of its useful life that has been consumed would be worth \$20,000, thus the current cost of replacement or repair of that component would be \$20,000. When these figures are added up for all major components, the result is the current cost of replacement or repair for all major components. Note that Civil Code section 5570 does not require the Association to fund reserves in accordance with the above calculation.

Once the Board has the information from the reserve study on the current cost of replacement or repair for all major components, it compares that figure with the amount of reserves currently on hand to tell if it has an amount that is more, less, or equal to the current cost of replacement. It also looks at the amount on hand in comparison with how much additional money will be added to the reserves over the next several years in comparison with the amount of money projected to be expended over the same time period. It then determines if the funding level will be adequate for the next several years, and if not, what actions the Board may need to take to generate the funds that will be required, such as levying special assessments, additional regular assessments, borrowing the necessary funds, evaluating if the work will need to be done when projected, or if it can be delayed, or a combination of these actions. The Board also looks at whether the rate of funding the reserves will keep the Association on pace with the long-term cost of repairs and replacements or if it appears that the reserve fund will start falling behind the long-term costs of repair and replacement. Depending on that determination, the Board will plan for what long-term actions, if any, will be needed to assure that the funds will be available to repair and replace all major components when necessary.

#### **8. Statement Addressing Association's Outstanding Loans [*Civil Code §5300(b)(8)*]**

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



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

8/23/2022

**THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERNS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.**

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> LaBarre/Oksnee Insurance 30 Enterprise, Suite 180 Aliso Viejo CA 92656	<b>CONTACT NAME:</b> <b>PHONE</b> (A/G, No. Ext): 800-698-0711 <b>FAX</b> (A/G, No): 949-588-1275 <b>E-MAIL</b> ADDRESS: proof@hoa-insurance.com
	<b>INSURER(S) AFFORDING COVERAGE</b> <b>NAIC #</b>
	<b>INSURER A:</b> Sutton National Insurance <b>25798</b>
	<b>INSURER B:</b> Fireman's Fund Insurance Co. <b>21873</b>
	<b>INSURER C:</b> PMA Insurance Group <b>12262</b>
	<b>INSURER D:</b> Philadelphia Indemnity Ins. Co <b>18058</b>
	<b>INSURER E:</b>
	<b>INSURER F:</b>

<b>COVERAGES</b>	<b>CERTIFICATE NUMBER:</b> 600448035	<b>REVISION NUMBER:</b>
------------------	--------------------------------------	-------------------------

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADD'L SUR INSP WWD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS		
A	X COMMERCIAL GENERAL LIABILITY  CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR	Y	SNI0005922-01	8/24/2022	8/24/2023	EACH OCCURRENCE	\$ 1,000,000	
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300,000	
						MED EXP (Any one person)	\$ 5,000	
						PERSONAL & ADV INJURY	\$ 1,000,000	
						GENERAL AGGREGATE	\$ 2,000,000	
						PRODUCTS - COMP/OP AGG	\$ 2,000,000	
							\$	
	GEN'L AGGREGATE LIMIT APPLIES PER:  X POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:					COMBINED SINGLE LIMIT (Ea accident)	\$	
						BODILY INJURY (Per person)	\$	
						BODILY INJURY (Per accident)	\$	
						PROPERTY DAMAGE (Per accident)	\$	
							\$	
B	X UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE		USL01482121U-15100-7	7/31/2022	7/31/2023	EACH OCCURRENCE	\$ 15,000,000	
						AGGREGATE	\$ 15,000,000	
							\$	
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY  ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? <input type="checkbox"/> (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N N/A	2022010814715Y	8/24/2022	8/24/2023	X PER STATUTE	OTHR-ER	
						E.L. EACH ACCIDENT	\$ 1,000,000	
						E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000	
						E.L. DISEASE - POLICY LIMIT	\$ 1,000,000	
A C D	Property Crime/Fidelity Bond Directors & Officers	Y Y	SNI0005922-01 4122010814715Y PCAP011725-0518	8/24/2022 8/24/2022 8/24/2022	8/24/2023 8/24/2023 8/24/2023	\$25,000 Deductible \$10,000 Deductible \$1,000 Deductible	\$56,300,000 \$3,000,000 \$1,000,000	

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)**  
HOA consists of 199 units. Located in San Diego, CA.

Management Company is Additionally Insured on the General Liability, D&O Liability, and Fidelity Bond.

See 2nd page of certificate of insurance for further coverage information.

See Attached...

<b>CERTIFICATE HOLDER</b>	<b>CANCELLATION</b>
The Avalon Management Group, Inc. 3618 Ocean Ranch Blvd Oceanside, CA 92056 USA	<b>SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.</b>  <b>AUTHORIZED REPRESENTATIVE</b> 

© 1988-2015 ACORD CORPORATION. All rights reserved.



## ADDITIONAL REMARKS SCHEDULE

Page 1 of 1

AGENCY LaBarre/Oksnee Insurance	<b>NAMED INSURED</b> East Bluff Unit No. 4 c/o The Avalon Mgmt Group, Inc 3618 Ocean Ranch Blvd Oceanside CA 92056	
POLICY NUMBER		
CARRIER	NAIC CODE	EFFECTIVE DATE:

**ADDITIONAL REMARKS**

**THIS ADDITIONAL REMARKS FORM IS A SCHEDULE TO ACORD FORM,**  
**FORM NUMBER: 25 FORM TITLE: CERTIFICATE OF LIABILITY INSURANCE**

Single Entity Coverage (Walls In, excluding Improvements and Betterments)

**Coverage Includes:**

Special Form with 100% Replacement Cost  
 Guaranteed Replacement Cost  
 Equipment Breakdown  
 Wind/Hail  
 Building Ordinance or Law A+B+C  
 Inflation Guard and/or limits are reviewed yearly to ensure 100% replacement Cost  
 Severability of Interest / Separation of Insureds  
 Computer Fraud & Funds Transfer Fraud  
 Waiver of Rights of Recovery  
 No Co-Insurance  
 D&O is a Claims-Made Policy  
 \$100,000 for Cyber Liability  
 Hired and Non-Owned Auto Liability

**Earthquake Coverage:**

Earthquake Carrier: Lloyds of London  
 Earthquake Policy Number: AMR-72644-01  
 Policy Term: 2/1/2022 - 2/1/2023  
 Limit: \$25,000,000  
 Deductible: 5%

**Excess Crime/Fidelity Bond:**

Excess Fidelity Bond Carrier: ACE American Insurance Company  
 Excess Fidelity Bond Policy Number: TBD



**East Bluff Unit No. 4  
INSURANCE SUMMARY DISCLOSURE**

Pursuant to Section 5300 (b)(9) of the California Civil Code, the Association is providing you with the following information regarding its insurance policies. Pursuant to Civil Code Section 5300 (a), this summary is being distributed not less than 30 days nor more than 90 days preceding the beginning of the Association's fiscal year.

**I. GENERAL LIABILITY INSURANCE**

A. Name of Insurer:	Sutton National Insurance
B. Policy Limits:	\$1,000,000 per occurrence; \$2,000,000 aggregate
C. Amount of Deductible (if any):	\$0
D. Umbrella coverage, if applicable:	\$15,000,000
E. Umbrella carrier:	Fireman's Fund Insurance Company
F. Policy dates:	8/24/2022 - 8/24/2023

**II. PROPERTY INSURANCE**

A. Name of Insurer:	Sutton National Insurance
B. Policy Limits:	\$56,300,000
C. Amount of Deductible:	\$25,000
D. Policy dates	8/24/2022 - 8/24/2023

**II. EARTHQUAKE INSURANCE**

A. Name of Insurer:	Lloyds of London
B. Policy Limits:	\$25,000,000
C. Amount of Deductible:	5%
D. Policy dates	2/1/2022 - 2/1/2023

**III. FLOOD INSURANCE**

A. Name of Insurer:	None
B. Policy Limits:	
C. Amount of Deductible:	
D. Policy dates	

**IV. FIDELITY BOND INSURANCE**

A. Name of Insurer:	PMA Insurance Group/Ace American Insurance Company
B. Policy Limits:	\$3,000,000
C. Amount of Deductible:	\$10,000
D. Policy dates	8/24/2022 - 8/24/2023

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.

Pursuant to Section 5810 of the California Civil Code, if the association receives any notice of nonrenewal of a policy described in the annual budget report, the association shall immediately notify its members if replacement coverage will not be in effect by the date the existing coverage will lapse.

# Reserve Summary

*(As required by California Civil Code Section 5565)*

## EAST BLUFF UNIT NO. 4 COMMUNITY 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 EAST BLUFF UNIT NO. 4 COMMUNITY 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 January 31, 2023, the estimated ending reserve fund balance is \$1,475,500 and the estimated current replacement cost is \$9,394,118 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$16,563,982, 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 28.45%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$5,186,159.54 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 \$18,646.53. This is calculated by subtracting the ending balance (\$1,475,500) from the 100% funded figure (\$5,186,159.54), then divided by the number of ownership interests (199). 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 monthly amount of \$36,069.00 starting in 2024 (\$181.25 per unit per month for each of the 199 ownership interests) towards the reserve fund. To offset the over/under cash results of the report, we recommend and have included changes of 10.00% starting in 2025 for 7 years, 3.30% starting in 2032 for 1 year and 3.00% starting in 2033 for 21 years. The change is scheduled to take effect in the year 2025. This report includes Balance of Special Assessment Funds referred to additional revenue: \$297,188 in 2024 for 1 year, \$106,138 in 2025 for 1 year and \$84,910 in 2026 for 2 years. 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: February 1, 2023 through January 31, 2024**

<b>Category</b>	<b>Range of Full Useful Life</b>	<b>Range of Remaining Useful Life</b>	<b>Current Replacement Cost</b>	<b>Fund Balance on Feb 01, 2023</b>	<b>Reserve Allocation</b>	<b>Additional Revenue</b>	<b>Interest</b>
Asphalt & Concrete	4 to 28	0 to 25	\$715,303	\$143,857	\$42,199	\$28,975	\$966
Buildings, Balconies & Landings	8 to 30	0 to 13	\$319,196	\$63,050	\$18,495	\$12,699	\$423
Buildings, Doors	1 to 30	0 to 23	\$141,435	\$25,796	\$7,567	\$5,196	\$173
Buildings, Pony Walls	30 to 30	0 to 29	\$1,096,144	\$227,341	\$66,689	\$45,790	\$1,526
Buildings, Roofs	1 to 40	0 to 39	\$2,643,700	\$68,724	\$20,160	\$13,842	\$461
Buildings, Stucco, Flashing & Wood	20 to 25	0 to 19	\$666,823	\$146,033	\$42,838	\$29,413	\$980
Contingency	1 to 1	0 to 0	\$40,000	\$33,440	\$9,809	\$6,735	\$224
Electrical & Lights	1 to 30	0 to 24	\$179,375	\$25,028	\$7,342	\$5,041	\$168
Fence & Walls	12 to 45	9 to 29	\$431,698	\$10,492	\$3,078	\$2,113	\$70
Irrigation	12 to 30	0 to 11	\$313,658	\$119,462	\$35,043	\$24,061	\$802
Landscape	15 to 15	0 to 9	\$732,141	\$124,651	\$36,566	\$25,107	\$837
Mailboxes	28 to 50	11 to 11	\$35,410	\$4,337	\$1,272	\$874	\$29
Paint & Waterproofing	10 to 15	1 to 9	\$962,404	\$108,879	\$31,939	\$21,930	\$731
Pool Cabanas	1 to 35	0 to 11	\$120,525	\$43,327	\$12,710	\$8,727	\$291
Pools & Spas	4 to 30	0 to 7	\$270,621	\$105,167	\$30,850	\$21,182	\$706
Signage	20 to 40	0 to 13	\$25,153	\$7,346	\$2,155	\$1,480	\$49
Termite Control	1 to 20	0 to 19	\$496,680	\$80,680	\$23,667	\$16,250	\$542
Utilities	0 to 30	0 to 14	\$203,852	\$137,892	\$40,450	\$27,774	\$926
<b>Totals:</b>			<b>\$9,394,118</b>	<b>\$1,475,500</b>	<b>\$432,828</b>	<b>\$297,188</b>	<b>\$9,905</b>

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



# Assessment and Reserve Funding Disclosure Summary

## For the Fiscal Year Ending January 31, 2024

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

- (1) The regular assessment per ownership interest is variable per month, *of which approximately \$181.25 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. SEE "FY2024 BUDGET COVER LETTER"*

- (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>Passed in November 2021</i>	<i>See Exhibit 1</i>	<i>Various Projects</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  No

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:
<i>10.00% starting in 2025 for 7 years, 3.30% starting in 2032 for 1 year and 3.00% starting in 2033 for 21 years</i>	<i>(Current amount) X (the increases)</i>

- (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 **\$4,769,676.45**, as of **January 31, 2024**, 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 **\$1,181,867.03**, resulting in reserves being **24.78%** percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is **\$1,033,554**. (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 January 31, 2024

*(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" 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" 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**

Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow	Percent Funded	Contribution, Interest, Balance of Special Assessment Funds	Contribution Unit/Month	Funding Plan	
2023	\$5,186,160	\$1,475,500	28.45%				
2024	\$4,769,676	\$1,181,867	24.78%	\$739,921	\$181.25	0.00%	\$1,033,554
2025	\$4,491,226	\$868,962	19.35%	\$588,851	\$199.38	10.00%	\$901,756
2026	\$4,099,056	\$461,132	11.25%	\$610,998	\$219.31	10.00%	\$1,018,828
2027	\$4,062,812	\$446,952	11.00%	\$662,884	\$241.25	10.00%	\$677,065
2028	\$4,047,123	\$410,365	10.14%	\$635,139	\$265.37	10.00%	\$671,726
2029	\$4,108,577	\$496,786	12.09%	\$698,940	\$291.91	10.00%	\$612,519
2030	\$4,394,627	\$855,546	19.47%	\$771,643	\$321.10	10.00%	\$412,883
2031	\$4,654,365	\$1,243,476	26.72%	\$851,819	\$353.21	10.00%	\$463,889
2032	\$5,091,523	\$1,811,737	35.58%	\$885,105	\$364.86	3.30%	\$316,844
2033	\$4,947,642	\$1,811,231	36.61%	\$911,356	\$375.81	3.00%	\$911,863
2034	\$5,469,767	\$2,475,944	45.27%	\$944,493	\$387.08	3.00%	\$279,780
2035	\$5,334,283	\$2,495,786	46.79%	\$972,563	\$398.70	3.00%	\$952,721
2036	\$5,723,239	\$3,042,536	53.16%	\$1,006,216	\$410.66	3.00%	\$459,466
2037	\$6,430,859	\$3,904,620	60.72%	\$1,043,948	\$422.98	3.00%	\$181,864
2038	\$7,183,802	\$4,808,168	66.93%	\$1,083,085	\$435.67	3.00%	\$179,537
2039	\$7,966,538	\$5,737,316	72.02%	\$1,123,388	\$448.74	3.00%	\$194,240
2040	\$8,554,740	\$6,471,841	75.65%	\$1,162,778	\$462.20	3.00%	\$428,253
2041	\$9,326,216	\$7,386,133	79.20%	\$1,204,761	\$476.06	3.00%	\$290,469
2042	\$10,150,953	\$8,349,471	82.25%	\$1,248,276	\$490.35	3.00%	\$284,938
2043	\$10,905,867	\$9,240,441	84.73%	\$1,292,139	\$505.06	3.00%	\$401,169
2044	\$11,791,994	\$10,257,748	86.99%	\$1,338,226	\$520.21	3.00%	\$320,919
2045	\$12,167,257	\$10,769,756	88.51%	\$1,380,628	\$535.81	3.00%	\$868,621
2046	\$12,524,802	\$11,270,141	89.98%	\$1,423,822	\$551.89	3.00%	\$923,437
2047	\$12,946,763	\$11,840,166	91.45%	\$1,468,822	\$568.45	3.00%	\$898,797
2048	\$11,848,153	\$10,925,362	92.21%	\$1,500,875	\$585.50	3.00%	\$2,415,679
2049	\$12,650,500	\$11,909,743	94.14%	\$1,551,633	\$603.06	3.00%	\$567,252
2050	\$13,466,878	\$12,907,269	95.84%	\$1,604,559	\$621.16	3.00%	\$607,033
2051	\$14,326,803	\$13,946,986	97.35%	\$1,659,183	\$639.79	3.00%	\$619,466
2052	\$14,912,344	\$14,716,798	98.69%	\$1,712,581	\$658.98	3.00%	\$942,769
2053	\$14,653,872	\$14,664,118	100.07%	\$1,759,393	\$678.75	3.00%	\$1,812,073
	3 Year Sum:			\$33,838,027			\$20,649,409



**CHARGES FOR DOCUMENTS PROVIDED  
AS REQUIRED BY SECTION 4525\***

The seller may, in accordance with Section 4530 of the Civil Code, provide to the prospective purchaser, at no cost, current copies of any documents specified by Section 4525 that are in the possession of the seller.

A seller may request to purchase some or all of these documents, but shall not be required to purchase ALL of the documents listed on this form.

**Check or Complete Applicable Column or Columns Below:**

<b>Document</b>	<b>Civil Code Section Included</b>	<b>Fee for Document</b>	<b>Not Available (N/A) or Not Applicable (N/App), or Directly Provided by Seller and confirmed in writing by Seller as a current document (DP)</b>
Articles of Incorporation or statement that not incorporated	Section 4525(a)(1)	\$5.00	
CC&Rs	Section 4525(a)(1)	\$40.00	
Bylaws	Section 4525(a)(1)	\$25.00	
Operating Rules	Section 4525(a)(1)	\$10.00	
Age restrictions, if any	Section 4525(a)(2)	\$10.00	
Rental restrictions, if any	Section 4525(a)(9)	\$10.00	
Annual budget report or summary, including reserve study	Sections 5300 and 4525(a)(3)	\$25.00	
Assessment and reserve funding disclosure summary	Sections 5300 and 4525(a)(4)	\$10.00	
Financial statement review	Sections 5305 and 4525(a)(3)	\$25.00	
Assessment enforcement policy	Sections 5310 and 4525(a)(4)	\$10.00	
Insurance summary	Sections 5300 and 4525(a)(3)	\$10.00	
Regular assessment	Section 4525(a)(4)	\$10.00	
Special assessment	Section 4525(a)(4)	\$10.00	
Emergency assessment	Section 4525(a)(4)	\$10.00	
Other unpaid obligations of seller	Sections 5675 and 4525(a)(4)	\$10.00	
Approved changes to assessments	Sections 5300 and 4525(a)(4), (8)	\$10.00	
Settlement notice regarding common area defects	Sections 4525(a)(6), (7), and 6100	\$10.00	
Preliminary list of defects	4525(a)(6), 6000, and 6100	\$10.00	
Notice(s) of violation	Sections 5855 and 4525(a)(5)	\$10.00	
Required statement of fees	Section 4525	\$10.00	
Minutes of regular board meetings conducted over the previous 12 months, if requested	Section 4525(a)(10)	\$75.00	

**Total fees for these documents:**

\* The information provided by this form may not include all fees that may be imposed before the close of escrow. Additional fees that are not related to the requirements of Section 4525 may be charged separately.

## **ENFORCEMENT / MONETARY PENALTIES**

The Association and/or any owner has the right to enforce the Association's governing documents, including the Rules and Regulations. This right includes requesting the violator to cease the offending action, taking legal action against the violator and making a complaint to the Board of Directors. Once a resident gives the Board of Directors a written complaint that a rule has been violated, the Board will investigate the allegation and may take action against the offending resident, including but not limited to, fining or specially assessing (if appropriate) or instituting legal action. However, nothing in this section obligates or requires the Board of Directors or authorized committee to take any action against an individual resident. The Board of Directors, in making this decision, will determine the costs and benefits of taking such action.

### **A. DUE PROCESS:**

Prior to the imposition of any fine, individual reimbursement assessment or suspension of rights, the homeowner shall be given notice and an opportunity to appear in person or in writing before the Board of Directors or appropriate committee.

### **B. ENFORCEMENT GUIDELINES:**

GENERALLY, though not necessary, the Association will adhere to the following schedule:

1. First Offense: Warning Letter and Request to Correct Violation (if applicable). Possible fine not to exceed \$100.00, special assessment to reimburse the Association for costs incurred in compelling compliance, suspension of privileges.
2. Second Offense: Possible imposition of fine not to exceed \$250.00, individual assessment to reimburse the Association for costs to compel compliance, suspension of privileges. Institute Alternative Dispute Resolution and/or Internal Dispute Resolution. Filing of lawsuit.
3. Third Offense: Possible imposition of fine not to exceed \$500.00, special assessment to reimburse the Association for costs to compel compliance, suspension of privileges. Institution of Alternative Dispute Resolution and/or Internal Dispute Resolution. Filing of lawsuit.

Depending on the severity and frequency of the violation and violator, the choice of the enforcement procedure(s) and/or the enforcement remedy utilized may vary. Fines will usually vary from \$100.00 to \$500.00. In extreme cases, the fines may be substantially higher.

**SUMMARY OF PROCEDURES FOR ARCHITECTURAL REVIEW**  
**[Civil Code §5310(a)(10), §4765, and §4765(c)]**

The Association requires prior written approval of certain architectural changes that you make to your property. The general types of changes that require Association approval are described as follows: all exterior additions and modifications require written architectural approval, all changes to structural members, all changes to water, sewer, electrical and other utility components, all changes that would require a building permit, etc. You should review the Association's Declaration, Bylaws, Rules, Architectural Guidelines and Article 7 of the CC&R's for more specific information.

**7.1 General.** Any change or improvement to the exterior of a Unit, or to the interior which affects the exterior of Unit, any wall, or any mechanical or utility systems (HVAC systems, gas, water or electrical pipes or wires, etc.), or the structural integrity of any building, shall be governed by this Article. Changes or improvements to the Common Area by the Association do not need to comply with the requirements of this Article. The powers and duties set forth in this Article shall be vested in, and exercised by, the Board.

**7.2 General Changes Requiring Prior Approval.** Nothing may be erected, placed or planted on the exterior of any Unit, or on the Common Area by any Owner, including any fence, wall, pool, spa, obstruction, outside or exterior wiring, balcony, screen, patio, patio cover, tent, awning, trellis, tree, grass, shrub or other landscaping, any improvement or structure of any kind without the prior written approval of the Board. Modifications to the interior of Units which involve alterations to the floor plan, or removal of a wall or have the potential to affect the Common Area, including the walls, roofs and mechanical or utility systems shall require prior approval. Additionally, prior written Board approval shall be required for any alteration, modification, painting or other change or addition to any existing improvement or landscaping.