

**Seal Beach Mutual Fifteen
Operating Budget
Year Ended December 31, 2017**

502 Apartments	Average Monthly Per Apartment			Operating Budget In Dollars		
	2017	2016	Change	2017	2016	Change
Electricity	7.50	8.50	(1.00)	45,180	51,204	(6,024)
Water	12.42	14.06	(1.64)	74,818	84,697	(9,879)
Trash	8.04	7.94	0.10	48,433	47,831	602
Total Utilities	27.96	30.50	(2.54)	168,431	183,732	(15,301)
Management Fee	0.56	0.56	0.00	3,373	3,373	0
Legal Fees	2.75	1.00	1.75	16,566	6,024	10,542
Investment Fees	1.33	1.33	0.00	8,012	8,012	0
Total Professional Fees	4.64	2.89	1.75	27,951	17,409	10,542
Custodial Services	11.81	12.78	(0.97)	71,143	76,987	(5,844)
Landscape - Contract	23.90	23.74	0.16	143,974	143,010	964
Landscape - Extras	9.00	11.71	(2.71)	54,216	70,541	(16,325)
Landscape - Trees	7.35	6.14	1.21	44,276	36,987	7,289
Green Waste Bins	1.25	1.23	0.02	7,530	7,410	120
Painting	0.75	0.50	0.25	4,518	3,012	1,506
Pest Control	2.10	1.90	0.20	12,650	11,446	1,204
Structural Repairs	17.93	16.93	1.00	108,010	101,986	6,024
Miscellaneous Services	0.75	0.75	0.00	4,518	4,518	0
Escrow Expense	0.00	0.00	0.00	0	0	0
Office Supplies	0.20	0.20	0.00	1,205	1,205	0
Standard Service	16.60	16.60	0.00	99,998	99,998	0
Total Services	91.64	92.48	(0.84)	552,038	557,100	(5,062)
State & Federal Taxes	0.00	0.00	0.00	0	0	0
Property & Liability Insurance	20.15	20.94	(0.79)	121,384	126,143	(4,759)
Total Taxes & Insurance	20.15	20.94	(0.79)	121,384	126,143	(4,759)
Operating Expenses	144.39	146.81	(2.42)	869,804	884,384	(14,580)
Income from Services						
Merchandise Sales	0.00	0.00	0.00	0	0	0
Laundry Machines	1.59	1.66	(0.07)	9,578	10,000	(422)
Total Services Income	1.59	1.66	(0.07)	9,578	10,000	(422)
Financial Income						
Interest Income	5.26	6.13	(0.87)	31,686	36,927	(5,241)
Interest Income Allocation	0.00	0.00	0.00	0	0	0
Late Charges	0.05	0.05	0.00	301	301	0
Inspection Fees	5.31	5.31	0.00	31,987	31,987	0
Carport Rental	0.28	0.32	(0.04)	1,687	1,928	(241)
Miscellaneous	0.00	0.00	0.00	0	0	0
Total Financial Income	10.90	11.81	(0.91)	65,661	71,143	(5,482)
Operating Income	12.49	13.47	(0.98)	75,239	81,143	(5,904)
Net Operating Cost	131.90	133.34	(1.44)	794,565	803,241	(8,676)
Reserve Funding	68.46	4.51	63.95	412,404	27,152	385,252
Capital Funding	0.00	59.82	(59.82)	0	360,372	(360,372)
Total Mutual Operating Costs	200.36	197.67	2.69	1,206,969	1,190,765	16,204
Allocated Trust Cost	144.69	144.15	0.54	871,613	868,360	3,253
Regular assessment	345.05	341.82	3.23	2,078,581	2,059,125	19,457

Property taxes are assessed to the stockholder's unit and are added to the regular assessment and become part of the monthly payment. Accordingly, they are excluded from the operating budget.

**Seal Beach Mutual Fifteen
Assessment And Reserve Funding Disclosure Summary**

- 1) The current regular assessment per ownership interest per month is \$ 345.05 and the portion allocated to reserves per ownership interest per month is \$ 68.46 .
- 2) Neither the board nor the members have approved additional assessments for any purpose.
- 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 component during the next 30 years?
 Yes X No
- 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?
- 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 5570, the estimated required amount to be in the reserve fund at the end of the 2016 fiscal year is \$ 2,482,079 based in whole or in part on the last reserve study or update prepared by the board as of 9/12/2016. The projected reserve fund cash balance at the end of the 2016 fiscal year is \$ 1,372,519 reserves being 55.3% funded at this date.
- 7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated required amount to be in the reserve fund, the projected fund balance of those years, taking into account only assessments approved and other known revenues, and the percentage funded at the end of each of the next five years is:

Year	Required Funding	Projected Fund Bal.	% Funded
2017	\$ 2,319,210	1,255,040	54.1%
2018	2,420,741	1,407,040	58.1%
2019	2,597,772	1,654,667	63.7%
2020	2,794,803	1,943,056	69.5%
2021	2,652,333	1,854,675	69.9%

This financial representation set forth in this summary are based on the best estimates of the board at this time and is further predicated on the board maintaining the current Reserve Funding Plan.

**Seal Beach Mutual Fifteen
Replacement Reserve Summary
Budget Year 2017**

While preparing the annual operating budget, the board reviews the conditions and assumptions regarding the common interest of the Mutual. This review consists of updating the replacement cost and remaining useful life of the Mutual's common interest property. This data is used to develop reserve requirements using the formula set forth in Civil Code 5570 (b) (4). The board expects to finance all replacements through regular assessments to the shareholders. Accordingly, the board does not plan any special assessments.

Component	Estimated			Reserve Funding			
	Useful Life	Remaining Life	Replacement Cost	Required Funding	Estimated Beg. Bal.	Planned 2017 Funding	Estimated % Funded
Paint	6 - 10	0 - 5	651,400	358,983	159,784	199,200	100.0%
Roof	12 - 30	4 - 22	2,392,000	1,377,467	991,229	50,279	75.6%
Infrastructure	1 - 40	0 - 28	939,500	745,629	221,506	130,442	47.2%
Total			3,982,900	2,482,079	1,372,519	379,921	70.6%

**Seal Beach Mutual Fifteen
Project Listing for Budget Year
2017**

Painting Reserve Projects

Description	Unit		Base Line		Year Acqurd	Repl Year	Yrs. In Serv.	Useful Life	Years Left	Fnding Ratio	Required Balance	Est. Beg Bal	(Surplus)/ Deficit	% Funded
	#	Cost	Year	Cost										
Metal Fence/Rail - Repaint	1	53,500	2017	53,500	2012	2018	5	6	1	83.3%	44,583	19,643	24,941	44.1%
Laundry Rooms	13	1,615	2017	21,000	2012	2022	5	10	5	50.0%	10,500	4,626	5,874	44.1%
Ext. Flatworks-Carports	12	3,083	2017	37,000	2012	2022	5	10	5	50.0%	18,500	8,151	10,349	44.1%
Ext. Flatworks-Res Bldgs -	48	10,313	2017	495,000	2012	2022	5	10	5	50.0%	247,500	109,044	138,456	44.1%
Parking Spaces - Restripe	1	2,900	2017	2,900	2007	2017	10	10	0	100.0%	2,900	2,900	0	100.0%
Wood Surfaces - Repair	1	42,000	2017	42,000	2012	2018	5	6	1	83.3%	35,000	15,420	19,580	44.1%
<i>Set aside for painting</i>		113,411		651,400							358,983	159,784	168,385	44.5%

Roofing Reserve Projects

Description	Unit		Base Line		Year Acqurd	Repl Year	Yrs. In Serv.	Useful Life	Years Left	Fnding Ratio	Required Balance	Est. Beg Bal	(Surplus)/ Deficit	% Funded
	#	Cost	Year	Cost										
Flat Roofing	9	15,667	2017	141,000	2013	2025	4	12	8	33.3%	47,000	33,821	13,179	72.0%
2-Story (1-BR)	1	44,000	2017	44,000	2005	2035	12	30	18	40.0%	17,600	12,665	4,935	72.0%
2-Story (2-BR)	2	57,500	2017	115,000	1991	2021	26	30	4	86.7%	99,667	71,720	27,946	72.0%
2-Story (2-BR)	3	53,333	2017	160,000	2005	2035	12	30	18	40.0%	64,000	46,055	17,945	72.0%
2-Story (2-BR)	2	57,500	2017	115,000	2006	2036	11	30	19	36.7%	42,167	30,343	11,823	72.0%
2-Story (2-BR)	4	55,000	2017	220,000	2007	2037	10	30	20	33.3%	73,333	52,771	20,562	72.0%
2-Story (2-BR)	4	55,000	2017	220,000	2008	2038	9	30	21	30.0%	66,000	47,494	18,506	72.0%
2-Story (2-BR)	5	56,000	2017	280,000	2009	2039	8	30	22	26.7%	74,667	53,730	20,936	72.0%
4-Unit (Atrium)	4	26,250	2017	105,000	1992	2022	25	30	5	83.3%	87,500	62,965	24,535	72.0%
4-Unit (Loft)	3	30,000	2017	90,000	1991	2021	26	30	4	86.7%	78,000	56,129	21,871	72.0%
8-Unit (Atrium)	11	49,091	2017	540,000	1992	2022	25	30	5	83.3%	450,000	323,821	126,179	72.0%
Comp Shingle-Carports	12	26,667	2017	320,000	1994	2024	23	30	7	76.7%	245,333	176,543	68,791	72.0%
Comp Shingle - Laundry	13	3,231	2017	42,000	1994	2024	23	30	7	76.7%	32,200	23,171	9,029	72.0%
<i>Set aside for roofing</i>		529,238		2,392,000							1,377,467	991,229	386,237	72.0%

**Seal Beach Mutual Fifteen
Project Listing for Budget Year
2017**

Infrastructure Reserve Projects

Description	Unit		Base Line		Year Acquird	Repl Year	Yrs. In Serv.	Useful Life	Years Left	Fnding Ratio	Required Balance	Est. Beg Bal	(Surplus)/ Deficit	% Funded
	#	Cost	Year	Cost										
Carport Concrete	12	2,083	2017	25,000	1975	2025	42	50	8	84.0%	21,000	6,239	14,761	29.7%
Walkway Concrete	1	75,000	2017	75,000						100.0%	75,000	22,280	52,720	29.7%
Walkway Pole Lights Repl	221	258	2017	57,000	1997	2017	20	20	0	100.0%	57,000	16,933	40,067	29.7%
Mechanical Lifts - Replace	1	40,500	2017	40,500						100.0%	40,500	12,031	28,469	29.7%
Mailboxes	40	1,038	2017	41,500	1997	2017	20	20	0	100.0%	41,500	12,329	29,171	29.7%
Metal Fence/Rail - Repair	1	115,000	2017	115,000	2010	2030	7	20	13	35.0%	40,250	11,957	28,293	29.7%
Tile Floor - Replace	1	45,500	2017	45,500	1993	2023	24	30	6	80.0%	36,400	10,813	25,587	29.7%
Irrigation Controllers - Rep	1	20,000	2017	20,000	2007	2019	10	12	2	83.3%	16,667	4,951	11,715	29.7%
Gutters Phase 1 - Replace	1	72,500	2017	72,500	1992	2032	25	40	15	62.5%	45,313	13,461	31,851	29.7%
Gutters Phase 2 - Replace	1	75,000	2017	75,000	2005	2045	12	40	28	30.0%	22,500	6,684	15,816	29.7%
Elastomeric Deck - Resurfa	1	92,000	2017	92,000	2005	2021	12	16	4	75.0%	69,000	20,498	48,502	29.7%
Elastomeric Deck - Seal/Re	1	42,500	2017	42,500	2013	2017	4	4	0	100.0%	42,500	12,626	29,874	29.7%
Skylights - Replace	1	12,000	2017	12,000	2016	2017	1	1	0	100.0%	12,000	3,565	8,435	29.7%
Distribution Piping	5	5,200	2017	26,000						100.0%	26,000	7,724	18,276	29.7%
Sewer Lines - Replace	1	190,000	2017	190,000						100.0%	190,000	56,444	133,556	29.7%
Termite - Treat	1	10,000	2017	10,000	2016	2017	1	1	0	100.0%	10,000	2,971	7,029	29.7%
Set aside for infrastucture		798,579		939,500							745,629	221,506	524,123	29.7%
		1,441,228		3,982,900										
Total requirement for replacement reserve											2,482,079	1,372,519	1,078,746	55.3%

**Seal Beach Mutual Fifteen
Reserve Contributions
Budget Year 2017**

Fund	Estimated Remaining Life	Current Replacement Cost	Reserve Balance Required	Est. Beg. Bal.	Annual Contribution	
Appliance	Note (1)	50,000	50,000	17,517	32,483	
Monthly contribution to the Appliance fund						5.39
Painting	0 - 5	651,400	358,983	159,784	199,200	Note (2)
Roofing	4 - 22	2,392,000	1,377,467	991,229	50,279	Note (3)
Infrastructure	0 - 28	939,500	745,629	221,506	130,442	Note (4)
Contributions to the Replacement Reserves			2,482,079	1,372,519	379,921	63.07
Emergency				516,786	0	Note (5)
Capital Fund					-	Note (6)
Total for budget				1,906,822	412,404	68.46

Project Reserve Contribution Comparison				
Project	2017	2016	Change	Chg PAPM
Appliance	32,483	27,152	5,331	0.88
Painting	199,200	-	199,200	33.07
Roofing	50,279	-	50,279	8.35
Infrastruct	130,442	-	130,442	21.65
Emergency	-	-	-	-
Capital Fund	-	360,372	(360,372)	(59.82)
Total	412,404	387,524	24,880	4.13

Notes:

- 1) The appliance fund is used to fund the replacement of appliances and fixtures. The value of this fund is calculated annually and is the sum of the estimated current replacement plus an allowance for contingency that represents percentage of the average of the previous five years transfers from the appliance fund. Current installed replacement cost for this calculation is \$65,390 and the contingency is a reduction of \$15,390 for a total requirement of \$50,000. For 2017 the board decided to fund this reserve for \$32,483.
- 2) The board decided to fund the painting reserve for \$227,249 in 2017.
- 3) The board decided to fund the roofing reserve for \$87,584 in 2017.
- 4) The board decided to fund the infrastructure reserve for \$65,101 in 2017.
- 5) The board decided to not fund the emergency reserve in 2017.
- 6) The board decided to establish a capital fund in 2016 for future capital improvements for the Mutual. The initial funding in 2016 was for \$360,372. The board decided not to fund the Capital fund in 2017

**Seal Beach Mutual Fifteen
Appliance Replacement History**

Item																Unit	Installed Cost		
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Total	5 yr Avg.	Unit	Extended	
Cooktops	7	8	4	2	3	5	4	12	8	25	8	41	18	35	180	5	\$287	\$ 1,435	
Ovens	13	8	11	13	9	13	4	12	10	13	14	13	24	26	183	11	1,051	11,566	
Refrigerators	30	21	20	22	15	19	18	23	34	22	23	21	17	25	310	22	888	19,540	
Hot Water Heaters	16	19	4	13	6	19	4	34	9	55	15	63	40	44	341	12	624	7,489	
Garbage Disposals	10	17	11	14	8	17	13	19	22	18	18	34	28	35	264	12	212	2,541	
Sinks - Bath	9	11	18	9	2	7	6	7	8	15	17	21	25	24	179	10	155	1,554	
Sinks - Kitchen	4	2	4	2	3	10	5	4	9	15	6	17	13	21	115	3	525	1,576	
Counters - Bath	0	0	0	1	0	4	0	0	3	0	0	1	2	1	12	0	620	0	
Counters - Kitchen	0	0	0	1	0	6	0	2	2	1	0	0	1	4	17	0	1,373	0	
Bath Heaters and Fan	5	7	6	4	0	4	1	0	2	5	14	21	29	41	139	4	519	2,076	
Toilets	24	22	32	25	6	24	13	29	19	9	25	24	29	20	301	22	308	6,777	
Faucet - Bath	12	10	19	5	4	11	9	7	9	19	22	25	25	30	207	10	191	1,914	
Faucet - Kitchen	17	14	13	12	5	24	13	23	15	20	14	20	19	33	242	12	165	1,982	
Hot Water Tanks - Laund	0	0	0	0	0	0	4	0	1	0	0	0	0	0	5	0	1,199	0	
Washers	3	5	4	4	4	6	6	1	4	2	4	2	7	5	57	4	1,079	4,316	
Dryers	4	1	3	4	4	1	1	2	5	5	7	2	4	7	50	3	875	2,624	
Estimated replacement cost based on average replacement history - 2011 to 2015 x current pricing																			\$ 65,390

Appliances can be billed on bill codes other than replacement. As such, total replacement expenditures to the right may be less than the total value of replacement items listed above.

Actual expenditures:		
2015		47,648
2014		39,655
2013		38,129
2012		58,764
2011		34,994
2010		67,262
2009		40,980
2008		54,033
5 yr average	\$	43,838
Contingency Factor		-35%
Contingency for error		(15,390)
Combined current and contingent appliance replacements	\$	<u><u>50,000</u></u>

SEAL BEACH MUTUAL FIFTEEN
FLOW OF RESERVE FUNDS

Year	Beginning Fund	Annual Funding*	Interest** 0.00%	Loans or Assessments	Expenses	Ending Fund
2016						1,372,519
2017	1,372,519	379,921	0		497,400	1,255,040
2018	1,255,040	394,320	0		242,320	1,407,040
2019	1,407,040	417,979	0		170,352	1,654,667
2020	1,654,667	443,058	0		154,669	1,943,056
2021	1,943,056	469,641	0		558,022	1,854,675
2022	1,854,675	497,819	0		1,624,841	727,653
2023	727,653	527,688	0		231,553	1,023,788
2024	1,023,788	559,349	0		782,978	800,159
2025	800,159	592,910	0		473,525	919,544
2026	919,544	628,485	0		195,705	1,352,324
2027	1,352,324	666,194	0		207,826	1,810,692
2028	1,810,692	706,166	0		211,675	2,305,183
2029	2,305,183	748,536	0		288,185	2,765,534
2030	2,765,534	793,448	0		579,445	2,979,537
2031	2,979,537	841,055	0		272,740	3,547,852
2032	3,547,852	891,518	0		1,374,119	3,065,251
2033	3,065,251	922,721	0		337,138	3,650,834
2034	3,650,834	955,016	0		267,837	4,338,013
2035	4,338,013	988,442	0		691,817	4,634,638
2036	4,634,638	1,023,037	0		733,183	4,924,492
2037	4,924,492	1,058,843	0		1,609,159	4,374,176
2038	4,374,176	1,095,903	0		814,660	4,655,419
2039	4,655,419	1,134,260	0		989,441	4,800,238
2040	4,800,238	1,173,959	0		338,899	5,635,298
2041	5,635,298	1,215,048	0		461,395	6,388,951
2042	6,388,951	1,257,575	0		2,095,347	5,551,179
2043	5,551,179	1,301,590	0		436,664	6,416,105
2044	6,416,105	1,347,146	0		396,463	7,366,788
2045	7,366,788	1,394,296	0		637,224	8,123,860
2046	8,123,860	1,443,096	0		428,815	9,138,141
Totals		25,869,019	0	0	18,103,397	

* Contributions are based on estimates reported in the most recent reserve study dated September 12, 2016.

** Interest earned on the fund is currently not reinvested in the fund.