

PROFORMA OPERATING BUDGET

STATEMENT OF GENERAL INFORMATION

This budget is provided as a Good Faith Estimate based on building plans available at the time of preparation which is generally prior to construction and/or completion for new projects or from a combination of existing building plans and/or site inspections for existing projects. For existing projects Actual Operating Experience and other Historical data may have been used to develop certain projected sources of Income and/or Expenses.

The subject Association must adopt an Operating Budget in accordance with applicable California Civil Codes to obtain a Subdivision Public Report issued by the State of California Department of Real Estate.

If the Operating Budget provided to you as a Buyer is less than 10% or greater than 20% than the Budget amount referenced in the Subdivision's Public Report you should contact the Department of Real Estate.

The Association, through its Board of Directors, may increase or decrease its Annual Operating Budget. It should be expected that the costs of operations will increase as the Development ages. It should be further understood that it is the responsibility of the Association, through its Board of Directors, to review both the Operating Expenses as well as the Initial Reserve Fund Projections after the first year of operations to consider any changes which may have taken place during construction and initial sales.

SUBDIVISION IDENTIFICATION AND LOCATION

DRE FILE NUMBER (If known)	SPECIAL INVESTIGATOR ASSIGNED (if known)	
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NAME AND/OR TRACT NUMBER	NAME TO BE USED IN ADVERTISING	
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BARON COMMONS – Tract 10188		
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STREET ADDRESS (IF ANY)	CITY	COUNTY
	Santa Clara	Santa Clara

MAIN ACCESS ROAD(s)	NEAREST CITY/TOWN	MILES FROM CITY/TOWN
Harrison & The Alameda	N/A	N/A

DESCRIPTION OF SUBDIVISION

TYPE	NUMBER OF LOTS/UNITS	PHASE NUMBER	TOTAL NUMBER IN PROJECT	COMPLETION DATE	NUMBER OF ACRES
PUD	6	1	1	Completed	.40

BUDGET PREPARED BY

Anderson Property Group, Inc.	Arden Anderson	925-277-8178
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ADDRESS	CITY	ZIP CODE
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PO Box 582	Star, ID	83669
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CERTIFICATION

I declare under penalty of perjury that the representation provided in this document and all documents submitted as a part of this Proforma Annual Operating Budget are true and complete to the best of my knowledge and belief.

The undersigned certifies that this electronic recreation of Department of Real Estate form RE 623 contains at least the same information as the DRE approved form ID 62300200B015.

SIGNATURE OF BUDGET PREPARER



DATE

May 7, 2024

ANNUAL OPERATING BUDGET

BARON COMMONS HOMEOWNERS ASSOCIATION

Annual Operating Budget **First Fiscal Year**
Number of Units **6**

INCOME	PER UNIT	MONTHLY	ANNUAL
ASSESSMENTS	\$438.78	\$2,632.68	\$31,592
Interest - Reserve Fund	0.00	0	0
TOTAL INCOME	\$438.78	2,632.68	\$31,592

EXPENSES

ADMINISTRATIVE

Management Services Contract	166.67	1000.00	12,000
Accounting Services - Annual	10.42	62.50	750
Printing and Postage	3.50	21.00	252
Memberships and Publications	6.94	41.67	500
Legal and Professional	20.83	125.00	1,500
Common Area Inspections and Reports	34.72	208.33	2,500
State and Federal Taxes	0.00	0.00	0
Insurance - Property, Liability and Fidelity	54.86	329.17	3,950
Insurance - Liability Umbrella	0.00	0.00	0
Insurance - Directors and Officers	23.61	141.67	1,700
Insurance - Earthquake	0.00	0.00	0
Miscellaneous Administrative	24.12	144.70	1,736
TOTAL ADMINISTRATIVE	345.67	2,074.03	24,888

GENERAL MAINTENANCE

Maintenance Services and Supplies	10.42	62.50	750
Storm Drain Maintenance Program	20.83	125.00	1,500
Miscellaneous General Maintenance	2.34	14.06	169
TOTAL GENERAL MAINTENANCE	33.59	201.56	2,419

LANDSCAPING	PER UNIT	MONTHLY	ANNUAL
Landscaping Services and Supplies	0.00	0.00	0
Miscellaneous Landscaping	0.00	0.00	0
TOTAL LANDSCAPING	0.00	0.00	0
UTILITIES			
Natural Gas	0.00	0.00	0
Electricity	0.00	0.00	0
Water and Sewer	0.00	0.00	0
Refuse Collection	0.00	0.00	0
Miscellaneous Utilities	0.00	0.00	0
TOTAL UTILITIES	0.00	0.00	0
TOTAL OPERATING EXPENSE	379.27	2,275.60	27,307
TOTAL RESERVE CONTRIBUTION	59.51	357.08	4,285
TOTAL OPERATING AND RESERVES	\$438.78	\$2,632.68	\$31,592

BUDGET ASSUMPTIONS

INCOME

Income for the **BARON COMMONS HOMEOWNERS ASSOCIATION** is derived primarily from monthly assessments paid by the six (6) Homeowners who are Members of the Association. An additional source of income for the Association is:

1. Interest from the Reserve Fund

ASSESSMENTS - \$31,592

The Monthly per Home Assessment of \$438.78 is computed to equal the amount of income necessary to meet all Operating and Reserve Expenses less income from other sources.

INTEREST – RESERVE FUND - \$0

Interest earned on the investment of the Reserve Fund is directly reinvested in the Reserve Fund to help offset the impact of inflation. This income source therefore is not considered as a source of additional income for the Operating Account.

EXPENSES

ADMINISTRATIVE

MANAGEMENT SERVICES CONTRACT - \$12,000

This category provides for the cost of routine management of the Association's ongoing operation and corporate affairs under the terms of a management services agreement. This projection is based on preliminary information provided by The Bridgeport Company, of San Ramon.

ACCOUNTING SERVICES – ANNUAL - \$750

This category provides for the filing of Federal and State tax returns. Even though the Association is a nonprofit corporation, it is required to file state and federal tax returns.

PRINTING AND POSTAGE - \$252

This category provides for the printing, reproduction and mailing costs of the Association. This includes, but is not limited to the Annual Meeting notice and provision of this Annual Budget package as well as all routine communications of the Association.

MEMBERSHIPS AND PUBLICATIONS - \$500

This provision is made for any memberships in trade organizations for the Association as well as the purchase of educational materials for the members of the Board of Directors.

LEGAL AND PROFESSIONAL - \$1,500

Periodically the Board of Directors may need to seek opinions and advice of legal and technical personnel. This category provides for those expenses.

COMMON AREA INSPECTION AND REPORTS - \$2,500

This provision is for the cost of the annual inspection and reports on the Common Area. Included is the cost of any architects, engineers and other professionals as may be necessary.

STATE AND FEDERAL TAXES - \$0

While regular assessments paid to the Association are exempt from Federal and State income taxes, all other sources of revenue are non-exempt and therefore subject to taxation.

INSURANCE – PROPERTY, LIABILITY AND FIDELITY - \$3,950

This category provides for the casualty insurance coverage for the Association as specified in the Governing Documents. Projected premiums are based on preliminary projections provided by John L. Brady Insurance, of Pleasanton.

INSURANCE – DIRECTORS AND OFFICERS - \$1,700

This category provides for the insurance coverage for the Board of Directors.

INSURANCE – EARTHQUAKE - \$0

There is no provision for a common expense as the Association is not purchasing coverage for loss due to an earthquake.

MISCELLANEOUS ADMINISTRATIVE - \$1,736

This is a contingency provision for the unscheduled Administrative expenses of the Association and is calculated as 7.5% of the total Administrative category.

GENERAL MAINTENANCE

MAINTENANCE SERVICES AND SUPPLIES - \$750

This category provides for the periodic use of trades and services for the general maintenance and upkeep of the Common Area. This includes, but is not limited to the pavers and associated concrete paving.

STORM DRAIN MAINTENANCE PROGRAM - \$1,500

This category provides for the periodic cleaning of the storm drains and bio retention areas in the Common Area. Other specific requirements will be borne by the individual Lot Owner.

MISCELLANEOUS GENERAL MAINTENANCE - \$169

This is a contingency provision for unscheduled General Maintenance expenses and is computed as 7.5% of the total General Maintenance category.

LANDSCAPING

There are no provisions for a common expense for Landscape Maintenance as it is the responsibility of each Owner to maintain the landscaping on their Lot and there is no landscaping on Common Area lot, Lot 7.

UTILITIES

NATURAL GAS - \$0

There is no provision for a common expense as each Owner is responsible for the natural gas usage for their home.

ELECTRICITY - \$0

There is no provision for a common expense as each Owner is responsible for the electrical usage for their home.

WATER AND SEWER - \$0

There is no provision for a common expense as each Owner is responsible for the water usage for their home for both domestic and irrigation usage.

REFUSE COLLECTION - \$0

There is no provision for a common expense as each Owner is responsible for the cost of refuse collection for their home.

MISCELLANEOUS UTILITIES - \$0

This is a contingency provision for unscheduled Utility expenses and is calculated as 3% of the total Utility category.

RESERVES

RESERVE CONTRIBUTION - \$4,285

The reserves for the Association are those monies set aside in a “sinking fund” for the purpose of defraying the cost of the repair and/or replacement of major components of the Common Area. The line by line breakdown of the various components are represented in a separate report – The Reserve Study.

RESERVE ANALYSIS

This report documents the performance of a Reserve Analysis by the Anderson Property Group, Inc. for the **Baron Commons Homeowners Association**. It provides a projection of the future repair and replacement requirements for the Association's major components and recommends a funding plan to meet those obligations. This analysis was performed in conjunction with the establishment of an Annual Operating Budget and individual Assessments to be levied upon each Unit. The analysis was completed generally using the California Bureau of Real Estate regulations and the standards set forth in California Civil Codes §5550 and §5560. The essential elements of those civil codes are:

1. Identification of the major components which the Association is obligated to maintain;
2. Estimate of the Useful Life of each component;
3. Estimate of the Remaining Life of each component;
4. Estimate of the Current Replacement Cost of each component;
5. Current estimate of the total Annual Reserve Contribution necessary to maintain the major components;
6. Current estimate of the amount of cash reserves necessary to maintain the major components;
7. Disclosure of the current amount of accumulated cash reserves actually funded, and
8. A general statement of methodology.

METHODOLOGY

A cash flow methodology was used to determine the Annual Reserve Contribution. The underlying premise of this reserve funding approach is to establish a contribution level that will allow the Association to maintain a positive balance in the Reserve Fund while meeting all anticipated maintenance obligations. The cash flow method allows the Association to achieve this goal without the unnecessary overfunding of reserves. It is assumed that interest earned on the Reserve Fund will be reinvested into the Fund. Also, as the interest earned on the Reserve Fund will not totally offset inflation, projections were made using the current inflation factor and an average interest rate on fully insured certificates of deposit.

In preparing this analysis, a list of major components was developed from the building plans available at the time and site inspections. It is possible that subsequent to the review of these plans that changes may have been made. In gathering this information, certain assumptions were made about costs, conditions, and future events and circumstances which may occur. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual Replacement Costs and Remaining Lives may vary from this report and the variations could be material. All life expectancies were based on reasonable industry experience for similar equipment and materials.

As stated above, this report was prepared using the building plans available at the time. In the course of construction certain changes may have been made and those variations may have a material effect on the projections contained in this report. It is imperative that the Association conduct a full Reserve Study shortly after the completion of the Building to ensure that those variations, if any, have been addressed.

This analysis does not purport to address any latent and/or patent defects, nor does it address any life expectancies which are abnormally short due to either improper design or installation, or to subsequent improper maintenance. It is assumed that all components have been installed properly and are to be reasonably maintained for their entire life expectancy.

For a component to be included in this analysis, the following criteria must be met:

1. The maintenance of the component is the responsibility of the Association;
2. The maintenance of the component is not included in the Annual Operating Budget;
3. The estimated Useful Life of the component is greater than one year; and
4. The estimated Remaining Life of the component is less than 30 years.

This analysis is intended to reflect the Estimated Replacement Cost of the components and is not intended to project the actual cost of the work when performed. This limitation is necessary as it is virtually impossible to predict with any degree of certainty myriad factors that will impact costs at a future date. Because of this qualification, it is necessary for the results of this analysis and subsequent Reserve Studies to be reviewed annually to reflect any meaningful changes in use of significant increases in labor and/or materials costs.

This study contains a 5% unscheduled or contingency funding allocation, which is a percentage of the total Annual Reserve Contribution. This fund provides monies for any unforeseen or out of the ordinary repair or replacement expense. Additionally, it may be used in subsequent years as a source of funds for reallocation of the life cycles should any components be abnormally accelerated.

FINDINGS

The findings of this analysis indicate that it will be necessary to establish the Annual Reserve Contribution as shown in Item 2 below and to increase the Contribution as described on the Reserve Funding pages following. These findings are based upon the following:

1. Initial Reserve Fund Balance\$0
2. Annual Reserve Contribution for First Fiscal Year..... 4,285
3. Assumed annual inflation rate..... 3.5%
4. All “after tax” interest earned on Reserve Fund investments will be retained in the Reserve Fund.

DISCLOSURES

This plan provides adequate funds to meet projected expenditures without relying on Special Assessments or increases in regular assessments that require a vote of the Membership.

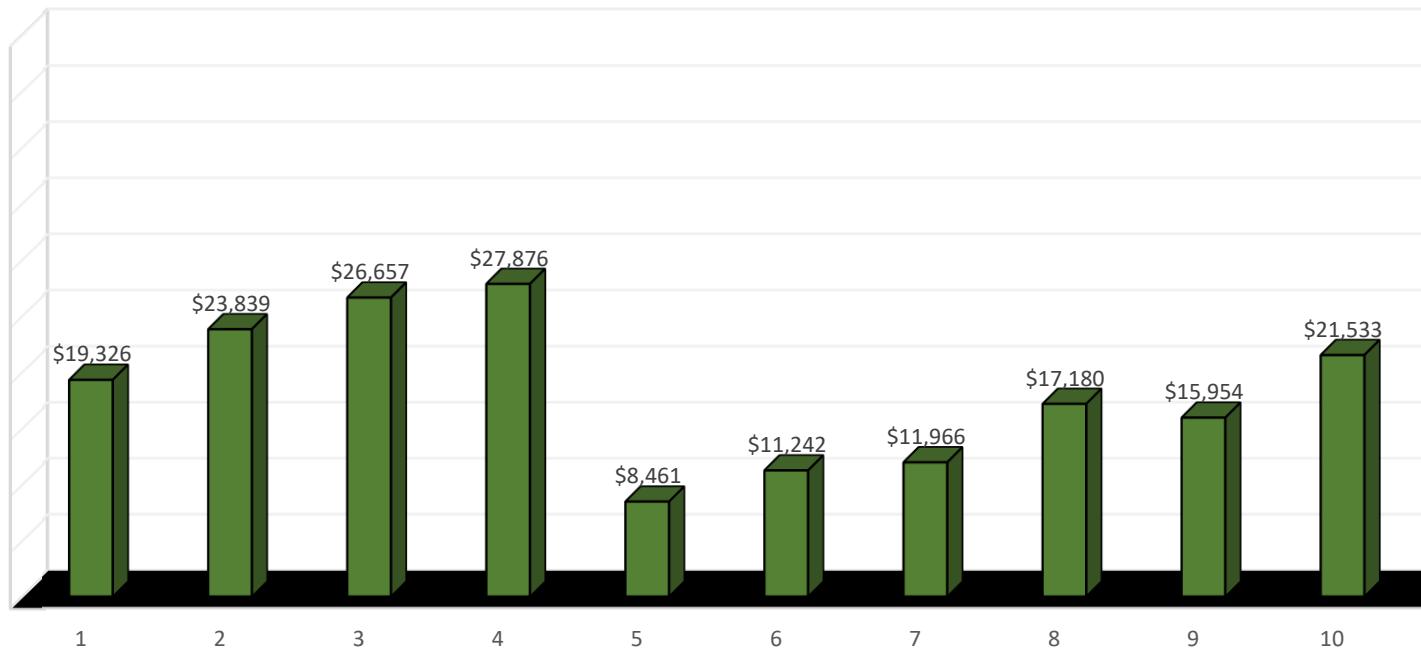
PROJECTED EXPENDITURES

RESERVE COMPONENTS	Current		Estimated		Fiscal Yr.	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
	Repair/Replace	Usfl	Rmng	Jan 01 ...	2024	2025	2026	2027	2028	2029	2030	2030	2031	2031	2032	2033	
Assumed Annual Inflation Rate.....	3.5%	Cost	Life	Life	Dec 31 ...	2024	2025	2026	2027	2028	2029	2030	2030	2031	2031	2032	2033
PAVED SURFACES:																	
1 - Permeable Pavers	10%	16,921	10	5							19,417						
2 - Concrete Paving	20%	4,223	10	5							4,846						
3 - Storm Drain Repair		3,500	15	7												4,302	
4 - Sidewalk Repair	25%	3,276	5	4						3,632							4,314
OTHER:																	
5 - Reserve Study		1,750	3	3						1,875							2,304
UNSCHEDULED.....	5.0%	214				214	222	230	238	246	254	263	273	282	292		
TOTAL EXPENDITURES																	
						214	222	2,104	3,870	24,508	2,333	4,566	273	6,900	292		

PROJECTED EXPENDITURES

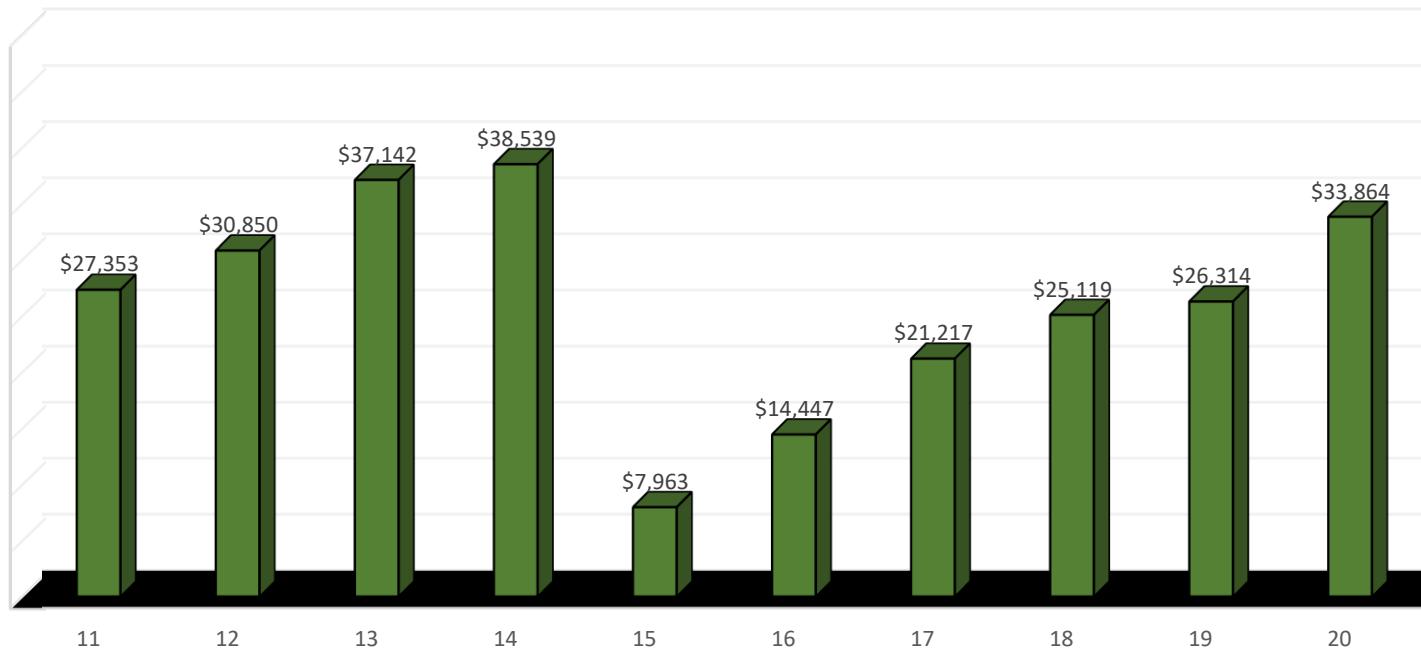
RESERVE COMPONENTS	Current		Estimated		Fiscal Yr. Jan 01	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	
	Repair/Replace	Usfl	Rmng	Dec 31 ...		2034	2035	2036	2037	2038	2039	2040	2040	2041	2041	2042
Assumed Annual Inflation Rate..... 3.5%		Cost	Life	Life	2034	2035	2036	2037	2038	2039	2040	2040	2041	2041	2042	2043
PAVED SURFACES:																
1 - Permeable Pavers	10%	16,921	10	5							27,389					
2 - Concrete Paving	20%	4,223	10	5							6,835					
3 - Storm Drain Repair		3,500	15	7												
4 - Sidewalk Repair	25%	3,276	5	4						5,123						6,085
OTHER:																
5 - Reserve Study		1,750	3	3			2,555			2,833				3,141		
UNSCHEDULED..... 5.0%	214				302	313	324	335	347	359	372	385	398		412	
TOTAL EXPENDITURES																
					302	2,868	324	5,459	37,404	359	372	3,525	6,483		412	

PROJECTED BALANCES



	Fiscal Yr.	(1) Jan 01	(2) 2024	(3) 2025	(4) 2026	(5) 2027	(6) 2028	(7) 2029	(8) 2030	(9) 2031	(10) 2032	(10) 2033
		Dec 31	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
BEGINNING BALANCE			15,000	19,326	23,839	26,657	27,876	8,461	11,242	11,966	17,180	15,954
EXPENDITURES (inflated \$)	3.5%		214	222	2,104	3,870	24,508	2,333	4,566	273	6,900	292
RESERVE CONTRIBUTION			4,285	4,414	4,546	4,682	4,823	4,967	5,117	5,270	5,428	5,591
Per Unit Per Month (6 units)			59.51	61.30	63.14	65.03	66.98	68.99	71.06	73.19	75.39	77.65
Percentage Increase to Reserves			0.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
SPECIAL ASSESSMENTS			0	0	0	0	0	0	0	0	0	0
INTEREST AFTER TAX	1.50%		256	321	376	406	270	147	173	217	247	279
ENDING BALANCE			19,326	23,839	26,657	27,876	8,461	11,242	11,966	17,180	15,954	21,533

PROJECTED BALANCES



	Fiscal Yr.	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jan 01	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2043
Dec 31	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2043
BEGINNING BALANCE		21,533	27,353	30,850	37,142	38,539	7,963	14,447	21,217	25,119	26,314
EXPENDITURES (inflated \$)	3.5%	302	2,868	324	5,459	37,404	359	372	3,525	6,483	412
RESERVE CONTRIBUTION		5,759	5,931	6,109	6,293	6,481	6,676	6,876	7,082	7,295	7,514
Per Unit Per Month (6 units)		79.98	82.38	84.85	87.40	90.02	92.72	95.50	98.37	101.32	104.36
Percentage Increase to Reserves		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST AFTER TAX	1.50%	364	433	506	563	346	167	265	345	383	448
ENDING BALANCE		27,353	30,850	37,142	38,539	7,963	14,447	21,217	25,119	26,314	33,864

COMPONENT QUANTIFICATION

RESERVE COMPONENTS	Assumed Annual Inflation Rate.....	Current Repair/Replace		Estimated Usfl Rmng		Quantity	Unit of Measurement	Unit Cost	Remarks
		Cost	Life	Usfl	Rmng				
PAVED SURFACES:									
1 - Permeable Pavers	10%	16,921	10	5		3,254	square feet	52.00	This category provides funds for the periodic maintenance, repair and replacement of the various hardscape components and the storm water collection system. It is anticipated that the hardscape components will <i>not</i> need to be completely replaced on any one cycle, rather a percentage, as shown.
2 - Concrete Paving	20%	4,223	10	5		845	square feet	25.00	
3 - Storm Drain Repair		3,500	15	7		1	fund	3,500	
4 - Sidewalk Repair	25%	3,276	5	4		1,048	square feet	12.50	
OTHER:									
5 - Reserve Study		1,750	3	3		1	study	1,500	Provides for updates and future Reserve Studies