Introduced by Senator Wright

February 21, 2014

An act to amend Section 5300 of the Civil Code, relating to common interest developments.

LEGISLATIVE COUNSEL'S DIGEST

SB 1329, as introduced, Wright. Common interest developments.

The Davis-Stirling Common Interest Development Act defines and regulates common interest developments. The act requires a common interest development to be managed by an association and requires the association to distribute an annual budget report 30 to 90 days before the end of its fiscal year. Existing law requires the annual budget report to include specified information

This bill would make nonsubstantive changes to the annual budget report requirement.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1   SECTION 1.   Section 5300 of the Civil Code is amended to
2   read:
3   5300.   (a) Notwithstanding a contrary provision in the
4   governing documents, an association shall distribute an annual
5   budget report 30 to 90 days before the end of its fiscal year.
6   (b) Unless the governing documents impose more stringent
7   standards, the annual budget report shall include all of the
8   following information:

1   (1) A pro forma operating budget, showing the estimated
2 revenue and expenses on an accrual basis.
3   (2) A summary of the association's reserves, prepared pursuant
4 to Section 5565.
5   (3) A summary of the reserve funding plan adopted by the board,
6 as specified in paragraph (5) of subdivision (b) of Section 5550.
7 The summary shall include notice to members that the full reserve
8 study plan is available upon request, and the association shall
9 provide the full reserve plan to any member upon request.
10   (4) A statement as to whether the board has determined to defer
11 or not undertake repairs or replacement of any major component
12 with a remaining life of 30 years or less, including a justification
13 for the deferral or decision not to undertake the repairs or
14 replacement.
15   (5) A statement as to whether the board, consistent with the
16 reserve funding plan adopted pursuant to Section 5560, has
17 determined or anticipates that the levy of one or more special
18 assessments will be required to repair, replace, or restore any major
19 component or to provide adequate reserves therefor. If so, the
20 statement shall also set out the estimated amount, commencement
21 date, and duration of the assessment.
22   (6) A statement as to the mechanism or mechanisms by which
23 the board will fund reserves to repair or replace major components,
24 including assessments, borrowing, use of other assets, deferral of
25 selected replacements or repairs, or alternative mechanisms.
26   (7) A general statement addressing the procedures used for the
27 calculation and establishment of those reserves to defray the future
28 repair, replacement, or additions to those major components that
29 the association is obligated to maintain. The statement shall
30 include, but ~~need~~ *is* not ~~be~~ limited to, reserve calculations made
31 using the formula described in paragraph (4) of subdivision (b) of
32 Section 5570, and may not assume a rate of return on cash reserves
33 in excess of 2 percent above the discount rate published by the
34 Federal Reserve Bank of San Francisco at the time the calculation
35 was made.
36   (8) A statement as to whether the association has any outstanding
37 loans with an original term of more than one year, including the
38 payee, interest rate, amount outstanding, annual payment, and
39 when the loan is scheduled to be retired.

1   (9) A summary of the association's property, general liability,
2 earthquake, flood, and fidelity insurance policies. For each policy,
3 the summary shall include the name of the insurer, the type of
4 insurance, the policy limit, and the amount of the deductible, if
5 any. To the extent that any of the required information is specified
6 in the insurance policy declaration page, the association may meet
7 its obligation to disclose that information by making copies of that
8 page and distributing it with the annual budget report. The
9 summary distributed pursuant to this paragraph shall contain, in
10 at least 10-point boldface type, the following statement:
11   "This summary of the association's policies of insurance provides
12 only certain information, as required by Section 5300 of the Civil
13 Code, and should not be considered a substitute for the complete
14 policy terms and conditions contained in the actual policies of
15 insurance. Any association member may, upon request and
16 provision of reasonable notice, review the association's insurance
17 policies and, upon request and payment of reasonable duplication
18 charges, obtain copies of those policies. Although the association
19 maintains the policies of insurance specified in this summary, the
20 association's policies of insurance may not cover your property,
21 including personal property or real property improvements to or
22 around your dwelling, or personal injuries or other losses that occur
23 within or around your dwelling. Even if a loss is covered, you may
24 nevertheless be responsible for paying all or a portion of any
25 deductible that applies. Association members should consult with
26 their individual insurance broker or agent for appropriate additional
27 coverage."
28   (c) The annual budget report shall be made available to the
29 members pursuant to Section 5320.
30   (d) The summary of the association's reserves disclosed pursuant
31 to paragraph (2) of subdivision (b) shall not be admissible in
32 evidence to show improper financial management of an association,
33 provided that other relevant and competent evidence of the financial
34 condition of the association is not made inadmissible by this
35 provision.
36   (e) The Assessment and Reserve Funding Disclosure Summary
37 form, prepared pursuant to Section 5570, shall accompany each

1 annual budget report or summary of the annual budget report that
2 is delivered pursuant to this article.

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