

University Glen Single Family Homes

Level 1 Reserve Study



Report Period - 7/1/2018 to 6/30/2019

Client Reference Number	19883
Property Type	Single Family Homes
Number of Units	72
Fiscal Year End	6/30
Type of Study	Full Study
Date of Site Visit	8/7/2018
Prepared By	Robert Forney
Analysis Method	Cash Flow
Funding Goal	Full Funding

Report prepared on – October 25, 2018



Complex Solutions, Ltd.
TEL: (888) 356-3783 | Fax: (866) 279-9662
www.ComplexSolutionLtd.com

Table of Contents

Introduction

- Executive Summary Page 1
- Introduction Page 2
- General Information and Frequently Asked Questions Page 3 - 5

Reserve Analysis

- Funding Summary Page 6
- Percent Funded – Graph Page 7
- Component Funding Information Page 8
- Yearly Summary Page 9
- Reserve Contributions – Graph Page 10
- Significant Components Page 11
- Significant Components – Graph Page 12
- Yearly Cash Flow Page 13 - 14
- Yearly Reserve Expenditures – Graph Page 15
- Projected Reserve Expenditures by Year Page 16 - 17

Component Evaluation

- Component Evaluation Page 18 - 22

Glossary of Commonly used Words and Phrases

- Glossary Page 23 - 24

Executive Summary - University Glen Single Family Homes - ID # 19883

Information to complete this Full Study was gathered by performing an on-site visit of the common area elements. In addition, we may also have obtained information by contacting any vendors and/or contractors that have worked on the property recently, as well as communicating with the property representative (BOD Member and/or Community Manager). To the best of our knowledge, the conclusions and recommendations of this report are considered reliable and accurate insofar as the information obtained from these sources.

Projected Starting Balance as of 7/1/2018	\$58,871
Ideal Reserve Balance as of 7/1/2018	\$71,630
Percent Funded as of 7/1/2018	82%
Recommended Reserve Contribution (per month)	\$775
Minimum Reserve Contribution (per month)	\$680
Recommended Special Assessment	\$0

Property Details

Currently Programmed Projects

Projects programmed to occur this fiscal year (FY 2019) include: Block/Stucco Wall - Repaint (Comp #208) and Block/Stucco Wall - Major Rehab (Comp #1005). We have programmed an estimated \$49,025 in reserve expenditures toward the completion of these projects. (See Page(s) 16 - 17)

Significant Reserve Projects

The association's significant reserve projects include: (Comp #1812), Block/Stucco Wall - Major Rehab (Comp #1005), Block/Stucco Wall - Repaint (Comp #208) and Wrought Iron Fencing - Replace (Comp #1002). The fiscal significance of these components is approximately 47%, 22%, 22% and 6% respectively. A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives. (See Page(s) 11)

Reserve Funding

In comparing the projected starting reserve balance of \$58,871 versus the ideal reserve balance of \$71,630 we find the association's reserve fund to be approximately 82% funded. This indicates a strong reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of \$775 (\$10.76/unit) per month. For comparison purposes, we have also set a minimum reserve contribution of \$680 (\$9.44/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.



Introduction

Reserve Study Purpose

The purpose of this Reserve Study is to provide the Site Authority with a budgeting tool to help ensure that there are adequate reserve funds available to perform future reserve projects. In this respect our estimates of the current and future Fully Funded balances are less significant than the recommended reserve contribution. The Site Authority should weigh carefully our recommendations when setting the Reserve Contribution. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Site Authority to have ample time to obtain competitive estimates and bids that will result in cost savings. It will also ensure the physical well-being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to special assessments.

Preparer's Credentials

This reserve study was prepared under the responsible charge of Robert Forney. Any persons assisting in the preparation of this study worked under his responsible charge and have appropriate experience and training. Mr. Forney has been preparing reserve studies since 2001. He serves on the board of the Association of Professional Reserve Analysts and is a frequent speaker on reserve study topics for trade organizations as well as management companies.

- Nevada permit number RSS.0000004
- Board member of The Association of Professional Reserve Analysts (APRA)
- Holds the APRA "Professional Reserve Analyst" designation
- Personally has prepared over 1,000 reserve studies.
- Created the proprietary software and databases used to prepare Complex Solutions' reserve studies. This proprietary software gives Complex Solutions the freedom and ability to create reports tailored to the individual clients needs.
- Projects have ranged in size from small apartment-style condominium communities to 1000+ Planned Unit Communities.
- Clients have ranged from developers interested in setting initial reserve accounts for communities under construction to high-rise communities, worship facilities, day schools and more.
- Active member of three local chapters of CAI (Nevada, Utah, and Channel Islands, CA).
- Gold Sponsor of the Nevada chapter of CAI, Platinum Sponsor of the Utah chapter of CAI.
- Guest speaker at two CAI events
- Three Articles published in Community Interests.
- Member of the Las Vegas High-rise and Condominiums Association
- Member of CAMEO (Community Association Management Executive Officers)

Budget Breakdown

Every common interest property conducts their business within a budget. There are typically two main parts to this budget, the Operating budget and the Reserve budget. The operating budget typically includes all expenses that occur on an annual basis as well as general maintenance and repairs. Typical Operating budget line items include management fees, maintenance expenses, utilities, etc. The reserves are primarily made up of capital replacement items such as roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis. Typically, the reserve contribution makes up 15% - 40% of the entity's total budget. Therefore, reserves are considered to be a major part of the overall monthly assessment.

Report Sections

The **Reserve Analysis Section** contains the evaluation of the property's reserve balance, income, and expenses. It includes a finding of the client's current reserve fund status (measured as percent funded) and a recommendation for an appropriate reserve allocation rate (also known as the funding plan).

The **Component Evaluation Section** contains information regarding the physical status and replacement cost of major common area components the Site Authority is responsible to maintain. It is important to understand that while the component inventory will remain relatively "stable" from year to year, the condition assessment and life estimates will most likely vary from year to year.

General Information and Frequently Asked Questions

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses for Community Associations in approximately 20 States. Even if it is not currently governed by your State, the chances are very good that the documents of the association require the association to have a reserve fund established. This doesn't mean a Reserve Study is required, but how are you going to know if you have enough funds in the reserve account if you don't have the proper information? Some associations look at the Reserve fund and think that \$500,000 is a lot of money and they are in good shape. What they don't know is that the roof is going to need to be replaced within 5 years, and the cost of the roof is going to exceed \$750,000. So while \$500,000 sounds like a lot of money, in reality it won't even cover the cost of a roof, let alone all the other amenities the association is responsible to maintain.

Why is it important to perform a Reserve Study?

As previously mentioned, the reserve allocation makes up a significant portion of the total monthly assessment. This report provides the essential information that is needed to guide the Site Authority in establishing the reserve portion of the total monthly assessment. The reserve fund is critical to the future of the property because it helps ensure that significant reserve projects can be completed on time with quality contractors. In this way deferred maintenance can be avoided as well as the lower property values that typically accompanies it. It is suggested that a third party professionally prepare the Reserve Study since there is no vested interest in the property.

After we have a Reserve Study completed, what do we do with it?

Hopefully, you will not look at this report and think it is too cumbersome to comprehend. Our intention is to make this Reserve Study easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (component information) are complete and accurate. If there are any components that the Site Authority feels should be added, removed, or altered as well as any other inaccuracies or changes that should be made, please inform us immediately so we may revise the report. In order to ensure the Site Authority understands its role in the completion of this report, all reports are labeled as "DRAFT" until their input has been given and the report has been approved as finalized.

Note to user: If this report has a "DRAFT" watermark it is not a finalized report and is not to be relied upon or used for budgeting purposes.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The reserve allocation makes up a large portion of the total monthly assessment and this report should help you determine the correct amount of money to go into the reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending projects. This will give you an opportunity to shop around for the best price available.

How often do we update or review the Reserve Study?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Study should be professionally reviewed (Level III "no site visit" update study) each year before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Deterioration rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the results of the Reserve Study. Because of this projected future Fully Funded balances cannot be relied upon (in other words the Fully Funded balance for the current year of a report prepared 3 years earlier cannot be considered accurate or reliable). Therefore, this analysis should be professionally reviewed annually, and a "site visit" reserve study should be conducted at least once every three years.

What is a "Reserve Component" versus an "Operating Component"?

A "Reserve" component is an item that is the responsibility of the Site Authority to maintain, has a limited useful life, predictable remaining useful life, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold amount. An "Operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "Operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a reserve expense.

What are the GREY areas of "maintenance" items that are often seen in a Reserve Study?

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital" item, it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers, including Complex Solutions, that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve

component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

What are the GREY areas of major expenses that are not included in a Reserve Study?

Some components may appear to satisfy the requirements of being a reserve component but are still not included in the reserve study. Several Reserve Study providers, including Complex Solutions, limit the component list to physical components of the common area that are owned by the Site Authority. Certain elements of the common areas, such as leased items, or non-physical components such as future reserve studies, financial audits, inspection reports etc. are not included in our reserve studies. In addition we typically do not fund for utility systems, plumbing, or components with an extended useful life. If the Site Authority feels that any of these components should be included in our reserve study they should notify us with their request. These components will be added to help the Site Authority better plan and prepare their own budget and will not necessarily reflect the professional opinions of Complex Solutions.

Information and Data Gathered

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at the time of the site visit. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have also been excluded from this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Complex Solutions, Ltd.. and should not be construed as a guarantee or assurance of predicting future events.

What happens during the Site Visit? (Site Visit Studies Only)

The Site Visit was conducted of the common areas as reported by client. There may be certain areas that are not located inside the community but still a part of the association's common area. This may include drainage easements or landscaped areas located outside of the community, such as across a street. It is the responsibility of the Site Authority to inform us of all common area locations. From our site visit we identified those common area components that we have determined require reserve funding. Based on information provided by the client, client's vendors, and our assessment of the components we have developed a component list and life and cost estimates.

What is the Financial Analysis?

We project the starting balance by taking the most recent reserve fund balance as stated by the client and add expected reserve contributions to the end of the fiscal year. We then subtract the expenses of any pending projects. We compare this number to the Fully Funded Balance and arrive at the Percent Funded level. Based on that level of funding we then recommend a Funding Plan to help ensure the adequacy of funding in the future

Percent Funded Breakdown: The percentage of the current reserve fund balance versus the Fully Funded Balance. A "snap-shot" indicator of the general strength of the account at the time of report preparation. Because many variables affect the Fully Funded balance it is more important to maintain the recommended reserve contribution or "cash flow" moving forward rather than striving to attain a certain Fully Funded figure.

Measures of strength are as follows:

0% - 30% Funded is generally considered to be a "weak" financial position. Properties that fall into this category are subject to higher frequencies of special assessments and deferred maintenance, which could lead to lower property values. Furthermore, should components fail sooner than expected our recommendations may not be enough to get the community into a better financial position. In this case additional actions beyond our initial recommendations may be necessary to improve the financial strength of the reserve fund.

31% - 69% Funded is generally considered a "fair" financial position. The majority of communities fall into this category. While this doesn't represent financial strength and stability, the likelihood of special assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the reserve fund.

70% - 99% Funded is generally considered a "strong" financial position. This indicates financial strength of a reserve fund and every attempt to maintain this level should be a goal of the Site Authority.

100% Funded is considered an "ideal" financial position. This means that the Site Authority theoretically has the exact amount of funds in the reserve account.

100%+ Funded is considered over-funded. This means that the Site Authority has more reserve funds than the theoretically ideal amount.

Disclosures:

Information provided to the preparer of a reserve study by an official representative of the Site Authority regarding financial, historical, physical, quantitative or reserve project issues will be deemed reliable by the preparer. A reserve study will be a reflection of information provided to the preparer of the reserve study. The total of actual or projected reserves required as presented in the reserve study is based upon information provided that was not audited.

A reserve study is not intended to be used to perform an audit, an analysis of quality, a forensic study or a background check of historical records. A site visit conducted in conjunction with a reserve study should not be deemed to be a project audit or quality inspection.

The results of this study are based on the independent opinion of the preparer and his experience and research during the course of his career in preparing Reserve Studies. In addition any opinions of experts on certain components have been gathered through research within their industry and with client's actual vendors. There is no implied warranty or guarantee regarding our life and cost estimates/predictions. There is no implied warranty or guarantee in any of our work product. Our results and findings will vary from another preparer's results and findings. A Reserve Study is necessarily a work in progress and subsequent Reserve Studies will vary from prior studies.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the site visit. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the site visit. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property. The physical analysis performed during this site visit is not intended to be exhaustive in nature and may include representative sampling.

The projected life expectancy of the major components and the funding needs of the reserves of the association are based upon the association performing appropriate routine and preventative maintenance for each major component. Failure to perform such maintenance can negatively impact the remaining useful life of the major components and dramatically increase the funding needs of the reserves.

This Reserve Study assumes that all construction assemblies and components identified herein are built properly and are free from defects in materials and/or workmanship. Defects can lead to reduced useful life and premature failure. It was not the intent of this Reserve Study to inspect for or to identify defects. If defects exist, repairs should be made so that the construction components and assemblies at the community reach their full and expected useful lives.

We have assumed any and all components have been properly built and will reach normal, typical life expectancies. In general a reserve study is not intended to identify or fund for construction defects. We did not and will not look for or identify construction defects during our site visit.

Site Visits: Should a site visit have been performed during the preparation of this reserve study no invasive testing was performed. The physical analysis performed during the site visit was not intended to be exhaustive in nature and may have included representative sampling.

Update Reserve Studies: Level II Studies: Quantities of major components as reported in previous reserve studies are deemed to be accurate and reliable. The reserve study relies upon the validity of previous reserve studies. **Level III Studies:** In addition to the above we have not visited the property when completing a Level III "No Site Visit" study. Therefore we have not verified the current condition of the common area components.

Insurance: We carry general and professional liability insurance as well as workers' compensation insurance.

Actual or Perceived Conflicts of Interest: Unless otherwise stated there are no potential actual or perceived conflicts of interest that we are aware of.

Inflation and Interest Rates: The after tax interest rate used in the financial analysis may or may not be based on the clients reported after tax interest rate. If it is we have not verified or audited the reported rate. The interest rate may also be based on an amount we believe appropriate given the 30-year horizon of this study and may or may not reflect current or historical inflation rates.



Funding Summary

Beginning Assumptions

# of units	72
Fiscal Year End	6/30
Projected Starting Reserve Balance	\$58,871
Ideal Starting Reserve Balance	\$71,630

Economic Assumptions

Current Inflation Rate	3.00%
Reported After-Tax Interest Rate	0.50%

Current Reserve Status

Current Balance as a % of Ideal Balance	82%
---	-----

Recommendations

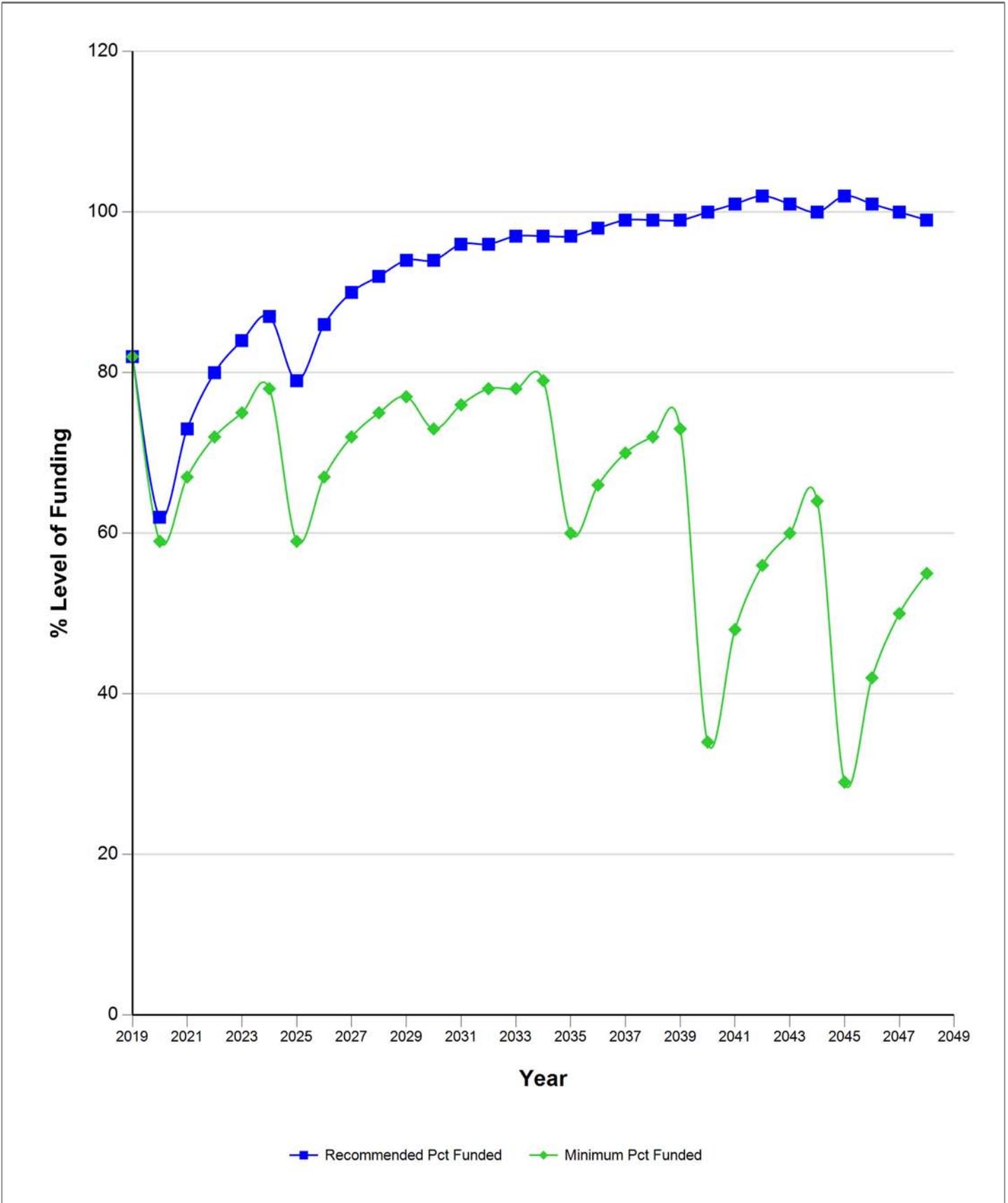
Recommended Special Assessment	\$0
Recommended Monthly Reserve Allocation	\$775
Per Unit	\$10.76
Future Annual Increases	3.00%
For number of years:	15
Increases thereafter:	2.00%
Minimum Recommended Monthly Reserve Allocation	\$680
Per Unit	\$9.44
Future Annual Increases	3.00%
For number of years:	15
Increases thereafter:	2.00%

Changes From Prior Year

Recommended Increase to Reserve Allocation	\$775
as Percentage	0%
Minimum Recommended Increase to Reserve Allocation	\$680
as Percentage	0%



Percent Funded - Graph



Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
207	Wrought Iron Fencing - Repaint	5	3	Approx 120 Linear ft.	\$1,063	\$425	\$425	\$22.11
208	Block/Stucco Wall - Repaint	10	0	Approx 4,360 Linear ft.	\$16,338	\$16,338	\$16,338	\$169.99
1002	Wrought Iron Fencing - Replace	25	15	Approx 120 Linear ft.	\$11,700	\$4,680	\$0	\$48.69
1005	Block/Stucco Wall - Major Rehab	20	0	Approx 4,360 Linear ft.	\$32,688	\$32,688	\$32,688	\$170.05
1812	Landscaping / Irrigation - Renovate	10	5	Allownace	\$35,000	\$17,500	\$9,421	\$364.16
					\$96,788	\$71,630	\$58,871	\$775

Current Fund Balance as a percentage of Ideal Balance: 82%

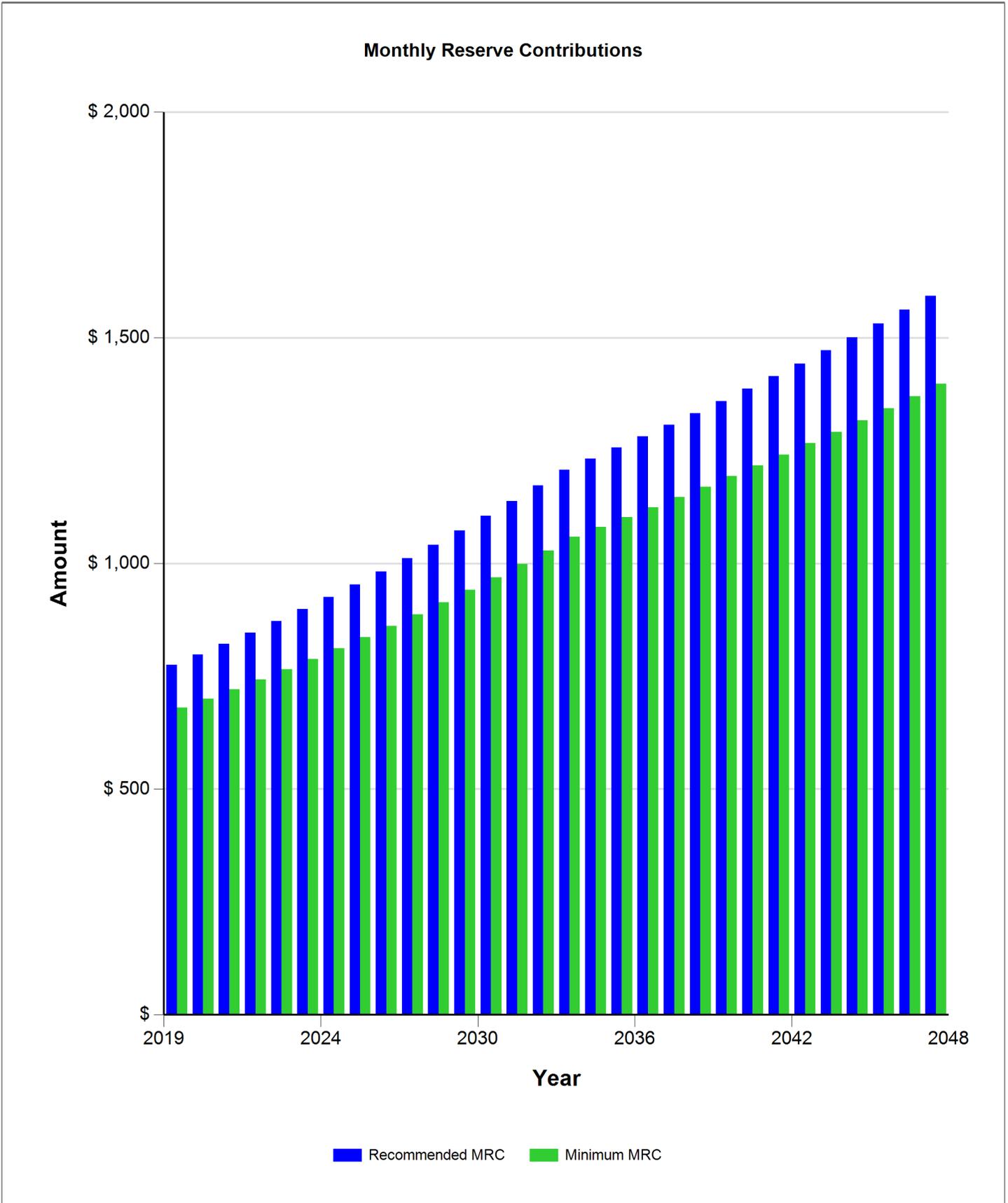


Yearly Summary

Year	Beginning Fully Funded Balance	Beginning Reserve Balance	Beginning % Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance
2019	\$71,630	\$58,871	82%	\$9,300	\$195	\$49,025	\$19,341
2020	\$30,955	\$19,341	62%	\$9,579	\$121	\$0	\$29,041
2021	\$39,786	\$29,041	73%	\$9,866	\$170	\$0	\$39,078
2022	\$49,119	\$39,078	80%	\$10,162	\$218	\$1,161	\$48,298
2023	\$57,780	\$48,298	84%	\$10,467	\$268	\$0	\$59,033
2024	\$68,149	\$59,033	87%	\$10,781	\$221	\$40,575	\$29,461
2025	\$37,295	\$29,461	79%	\$11,105	\$175	\$0	\$40,741
2026	\$47,575	\$40,741	86%	\$11,438	\$233	\$0	\$52,412
2027	\$58,438	\$52,412	90%	\$11,781	\$289	\$1,346	\$63,136
2028	\$68,524	\$63,136	92%	\$12,134	\$347	\$0	\$75,617
2029	\$80,590	\$75,617	94%	\$12,498	\$355	\$21,956	\$66,514
2030	\$70,703	\$66,514	94%	\$12,873	\$366	\$0	\$79,753
2031	\$83,444	\$79,753	96%	\$13,260	\$433	\$0	\$93,446
2032	\$96,886	\$93,446	96%	\$13,657	\$499	\$1,560	\$106,042
2033	\$109,452	\$106,042	97%	\$14,067	\$567	\$0	\$120,675
2034	\$124,340	\$120,675	97%	\$14,489	\$459	\$72,757	\$62,866
2035	\$65,084	\$62,866	97%	\$14,779	\$352	\$0	\$77,997
2036	\$79,348	\$77,997	98%	\$15,074	\$429	\$0	\$93,500
2037	\$94,409	\$93,500	99%	\$15,376	\$503	\$1,809	\$107,570
2038	\$108,439	\$107,570	99%	\$15,683	\$578	\$0	\$123,832
2039	\$125,145	\$123,832	99%	\$15,997	\$439	\$88,545	\$51,723
2040	\$51,556	\$51,723	100%	\$16,317	\$300	\$0	\$68,340
2041	\$67,374	\$68,340	101%	\$16,643	\$384	\$0	\$85,368
2042	\$84,096	\$85,368	102%	\$16,976	\$465	\$2,097	\$100,712
2043	\$99,601	\$100,712	101%	\$17,316	\$548	\$0	\$118,576
2044	\$118,185	\$118,576	100%	\$17,662	\$455	\$73,282	\$63,411
2045	\$62,313	\$63,411	102%	\$18,015	\$363	\$0	\$81,789
2046	\$80,728	\$81,789	101%	\$18,376	\$456	\$0	\$100,621
2047	\$100,192	\$100,621	100%	\$18,743	\$545	\$2,431	\$117,478
2048	\$118,247	\$117,478	99%	\$19,118	\$637	\$0	\$137,233



Reserve Contributions - Graph

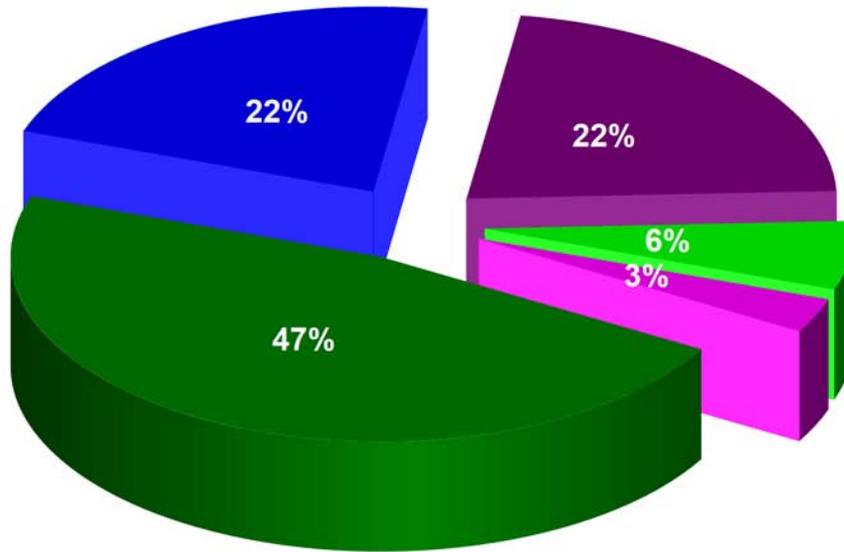


Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current	Significance: (Curr Cost/UL) AS %	
207	Wrought Iron Fencing - Repaint	5	3	\$1,063	\$213	2.8500%
208	Block/Stucco Wall - Repaint	10	0	\$16,338	\$1,634	21.9300%
1002	Wrought Iron Fencing - Replace	25	15	\$11,700	\$468	6.2800%
1005	Block/Stucco Wall - Major Rehab	20	0	\$32,688	\$1,634	21.9400%
1812	Landscaping / Irrigation - Renovate	10	5	\$35,000	\$3,500	46.9900%



Significant Components - Graph



ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance:	
					As \$	As %
1812	Landscaping / Irrigation - Renovate	10	5	\$35,000	\$3,500	47%
1005	Block/Stucco Wall - Major Rehab	20	0	\$32,688	\$1,634	22%
208	Block/Stucco Wall - Repaint	10	0	\$16,338	\$1,634	22%
1002	Wrought Iron Fencing - Replace	25	15	\$11,700	\$468	6%
All Other	See Expanded Table For Breakdown				\$7,236	3%

Yearly Cash Flow

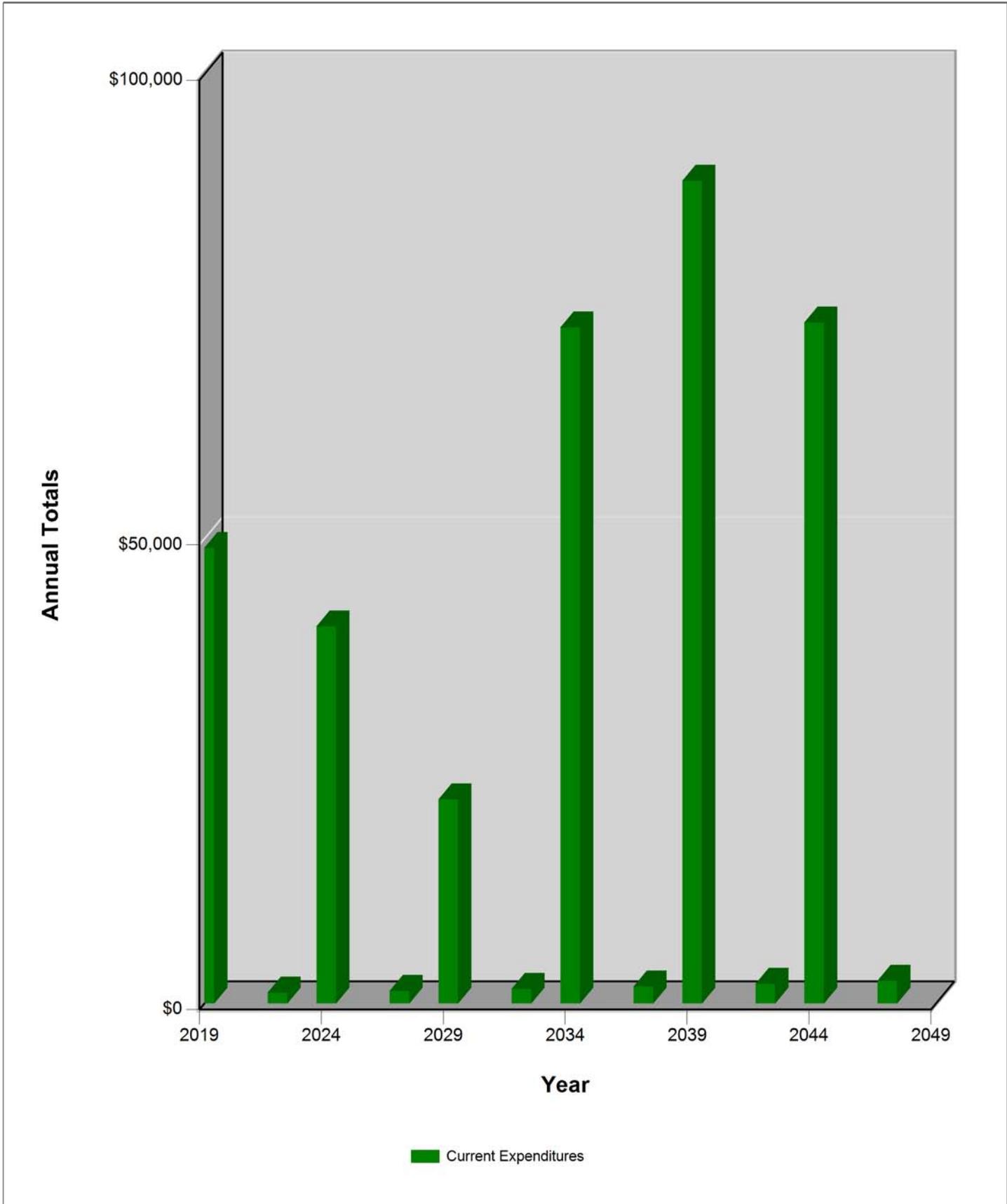
Year	2019	2020	2021	2022	2023
Starting Balance	\$58,871	\$19,341	\$29,041	\$39,078	\$48,298
<i>Reserve Income</i>	\$9,300	\$9,579	\$9,866	\$10,162	\$10,467
<i>Interest Earnings</i>	\$195	\$121	\$170	\$218	\$268
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$68,366	\$29,041	\$39,078	\$49,459	\$59,033
Reserve Expenditures	\$49,025	\$0	\$0	\$1,161	\$0
Ending Balance	\$19,341	\$29,041	\$39,078	\$48,298	\$59,033
Year	2024	2025	2026	2027	2028
Starting Balance	\$59,033	\$29,461	\$40,741	\$52,412	\$63,136
<i>Reserve Income</i>	\$10,781	\$11,105	\$11,438	\$11,781	\$12,134
<i>Interest Earnings</i>	\$221	\$175	\$233	\$289	\$347
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$70,036	\$40,741	\$52,412	\$64,482	\$75,617
Reserve Expenditures	\$40,575	\$0	\$0	\$1,346	\$0
Ending Balance	\$29,461	\$40,741	\$52,412	\$63,136	\$75,617
Year	2029	2030	2031	2032	2033
Starting Balance	\$75,617	\$66,514	\$79,753	\$93,446	\$106,042
<i>Reserve Income</i>	\$12,498	\$12,873	\$13,260	\$13,657	\$14,067
<i>Interest Earnings</i>	\$355	\$366	\$433	\$499	\$567
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$88,471	\$79,753	\$93,446	\$107,602	\$120,675
Reserve Expenditures	\$21,956	\$0	\$0	\$1,560	\$0
Ending Balance	\$66,514	\$79,753	\$93,446	\$106,042	\$120,675
Year	2034	2035	2036	2037	2038
Starting Balance	\$120,675	\$62,866	\$77,997	\$93,500	\$107,570
<i>Reserve Income</i>	\$14,489	\$14,779	\$15,074	\$15,376	\$15,683
<i>Interest Earnings</i>	\$459	\$352	\$429	\$503	\$578
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$135,623	\$77,997	\$93,500	\$109,379	\$123,832
Reserve Expenditures	\$72,757	\$0	\$0	\$1,809	\$0
Ending Balance	\$62,866	\$77,997	\$93,500	\$107,570	\$123,832



Year	2039	2040	2041	2042	2043
Starting Balance	\$123,832	\$51,723	\$68,340	\$85,368	\$100,712
<i>Reserve Income</i>	\$15,997	\$16,317	\$16,643	\$16,976	\$17,316
<i>Interest Earnings</i>	\$439	\$300	\$384	\$465	\$548
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$140,268	\$68,340	\$85,368	\$102,809	\$118,576
Reserve Expenditures	\$88,545	\$0	\$0	\$2,097	\$0
Ending Balance	\$51,723	\$68,340	\$85,368	\$100,712	\$118,576
Year	2044	2045	2046	2047	2048
Starting Balance	\$118,576	\$63,411	\$81,789	\$100,621	\$117,478
<i>Reserve Income</i>	\$17,662	\$18,015	\$18,376	\$18,743	\$19,118
<i>Interest Earnings</i>	\$455	\$363	\$456	\$545	\$637
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$136,693	\$81,789	\$100,621	\$119,909	\$137,233
Reserve Expenditures	\$73,282	\$0	\$0	\$2,431	\$0
Ending Balance	\$63,411	\$81,789	\$100,621	\$117,478	\$137,233



Yearly Reserve Expenditures - Graph



Projected Reserve Expenditures by Year

Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2019	208	Block/Stucco Wall - Repaint	\$16,338	
	1005	Block/Stucco Wall - Major Rehab	\$32,688	\$49,025
2020		No Expenditures Projected	\$0	\$0
2021		No Expenditures Projected	\$0	\$0
2022	207	Wrought Iron Fencing - Repaint	\$1,161	\$1,161
2023		No Expenditures Projected	\$0	\$0
2024	1812	Landscaping / Irrigation - Renovate	\$40,575	\$40,575
2025		No Expenditures Projected	\$0	\$0
2026		No Expenditures Projected	\$0	\$0
2027	207	Wrought Iron Fencing - Repaint	\$1,346	\$1,346
2028		No Expenditures Projected	\$0	\$0
2029	208	Block/Stucco Wall - Repaint	\$21,956	\$21,956
2030		No Expenditures Projected	\$0	\$0
2031		No Expenditures Projected	\$0	\$0
2032	207	Wrought Iron Fencing - Repaint	\$1,560	\$1,560
2033		No Expenditures Projected	\$0	\$0
2034	1002	Wrought Iron Fencing - Replace	\$18,228	
	1812	Landscaping / Irrigation - Renovate	\$54,529	\$72,757
2035		No Expenditures Projected	\$0	\$0
2036		No Expenditures Projected	\$0	\$0
2037	207	Wrought Iron Fencing - Repaint	\$1,809	\$1,809
2038		No Expenditures Projected	\$0	\$0
2039	208	Block/Stucco Wall - Repaint	\$29,507	
	1005	Block/Stucco Wall - Major Rehab	\$59,037	\$88,545



Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2040		No Expenditures Projected	\$0	\$0
2041		No Expenditures Projected	\$0	\$0
2042	207	Wrought Iron Fencing - Repaint	\$2,097	\$2,097
2043		No Expenditures Projected	\$0	\$0
2044	1812	Landscaping / Irrigation - Renovate	\$73,282	\$73,282
2045		No Expenditures Projected	\$0	\$0
2046		No Expenditures Projected	\$0	\$0
2047	207	Wrought Iron Fencing - Repaint	\$2,431	\$2,431
2048		No Expenditures Projected	\$0	\$0
2049	208	Block/Stucco Wall - Repaint	\$39,655	\$39,655



Component Evaluation

Comp # 207 Wrought Iron Fencing - Repaint

Location: Common area

Quantity: Approx 120 Linear ft.

Life Expectancy: 5 **Remaining Life:** 3

Best Cost: \$825.00
\$7.00/Linear ft.; Estimate to repaint iron fence

Worst Cost: \$1,300.00
\$11.00/Linear ft; Higher estimate for additional prep work

Source of Information: In-House Costs Database

Observations:

These surfaces are in good to fair condition. Expect to repaint the wrought iron fencing approximately every 3 to 5 years.

Component Evaluation

Comp # 208 Block/Stucco Wall - Repaint

Location: Single family homes area

Quantity: Approx 4,360 Linear ft.

Life Expectancy: 10 **Remaining Life:** 0

Best Cost: \$15,250.00
\$3.50/Linear ft.; Estimate to repaint stucco wall

Worst Cost: \$17,425.00
\$4.00/Linear ft.; Higher estimate for more prep work

Source of Information: In-House Costs Database

Observations:

Painted stucco wall surfaces are generally in fair to poor condition. Significant staining and marking noted throughout. Noted several areas of significant water intrusion and paint loss. These surfaces should be painted approximately every 10 years to maintain appearance and prevent damage to stucco surface. Repaint block wall this fiscal year (2019) based on current condition.



Component Evaluation

Comp # 1002 Wrought Iron Fencing - Replace

Location: Common area

Quantity: Approx 120 Linear ft.

Life Expectancy: 25 **Remaining Life:** 15

Best Cost: \$10,800.00
\$90/Linear ft.; Estimate to replace

Worst Cost: \$12,600.00
\$105/Linear ft.; Higher estimate

Source of Information: In-House Costs Database

Observations:

Fencing is in good condition. No significant rusting or structural problems noted at the time of site visit. With regular painting and maintenance, expect a useful life of 20 to 25 years from this component. Remaining life based on current age and condition.



Component Evaluation

Comp # 1005 Block/Stucco Wall - Major Rehab

Location: Single family homes area

Quantity: Approx 4,360 Linear ft.

Life Expectancy: 20 **Remaining Life:** 0

Best Cost: \$30,500.00
\$35/Sq.ft.; Estimate to repair approx 20%

Worst Cost: \$34,875.00
\$40/Sq.ft.; Higher estimate

Source of Information: In-House Costs Database

Observations:

Noted local cracking and damaged areas at the time of the site visit. No expectation to completely replace the planter walls. Expect to make local repairs at the time of the repainting project and funding for an allowance to make more significant repairs approximately every 20 years. Note: We have not provided funding for the community common area/retaining walls. In general these walls are designed to last the life of the community.



Component Evaluation

Comp # 1812 Landscaping / Irrigation - Renovate

Location: Common area

Quantity: Allowance

Life Expectancy: 10 **Remaining Life:** 5

Best Cost: \$30,000.00
Allowance to renovate

Worst Cost: \$40,000.00
Higher allowance

Source of Information: In-House Costs Database

Observations:

No expectation to completely replace the landscaping. We recommend funding for an allowance to generally refurbish the landscaping, make local tree replacements, and make upgrades to the irrigation system and landscape lighting approximately every 10 years. Replace irrigation clocks, valves, etc. as necessary as an operating expense.



Glossary of Commonly Used Words And Phrases

(Provided by the National Reserve Study Standards of the Community Associations Institute)

Cash Flow Method – 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.

Component – Also referred to as an “Asset.” Individual line items in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) have predictable remaining life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

Component Full Funding – When the actual (or projected) cumulative reserve balance for all components is equal to the fully funded balance.

Component Inventory – The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representatives.

Deficit – An actual (or projected reserve balance), which is less than the fully funded balance.

Effective Age – The difference between useful life and remaining useful life (UL - RUL).

Financial Analysis – The portion of the Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived, and the projected reserve income and expenses over time is presented. The financial analysis is one of the two parts of the Reserve Study.

Fully Funded Balance – An indicator against which the actual (or projected) reserve balance can be compared. The reserve balance that is in direct proportion to the fraction of life “used up” of the current repair or replacement cost of a reserve component. This number is calculated for each component, and then summed together for an association total.

$$\text{FFB} = \text{Current Cost} * \text{Effective Age} / \text{Useful Life}$$

Fund Status – The status of the reserve fund as compared to an established benchmark, such as percent funded.

Funding Goals – Independent of calculation methodology utilized, the following represent the basic categories of funding plan goals:

- Baseline Funding: Establishing a reserve-funding goal of keeping the reserve balance above zero.
- Component Full Funding: Setting a reserve funding goal of attaining and maintaining cumulative reserves at or near 100% funded.
- Threshold Funding: Establishing a reserve funding goal of keeping the reserve balance above a specified dollar or percent funded amount.

Funding Plan – An association’s plan to provide income to a reserve fund to offset anticipated expenditures from that fund.

Funding Principles –

- Sufficient funds when required
- Stable contributions through the year
- Evenly distributed contributions over the years
- Fiscally responsible

GSF - Gross Square Feet

Life and Valuation Estimates – The task of estimating useful life, remaining useful life, and repair or replacement costs for the reserve components.

LF - Linear Feet



Percent Funded – The ratio, at a particular point in time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the ideal fund balance, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the component evaluation, condition assessment, and life and valuation estimate tasks are performed. This represents one of the two parts of the Reserve Study.

Remaining Useful Life (RUL) – Also referred to as “remaining life” (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the current fiscal year have a “0” remaining useful life.

Replacement Cost – The cost of replacing, repairing, or restoring a reserve component to its original functional condition. The current replacement cost would be the cost to replace, repair, or restore the component during that particular year.

Reserve Balance – Actual or projected funds as of a particular point in time (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components that the association is obligated to maintain. Also known as “reserves,” “reserve accounts,” or “cash reserves.” In this report the reserve balance is based upon information provided and is not audited.

Reserve Study – A budget-planning tool, which identifies the current status of the reserve fund and a stable and equitable funding plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Governing documents or local statutes often regulate special assessments.

Surplus – An actual (or projected) reserve balance that is greater than the fully funded balance.

Useful Life (UL) – Also known as “life expectancy.” The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed and maintained in its present application of installation.

