Talavera Homeowners Association

Level 2 Reserve Study

Report Period - 1/1/2022 to 12/31/2022

Client Reference Number	16418
Property Type	PUD
Number of Units	52
Fiscal Year End	12/31

Type of Study	Update with Site Visit
Date of Site Visit	6/29/2021
Prepared By	Charmaine Diamond
Analysis Method	Cash Flow
Funding Goal	Full Funding

Report prepared on - Jul 14, 2021

Applied Reserve Analysis
TEL: (800) 500-8505 | Fax: (800) 500-7305
www.AppliedReserveAnalysis.com

Table of Contents

Introduction

Reserve Analysis

Component Evaluation

Glossary of Commonly used Words and Phrases

Executive Summary - Talavera Homeowners Association - ID # 16418

Information to complete this Update with Site Visit 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 1/1/2022	**$225,237**
Ideal Reserve Balance as of 1/1/2022	**$185,201**
Percent Funded as of 1/1/2022	**122%**
Recommended Reserve Contribution (per month)	**$1,320**
Recommended Special Assessment	**$0**

Property Details

The Talavera Homeowners Association is a 52-unit PUD (Planned Unit Development) located in San Jose CA. Construction was completed in 2000.

Currently Programmed Projected

Projects programmed to occur this fiscal year (FY 2022) include: Pole Lights/Fire Hydrants - Repaint (Comp #212). Asphalt - Preventive Maintenance (Comp #402). Landscaping Lights - Replace (Comp #1603). Irrigation Controllers - Replace (Comp #1701). Landscaping - Renovate (Comp #1801). Trees - Maintain (Comp #1802). Wood Pergola - Replace (Comp #2301). We have programmed an estimated $34,025 in reserve expenditures toward the completion of these projects. (See Page(s) 16 - 17)

Significant Reserve Projects

The association's significant reserve projects include: Asphalt - Major Rehab (Comp #401). Asphalt - Preventive Maintenance (Comp #402). Trees - Maintain (Comp #1802). Landscaping - Renovate (Comp #1801). The fiscal significance of these components is approximately 34%, 22%, 12% and 9% 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 $225,237.1 versus the ideal reserve balance of $185,201.19 we find the association's reserve fund to be approximately 122% funded. This indicates a fully funded reserve fund position. In order to maintain the account fund, we suggest adopting a monthly reserve contribution of $1,320 ($25.38/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.

Starting Balance

The starting Reserve Balance was provided by the client and was not audited or verified.

Introduction

Reserve Study Purpose

The purpose of this Reserve Study is to provide the board 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 board 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 Board of Directors to have ample time to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. 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.

Budget Breakdown

Every association 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 association's total budget. Therefore, reserves are considered to be a major part of the overall monthly association assessment.

Report Sections

The ***Reserve Analysis*** *Section* contains the evaluation of the association'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 association 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.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses 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 Board of Directors in establishing the reserve portion of the total monthly assesment. The reserve fund is critical to the future of the association 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 association 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 Board 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 association 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 Applied Reserve Analysis, 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 Applied Reserve Analysis, limit the component list to physical components of the common area that are owned by the association. Certain elements of an association's common area, 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. Associations that feel any of these components should be included in our reserve study should notify us with their request. These components will be added to help the association better plan and prepare their own budget and will not necessarily reflect the professional opinions of Applied Reserve Analysis.

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 Applied Reserve Analysis 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 Association 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. Associations 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 associations 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 association.

100% Funded is considered an “ideal” financial position. This means that the association theoretically has the exact amount of funds in the reserve account.

100%+ Funded is considered over-funded. This means that the association 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 association 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 warrantee or guarantee regarding our life and cost estimates/predictions. There is no implied warrantee 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 of the association.

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.

California Clients: CA Civil Code §5551 requires California condominium associations with 3 or more units to inspect all exterior elevated elements “that extend beyond the exterior walls of the building to deliver structural loads to the building from decks, balconies, stairways, walkways, and their railings, that have a walking surface elevated more than six feet above ground level, that are designed for human occupancy or use, and that are supported in whole or in substantial part by wood or wood-based products.” We have not determined if any exterior elevated element is required to be inspected pursuant to CA Civil Code §5551. Any funding for such inspections within this report is not a determination that your association is required to perform such inspection on any of the exterior elements. Further lack of funding for these inspection is not a determination that your association is not required to perform such inspections. We recommend contacting your association’s legal counsel for such a determination. Further we do not warrant that any such inspections have occurred and are not responsible for the findings of any such inspection. Should any such inspection recommend remediation or repairs we recommend those repairs be performed immediately as required whether or not they are funded for in this report. We will not/have not performed any inspections that would comply with CA Civil Code §5551 on your exterior elevated elements. This reserve study is a budgeting tool and nothing within this study should be construed as a requirement to perform any specific maintenance at any time or cost.

Funding Summary

Beginning Assumptions

# of units	52
Fiscal Year End	12/31
Budgeted Monthly Reserve Contribution	$1,320
Projected Starting Reserve Balance	$225,237
Ideal Starting Reserve Balance	$185,201

Economic Assumptions

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

Current Reserve Status

Current Balance as a % of Ideal Balance	122%

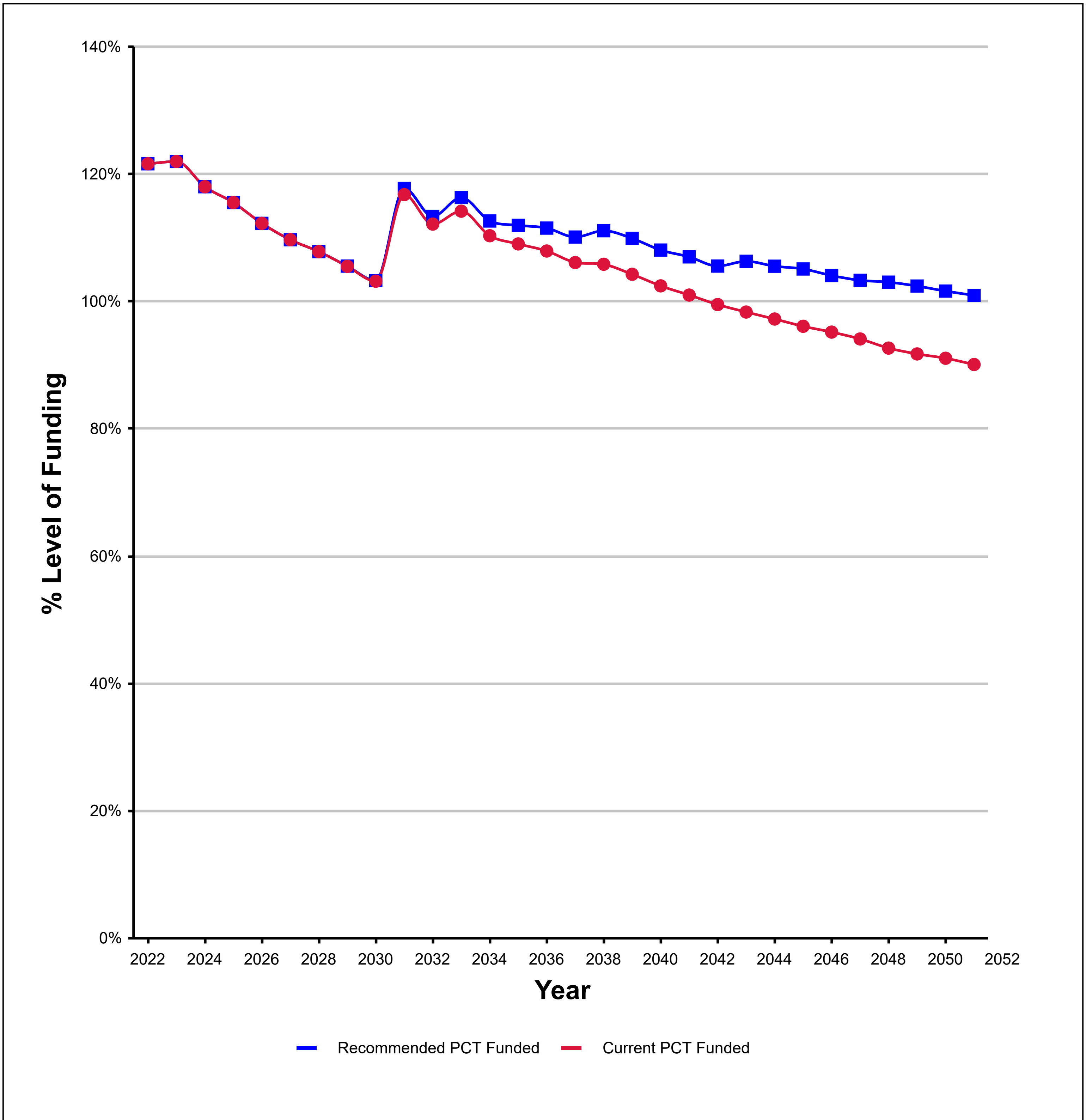
Recommendations

Recommended Special Assessment	$0
Recommended Monthly Reserve Contribution	$1,320
Per Unit	$25.38
Future Annual Increases	3.00%
For number of years:	5
Increases thereafter:	3.50%

Changes From Prior Year

Recommended Increase to Reserve Contribution	$0
as Percentage	0%

Percent Funded - Graph



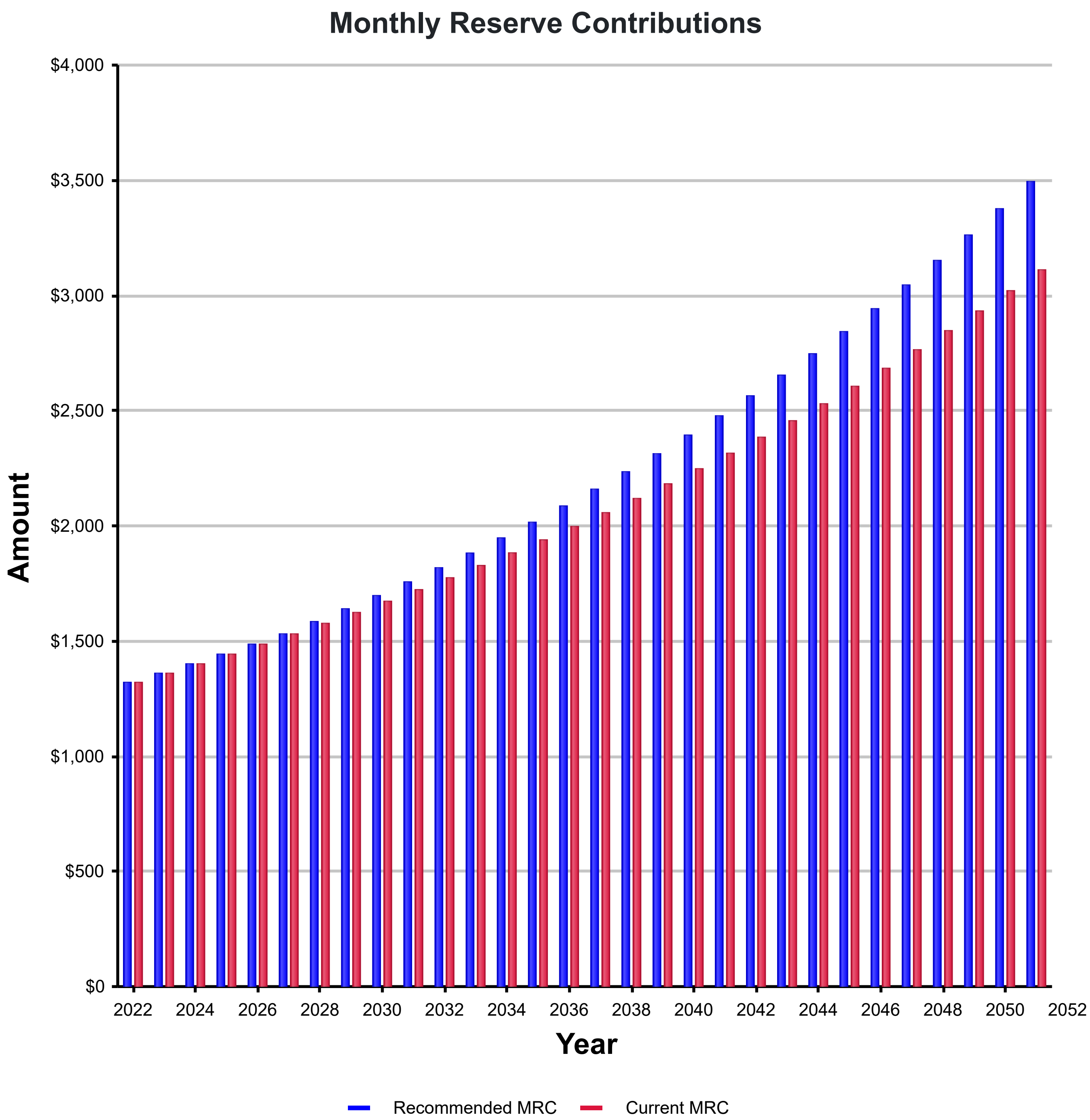
Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
212	Pole Lights/Fire Hydrants - Repaint	5	0	See quantity breakdown	$1,650	$1,650	$4,730	$30.08
401	Asphalt - Major Rehab	30	8	Approx 42,600 Square ft.	$149,100	$109,340	$112,420	$453.03
402	Asphalt - Preventive Maintenance	5	0	Approx 42,600 Square ft.	$15,975	$15,975	$19,055	$291.23
403	Concrete - Repair	10	2	Extensive Square ft.	$5,000	$4,000	$7,080	$45.58
801	Entry Monuments/Signs - Replace	35	13	(2) Metal signs	$12,000	$7,543	$10,623	$31.25
803	Mailboxes - Replace	25	21	(4) Pedestal clusters	$6,000	$960	$4,040	$21.88
1603	Landscaping Lights - Replace	20	0	(7) Assorted fixtures	$1,400	$1,400	$4,480	$6.38
1609	Pole Lights - Replace	30	8	(12) Pole lights	$36,000	$26,400	$29,480	$109.38
1701	Irrigation Controllers - Replace	15	0	(2) Irrigation controllers	$3,000	$3,000	$6,080	$18.23
1706	Backflow Devices - Replace	30	8	(2) Backflow devices	$4,000	$2,933	$6,013	$12.15
1801	Landscaping - Renovate	2	0	Extensive areas	$2,500	$2,500	$5,580	$113.94
1802	Trees - Maintain	2	0	Extensive trees	$3,500	$3,500	$6,580	$159.52
2301	Wood Pergola - Replace	20	0	(1) 15 ft. x 15 ft.	$6,000	$6,000	$9,080	$27.35
				Grand Total:	**$246,125**	**$185,201**	**$225,237**	**$1,320**

Current Fund Balance as a percentage of Ideal Balance: 122%

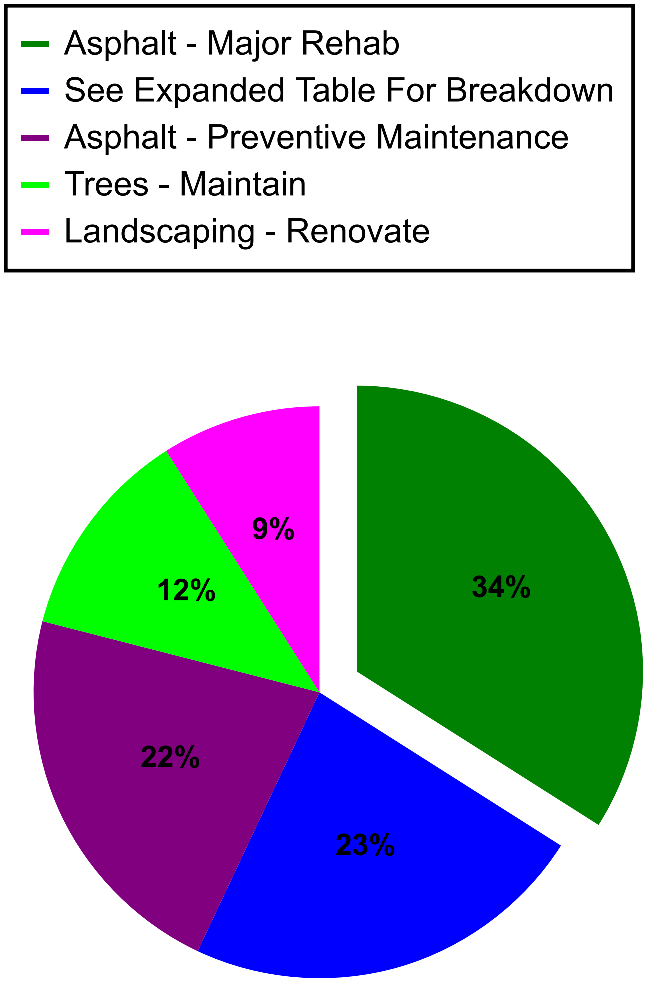
Yearly Summary

Year	Beginning Fully Funded Balance	Beginning Reserve Balance	Beginning % Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance	Ending Fully Funded Balance
2022	$185,201	$225,237	122%	$15,840	$1,083	$34,025	$208,135	$170,627
2023	$170,627	$208,135	122%	$16,315	$1,084	$0	$225,534	$191,109
2024	$191,109	$225,534	118%	$16,805	$1,143	$11,670	$231,812	$200,646
2025	$200,646	$231,812	116%	$17,309	$1,205	$0	$250,326	$222,964
2026	$222,964	$250,326	112%	$17,828	$1,282	$6,753	$262,683	$239,485
2027	$239,485	$262,683	110%	$18,363	$1,311	$20,432	$261,925	$242,916
2028	$242,916	$261,925	108%	$19,006	$1,342	$7,164	$275,109	$260,634
2029	$260,634	$275,109	106%	$19,671	$1,428	$0	$296,208	$286,798
2030	$286,798	$296,208	103%	$20,359	$916	$247,147	$70,336	$59,735
2031	$59,735	$70,336	118%	$21,072	$405	$0	$91,814	$80,989
2032	$80,989	$91,814	113%	$21,809	$435	$31,750	$82,308	$70,761
2033	$70,761	$82,308	116%	$22,573	$469	$0	$105,350	$93,531
2034	$93,531	$105,350	113%	$23,363	$547	$15,683	$113,576	$101,449
2035	$101,449	$113,576	112%	$24,180	$586	$17,622	$120,720	$108,245
2036	$108,245	$120,720	112%	$25,027	$645	$9,076	$137,316	$124,706
2037	$124,706	$137,316	110%	$25,903	$673	$32,133	$131,758	$118,588
2038	$118,588	$131,758	111%	$26,809	$703	$9,628	$149,643	$136,164
2039	$136,164	$149,643	110%	$27,748	$819	$0	$178,210	$164,902
2040	$164,902	$178,210	108%	$28,719	$939	$10,215	$197,653	$184,721
2041	$184,721	$197,653	107%	$29,724	$1,065	$0	$228,442	$216,417
2042	$216,417	$228,442	106%	$30,764	$1,082	$56,035	$204,254	$192,133
2043	$192,133	$204,254	106%	$31,841	$1,075	$11,162	$226,008	$214,148
2044	$214,148	$226,008	106%	$32,955	$1,162	$21,077	$239,049	$227,443
2045	$227,443	$239,049	105%	$34,109	$1,283	$0	$274,441	$263,704
2046	$263,704	$274,441	104%	$35,303	$1,433	$12,197	$298,981	$289,373
2047	$289,373	$298,981	103%	$36,538	$1,497	$36,903	$300,113	$291,274
2048	$291,274	$300,113	103%	$37,817	$1,566	$12,940	$326,557	$318,851
2049	$318,851	$326,557	102%	$39,141	$1,735	$0	$367,433	$361,549
2050	$361,549	$367,433	102%	$40,511	$1,908	$13,728	$396,124	$392,382
2051	$392,382	$396,124	101%	$41,929	$2,090	$0	$440,143	END


Monthly Reserve Contributions
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
$500
$0
Amount
2022
2024
2026
2028
2030
2032
2034
2036
2038
2040
2042
2044
2046
2048
2050
2052
Year
Recommended MRC
Current MRC

Significant Components

ID #	Component Name	UL	RUL	Average Current	Significance: (Curr Cost/UL) As $	As %
212	Pole Lights/Fire Hydrants - Repaint	5	0	$1,650	$330	2.28%
401	Asphalt - Major Rehab	30	8	$149,100	$4,970	34.32%
402	Asphalt - Preventive Maintenance	5	0	$15,975	$3,195	22.06%
403	Concrete - Repair	10	2	$5,000	$500	3.45%
801	Entry Monuments/Signs - Replace	35	13	$12,000	$343	2.37%
803	Mailboxes - Replace	25	21	$6,000	$240	1.66%
1603	Landscaping Lights - Replace	20	0	$1,400	$70	0.48%
1609	Pole Lights - Replace	30	8	$36,000	$1,200	8.29%
1701	Irrigation Controllers - Replace	15	0	$3,000	$200	1.38%
1706	Backflow Devices - Replace	30	8	$4,000	$133	0.92%
1801	Landscaping - Renovate	2	0	$2,500	$1,250	8.63%
1802	Trees - Maintain	2	0	$3,500	$1,750	12.08%
2301	Wood Pergola - Replace	20	0	$6,000	$300	2.07%



ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current	Significance: (Curr Cost/UL) AS %	
401	Asphalt - Major Rehab	30	8	$149,100	$4,970	34%
402	Asphalt - Preventive Maintenance	5	0	$15,975	$3,195	22%
1802	Trees - Maintain	2	0	$3,500	$1,750	12%
1801	Landscaping - Renovate	2	0	$2,500	$1,250	9%
All Other	See Expanded Table For Breakdown				$11,165	23%

Yearly Cash Flow

Year	2022	2023	2024	2025	2026
Starting Balance	$225,237	$208,135	$225,534	$231,812	$250,326
Reserve Income	$15,840	$16,315	$16,805	$17,309	$17,828
Interest Earnings	$1,083	$1,084	$1,143	$1,205	$1,282
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$242,160	$225,534	$243,482	$250,326	$269,436
Reserve Expenditures	$34,025	$0	$11,670	$0	$6,753
Ending Balance	$208,135	$225,534	$231,812	$250,326	$262,683

Year	2027	2028	2029	2030	2031
Starting Balance	$262,683	$261,925	$275,109	$296,208	$70,336
Reserve Income	$18,363	$19,006	$19,671	$20,359	$21,072
Interest Earnings	$1,311	$1,342	$1,428	$916	$405
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$282,357	$282,273	$296,208	$317,483	$91,813
Reserve Expenditures	$20,432	$7,164	$0	$247,147	$0
Ending Balance	$261,925	$275,109	$296,208	$70,336	$91,814

Year	2032	2033	2034	2035	2036
Starting Balance	$91,814	$82,308	$105,350	$113,576	$120,720
Reserve Income	$21,809	$22,573	$23,363	$24,180	$25,027
Interest Earnings	$435	$469	$547	$586	$645
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$114,058	$105,350	$129,260	$138,342	$146,392
Reserve Expenditures	$31,750	$0	$15,683	$17,622	$9,076
Ending Balance	$82,308	$105,350	$113,576	$120,720	$137,316

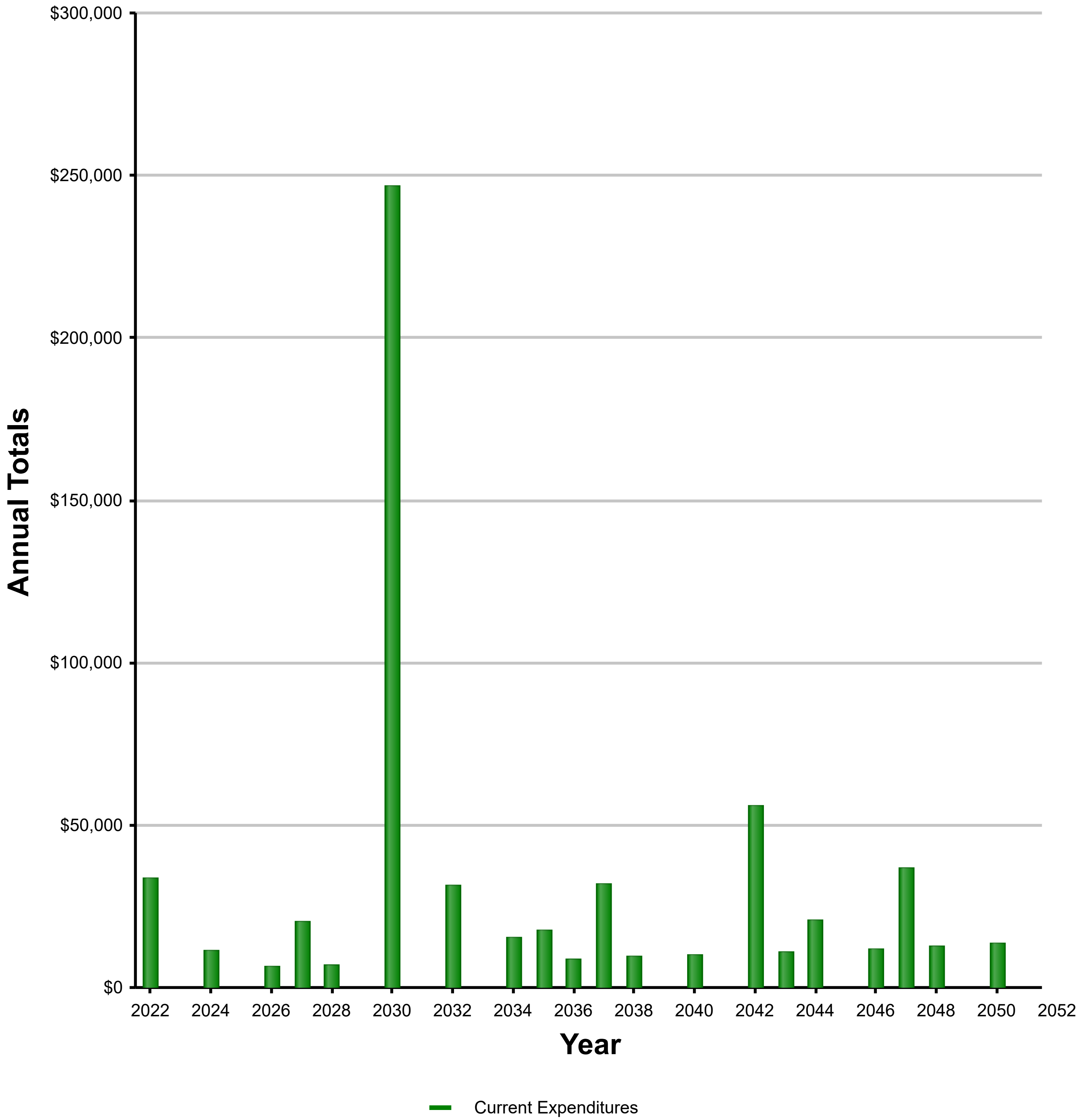
Year	2037	2038	2039	2040	2041
Starting Balance	$137,316	$131,758	$149,643	$178,210	$197,653
Reserve Income	$25,903	$26,809	$27,748	$28,719	$29,724
Interest Earnings	$673	$703	$819	$939	$1,065
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$163,892	$159,270	$178,210	$207,868	$228,442
Reserve Expenditures	$32,133	$9,628	$0	$10,215	$0
Ending Balance	$131,758	$149,643	$178,210	$197,653	$228,442

Year	2042	2043	2044	2045	2046
Starting Balance	$228,442	$204,254	$226,008	$239,049	$274,441
Reserve Income	$30,764	$31,841	$32,955	$34,109	$35,303
Interest Earnings	$1,082	$1,075	$1,162	$1,283	$1,433
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$260,288	$237,170	$260,125	$274,441	$311,177
Reserve Expenditures	$56,035	$11,162	$21,077	$0	$12,197
Ending Balance	$204,254	$226,008	$239,049	$274,441	$298,981

Yearly Cash Flow

Year	2047	2048	2049	2050	2051
Starting Balance	$298,981	$300,113	$326,557	$367,433	$396,124
Reserve Income	$36,538	$37,817	$39,141	$40,511	$41,929
Interest Earnings	$1,497	$1,566	$1,735	$1,908	$2,090
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$337,016	$339,496	$367,433	$409,852	$440,143
Reserve Expenditures	$36,903	$12,940	$0	$13,728	$0
Ending Balance	$300,113	$326,557	$367,433	$396,124	$440,143

Yearly Reserve Expenditures - Graph



Projected Expenditures By Year

Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2022	212	Pole Lights/Fire Hydrants - Repaint	$1,650	
	402	Asphalt - Preventive Maintenance	$15,975	
	1603	Landscaping Lights - Replace	$1,400	
	1701	Irrigation Controllers - Replace	$3,000	
	1801	Landscaping - Renovate	$2,500	
	1802	Trees - Maintain	$3,500	
	2301	Wood Pergola - Replace	$6,000	$34,025
2023		No Expenditures Projected	$0	$0
2024	403	Concrete - Repair	$5,305	
	1801	Landscaping - Renovate	$2,652	
	1802	Trees - Maintain	$3,713	$11,670
2025		No Expenditures Projected	$0	$0
2026	1801	Landscaping - Renovate	$2,814	
	1802	Trees - Maintain	$3,939	$6,753
2027	212	Pole Lights/Fire Hydrants - Repaint	$1,913	
	402	Asphalt - Preventive Maintenance	$18,519	$20,432
2028	1801	Landscaping - Renovate	$2,985	
	1802	Trees - Maintain	$4,179	$7,164
2029		No Expenditures Projected	$0	$0
2030	401	Asphalt - Major Rehab	$188,875	
	1609	Pole Lights - Replace	$45,604	
	1706	Backflow Devices - Replace	$5,067	
	1801	Landscaping - Renovate	$3,167	
	1802	Trees - Maintain	$4,434	$247,147
2031		No Expenditures Projected	$0	$0
2032	212	Pole Lights/Fire Hydrants - Repaint	$2,217	
	402	Asphalt - Preventive Maintenance	$21,469	
	1801	Landscaping - Renovate	$3,360	
	1802	Trees - Maintain	$4,704	$31,750
2033		No Expenditures Projected	$0	$0
2034	403	Concrete - Repair	$7,129	
	1801	Landscaping - Renovate	$3,564	
	1802	Trees - Maintain	$4,990	$15,683
2035	801	Entry Monuments/Signs - Replace	$17,622	$17,622
2036	1801	Landscaping - Renovate	$3,781	
	1802	Trees - Maintain	$5,294	$9,076
2037	212	Pole Lights/Fire Hydrants - Repaint	$2,571	
	402	Asphalt - Preventive Maintenance	$24,889	
	1701	Irrigation Controllers - Replace	$4,674	$32,133
2038	1801	Landscaping - Renovate	$4,012	
	1802	Trees - Maintain	$5,616	$9,628
2039		No Expenditures Projected	$0	$0

Projected Expenditures By Year

Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2040	1801	Landscaping - Renovate	$4,256	
	1802	Trees - Maintain	$5,959	$10,215
2041		No Expenditures Projected	$0	$0
2042	212	Pole Lights/Fire Hydrants - Repaint	$2,980	
	402	Asphalt - Preventive Maintenance	$28,853	
	1603	Landscaping Lights - Replace	$2,529	
	1801	Landscaping - Renovate	$4,515	
	1802	Trees - Maintain	$6,321	
	2301	Wood Pergola - Replace	$10,837	$56,035
2043	803	Mailboxes - Replace	$11,162	$11,162
2044	403	Concrete - Repair	$9,581	
	1801	Landscaping - Renovate	$4,790	
	1802	Trees - Maintain	$6,706	$21,077
2045		No Expenditures Projected	$0	$0
2046	1801	Landscaping - Renovate	$5,082	
	1802	Trees - Maintain	$7,115	$12,197
2047	212	Pole Lights/Fire Hydrants - Repaint	$3,455	
	402	Asphalt - Preventive Maintenance	$33,448	$36,903
2048	1801	Landscaping - Renovate	$5,391	
	1802	Trees - Maintain	$7,548	$12,940
2049		No Expenditures Projected	$0	$0
2050	1801	Landscaping - Renovate	$5,720	
	1802	Trees - Maintain	$8,008	$13,728
2051		No Expenditures Projected	$0	$0

Comp # 212 Pole Lights/Fire Hydrants - Repaint

Subgroup: Common Area

Location: Adjacent to roadways

Quantity: See quantity breakdown

Life Expectancy: 5 ***Remaining Life:*** 0

Best Cost: $1,500.00

Lower estimate to paint

Worst Cost: $1,800.00

Higher estimate

Source of Information: In-House Costs Database

General Notes:

Quantity breakdown:

(12) 15 ft. tall metal light poles
(6) Fire hydrants

Observations:

The light poles and fire hydrants were reportedly painted last in 2015. We recommend funding for regular cycles of treatment/sealant to help prevent rust and corrosion approximately every 5 years.

Component Evaluation

Comp # 401 Asphalt - Major Rehab

Subgroup: Common Area

Location: Community roadways and parking areas

Quantity: Approx 42,600 Square ft.

Life Expectancy: 30 ***Remaining Life:*** 8

Best Cost: $127,800.00

$3.00/Square Ft.; Lower estimate to rehab

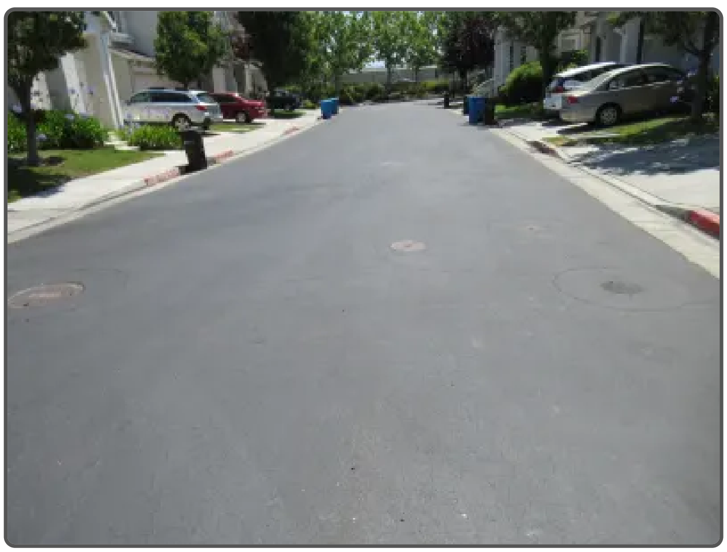
Worst Cost: $170,400.00

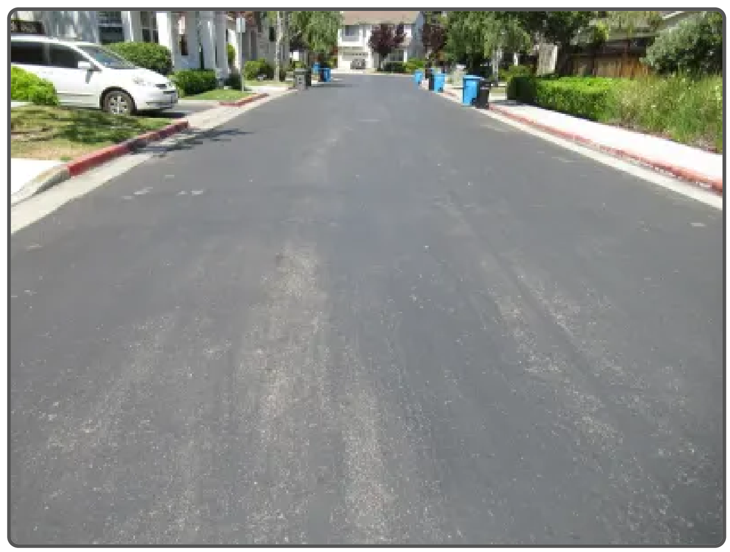
$4.00/Square ft.; Higher estimate

Source of Information: In-House Costs Database

Observations:

Asphalt surface is generally in fair condition. Noted moderate cracking throughout asphalt surface. With regular sealing and repairs (see Comp# 402 Asphalt - Preventive Maintenance) asphalt surface should reach a typical useful life of approximately 30 years before a major rehabilitation (overlay, R & R, etc.) is necessary.





Comp # 402 Asphalt - Preventive Maintenance

Subgroup: Common Area

Location: Community roadways and parking areas

Quantity: Approx 42,600 Square ft.

Life Expectancy: 5 ***Remaining Life:*** 0

Best Cost: $10,650.00

$0.25/Square ft.; Lower estimate for maintenance

Worst Cost: $21,300.00

$0.50/Square Ft,; Higher estimate

Source of Information: In-House Costs Database

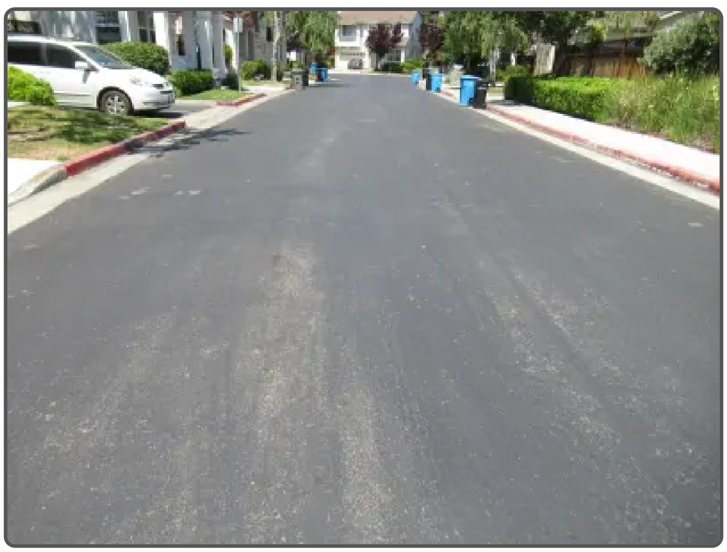
General Notes:

Quantity breakdown:

42,600 Square ft. of asphalt roadway
2,330 Linear ft. of red curb
145 Linear ft. of green curb
160 Linear ft. white parking stall lines
30 Linear ft. white crosswalk lines
(1) Stop stencil

Observations:

Noted seal loss throughout. Asphalt is generally in fair to poor condition and should be sealed in the near future. Typically asphalt surfaces should be sealed every 3 to 5 years depending on traffic to protect asphalt surface.



Component Evaluation

Comp # 403 Concrete - Repair

Subgroup: Common Area

Location: Sidewalks, walkways, curbing, gutters, etc.

Quantity: Extensive Square ft.

Life Expectancy: 10 ***Remaining Life:*** 2

Best Cost: $4,500.00

Lower allowance to repair

Worst Cost: $5,500.00

Higher allowance

Source of Information: In-House Costs Database

Observations:

No expectation to completely replace the concrete surfaces. We recommend making local repairs as necessary as an operating expense and funding to make more significant repairs approximately every 10 years.

Component Evaluation

Comp # 801 Entry Monuments/Signs - Replace

Subgroup: Common Area

Location: Community entrances

Quantity: (2) Metal signs

Life Expectancy: 35 ***Remaining Life:*** 13

Best Cost: $10,000.00

$5,000/Each, Lower estimate to replace

Worst Cost: $14,000.00

$7,000/Each, Higher estimate

Source of Information: In-House Costs Database

Observations:

Although long lasting material, the metal signage will eventually require replacement. This component has an approximate useful life of 30-40 years. The remaining useful life is based on the installation date.

Comp # 803 Mailboxes - Replace

Subgroup: Common Area

Location: Central common area

Quantity: (4) Pedestal clusters

Life Expectancy: 25 ***Remaining Life:*** 21

Best Cost: $5,600.00

$1,400/Each, Lower estimate to replace

Worst Cost: $6,400.00

$1,600/Each, Higher estimate

Source of Information: Actual Cost History

Observations:

Boxes are in good condition. No signs of significant damage or wear. Expect to replace these mailboxes approximately every 20 to 25 years. Remaining life based on current condition.

Comp # 1603 Landscaping Lights - Replace

Subgroup: Common Area

Location: Throughout community

Quantity: (7) Assorted fixtures

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

Best Cost: $1,050.00

$150/Each, Lower estimate to replace

Worst Cost: $1,750.00

$250/Each, Higher estimate

Source of Information: In-House Costs Database

General Notes:

Quantity breakdown:

(2) Flood fixtures (courtyard)
(3) Flood fixtures (mailboxes)
(2) Flood fixtures (entry signs)

Observations:

No problems noted or reported. Although these lights may reach an extended life we recommend funding to replace them approximately every 15 to 20 years. Remaining life based on current condition.

Comp # **1609** **Pole Lights - Replace**

Subgroup: Common Area

Location: Adjacent to roadways and parking areas

Quantity: (12) Pole lights

Life Expectancy: 30 ***Remaining Life:*** 8

Best Cost: $30,000.00

$2,500/Each, Lower estimate to replace fixtures

Worst Cost: $42,000.00

$3,500/Each, Higher estimate

Source of Information: In-House Costs Database

Observations:

No problems noted at time of visit. We recommend funding to replace these light poles approximately every 25 to 30 years.

Component Evaluation

Comp # 1701 Irrigation Controllers - Replace

Subgroup: Common Area

Location: Green metal housings

Quantity: (2) Irrigation controllers

Life Expectancy: 15 ***Remaining Life:*** 0

Best Cost: $2,000.00

$1,000/Each, Lower estimate to replace

Worst Cost: $4,000.00

$2,000/Each, Higher estimate

Source of Information: In-House Costs Database

Observations:

This component has an approximate useful life of 10 to 15 years. The remaining useful life is based on the assumed age.

Component Evaluation

Comp # 1706 Backflow Devices - Replace

Subgroup: Common Area

Location: Association grounds

Quantity: (2) Backflow devices

Life Expectancy: 30 ***Remaining Life:*** 8

Best Cost: $3,600.00

$1,800/Each, Lower estimate to replace

Worst Cost: $4,400.00

$2,200/Each, Higher estimate

Source of Information: In-House Costs Database

Observations:

No problems noted at time of visit. This component has an approximate useful life of 30 years. The remaining useful life is based on the reported installation date.

Comp # 1801 Landscaping - Renovate

Subgroup: Common Area

Location: Throughout property

Quantity: Extensive areas

Life Expectancy: 2 ***Remaining Life:*** 0

Best Cost: $2,000.00

Lower allowance to renovate

Worst Cost: $3,000.00

Higher allowance

Source of Information: In-House Costs Database

Observations:

This component represent a reserve allowance for regular cycles of significant upgrades to landscaping outside the typical operating budget costs.

Comp # 1802 Trees - Maintain

Subgroup: Common Area

Location: Throughout property

Quantity: Extensive trees

Life Expectancy: 2 ***Remaining Life:*** 0

Best Cost: $3,000.00

Lower allowance to maintain

Worst Cost: $4,000.00

Higher allowance

Source of Information: In-House Costs Database

Observations:

Trees should be trimmed periodically to maintain appearance and to ensure health of the trees.

Component Evaluation

Comp # **2301** **Wood Pergola - Replace**

Subgroup: Common Area

Location: Central common area above mailboxes

Quantity: (1) 15 ft. x 15 ft.

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

Best Cost: $5,500.00

Lower estimate to replace

Worst Cost: $6,500.00

Higher estimate

Source of Information: In-House Costs Database

Observations:

Although this component has reached an extended life we recommend funding to replace the pergola in the near future. Remaining life based on current age and condition.

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.
FFB = Current Cost * Effective Age / 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.