Reserve Studies by Reserve Funding

Hiller Highlands I Association

Spyglass Hill & Hiller Road
Oakland, California
April 26, 2016

Prepared by:
D.L. "Dan" Huntley, RS, PRA
Tamarra "Tammy" Axton, PRA
Ray Axton, PRA

Reserve Studies by Reserve Funding

Reserve Study Professionals credentialed by
Community Association Institute (RS)and
Association of Professional Reserve Analysts (PRA)

HILLER HIGHLANDS 1 ASSOCIATION

Executive Summary

Fiscal Year of Report

January 1, 2017 to December 31, 2017

Number of Lots 34

Parameters

Beginning Balance $98,503.90

Fiscal Year 2017 Suggested Contribution $49,470

Average Monthly Reserve Assessment Per Lot $121.25

Prior Year's Actual Contribution $45,400

Fiscal Year Projected Interest Rate .34%

Fiscal Year Inflation Rate 1.02%

Annual Increase To Suggested Contribution 2.6%

Lowest Cash Balance Over 30 Years (Threshold) $81,053

P.O. Box
Sacramento, California
800-301-3411

RESERVE STUDIES BY RESERVE FUNDING

Attached herewith is the reserve study (physical and financial analysis) for the Association**. Interest from reserve savings accounts must stay in the reserve account(s) and not be used as an offset against monthly assessments.**

When the term Limited Common Area is used it is assumed the Association is maintaining certain Limited Common Areas but not all. One would need to read the Declaration (CC&R's) to determine responsibilities of the Association and of the Owners.

You are encouraged to thoroughly review this document and its individual reports for conformity to the description of responsibility for the Association's Common or Limited Common Area as defined in your Declaration of Covenants, Conditions and Restrictions. In addition, please pay close attention to the reserve bank balance estimated to be on hand by your staff. **Any discrepancy in the figure or interest rate can have a significant effect on the reserve study and the outcome of the assumptions shown**.

The intention of the reserve study is to forecast, as they wear out in future years, the Association's ability to repair, replace, restore or maintain major components with a life expectancy of over one year and an estimated cost of over one thousand dollars. The reports will provide the Association's Board of Directors (Board) the information necessary to make the reserve projection disclosures required by existing statutes, lender's requirements, or the governing documents.

The cost outlined in the reserve study is subjective in some areas, therefore we may use costs submitted by the Declarant, Management or the Board, and are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time the repair, replacement or restoration is done, and on actual price levels prevailing at the time the future repair, replacement, or restoration must be done.

The estimates on future repair, replacement and restoration in the reserve study will be good faith estimates and projections, based upon the estimated future inflation rate and interest (yield) on the monies set aside which may or may not prove accurate. Consultant submits that the probability that it may project in its reserve study, or that the Board could project in its disclosures, future costs or actual

future remaining useful lives of components having useful lives extended beyond one year with precision is the functional equivalent of winning the lottery (while it may happen in rare instances by chance, one may not reasonably expect it to happen). As a result, Consultant cannot, and does not, warrant or guaranty its projections. Assumptions on future costs and life expectancy's should be reviewed and adjusted on an annualized basis, as current and future cost projections and life expectancy's become more uncertain.

This reserve study is limited to an off-site, on-site or plan take-off physical analysis of the property, and as such did not disturb the major components. Therefore, all Common and Limited Common Areas for which there is no access without defacement are specifically omitted. However, if sufficient historical data including costs were available that would allow a reasonable projection of future expenditures for any unobserved components, e.g., plumbing, utilities, electrical wiring, those components could be included in the reserve study and may require an engineer's report.

Since no destructive testing was undertaken, this reserve study, as stated above, does not purport to address any latent and/or patent defects, nor does it address any life expectancies that are abnormally short due either to improper design or installation, or to subsequent improper maintenance. It is assumed that all components are to be reasonably maintained for the remainder of their life expectancy.

The seal below the signature is evidence that the reserve study was performed under the guidelines and policies of the Association of Professional Reserve Analyst and the Community Association Institute.

Sincerely,

D. L. "Dan" Huntley, **PRA, RS**
Tamarra "Tammy" Axton, **PRA**
Ray Axton, **PRA**
Association of Professional Reserve Analyst-APRA-(PRA)
Community Association Institute-CAI-(RS) Reserve Specialist

EXECUTIVE SUMMARY

At the direction of the Association that recognizes the need for proper reserve planning, we have prepared a reserve study (physical and financial analysis) of the Association's Common or Limited Common Areas and submit our findings in this report. The purpose of this reserve study is to establish a reasonable yearly reserve contribution necessary to meet future expenditures for major replacements or repairs of the Common or Limited Common Areas in compliance with California Statutes under Civil Code 5500 that components have a life expectancy of more than one year and less than thirty years.

All major common components are likely to require capital repair or replacement over the next thirty years. Our analysis considered current and future costs of replacement for the subject Common or Limited Common Areas, the average annual fund balance, interest on invested funds, and anticipated inflation. Based on the investigation and analysis as detailed in the accompanying narrative, the attached *CURRENT ASSESSMENT FUNDING MODEL PROJECTION* report details the average reserve contributions that are recommended to fund the expected capital expenditures of the subject Common or Limited Common Areas over the next thirty years.

We arrived at these recommendations in part by matching the anticipated expenditures noted in the *ANNUAL EXPENDITURE DETAIL* against current fund balances and the annual levels of funding. **Reserve funds would not become depleted within the next thirty years at the levels of funding recommended**.

The *CURRENT ASSESSMENT FUNDING MODEL PROJECTION* enumerates the details regarding recommended annual reserve contributions and projected year-end reserve balances. We recommend, in accordance with state statutes, subsequent yearly off-site updates of this reserve study and an on-site physical analysis every three years to confirm that the recommended reserve contributions are appropriate in view of possible changes in the property, components not completed as detailed in the expenditure report, interest rates, inflation rates, costs, and movement of any excess operating funds to the reserve savings accounts as approved by the membership.

It is necessary that regular maintenance of the Common or Limited Common Areas be done to insure maximum useful life and optimum performance of the reserve components. Components of concern include items associated with water intrusion and safety.

Checklists developed by Reed Construction Data, Inc., can be accessed, photocopied or downloaded from the RS Means web site at www.rsmeans.com/supplement/67346.asp. We strongly urge the Board to use these forms.

NARRATIVE REPORT

The following reports illustrate our recommendations and observations concerning anticipated expenditures, recommended reserve funding and projected fund balances during the next thirty years.

We have not investigated the title to or any liabilities against the property subject to this report.

At the direction of the Association, which recognizes the need for proper reserve planning, we have made a reserve study (physical and financial analysis) of this community and submit our findings in this report.

The purpose of this study is to establish a reasonable yearly reserve contribution necessary to meet future expenditures for major replacements or repairs of the common components of the Association as of the beginning of its fiscal year.

Reserves for replacement are estimates of that amount of money that must be put aside to repair or replace major items or building components that will wear out before the entire facility or project wears out.

State law, such as that found in California, Oregon and Washington, clearly establishes the fiduciary duty of "Boards" and the necessity for adequate assessments including reserve funds. The legislative intent of these acts is to better protect current owners and future buyers of units in community associations. Reserving funds for future repair or replacement of the shorter-lived building components is also one of the most reliable ways of protecting the future market value of an individual's investment property from the deleterious effects of special assessments.

For the purposes of this study, the detailed cash flow analysis is limited to those components or elements that are likely to require replacement or major rehabilitation during the next thirty-year period. Replacement of an entire planned development or condominium in 50 to 75 years is not a typical event. Preventive maintenance generally extends the useful life of many components. As such, estimating useful lives beyond thirty years from the date of this study is indeterminate and it is recommended that periodic updates of this study be made to consider actual facts and circumstances regarding extended or diminished component lives, inflation, and appreciation of the reserves.

Our investigation included Common and Limited Common Areas as set forth in your declaration associated with the property of the Association. Excluded from our consideration was all other property, including land, property owned individually by unit or home owners, personal property, and intangible assets.

Expenditures relating to the operating budget and apart from reserves are excluded from this reserve analysis. It is our understanding that the operating budget and future operating budgets will provide for the on-going normal maintenance of common elements unless specifically identified in the component description on the *DETAIL REPORT BY CATEGORY*.

Our report comprises:

This letter, that sets forth the nature and extent of the investigation, identifies the classes of property considered, and presents the conclusions reached.

An Executive Summary identifies the property, current reserves, recommended reserve funding, and projections concerning reserve funding.

Consideration and Methodology

The purpose of this study is to estimate the amount of yearly reserve contributions necessary to meet future expenditures for major replacements and repairs of the common area components of the Association without a special assessment however, with this Association Special Assessments are required. We reviewed the property subject of this investigation and considered the following:

- Local costs of material, equipment and labor combined in the cost factor,
- The current and future costs of replacement or repair for the common components as detailed in the *DETAIL REPORT BY CATEGORY*,
- The cost of removal if required of the worn out components as part of the cost of replacement,
- The anticipated effects of inflation on the amount to be reserved annually,
- The anticipated effects of appreciation of the reserves over time in accord with your average current return or yield on investments. **We were informed all accrued interest on Association investments would be included within the reserve funds.**
- The past and current maintenance practices of your Association and their effects on remaining lives.

We have not considered as part of the reserve contributions the amounts required for yearly maintenance activities.

SUMMARY AND CONCLUSION

This study indicates that based on the anticipated expenditures noted in the ANNUAL EXPENDITURE DETAIL report, the current reserves and annual recommended levels of funding is adequate to avoid future special assessments. Reserves may or may not become depleted within the next thirty years at current recommended levels of funding providing, the Association approves the recommended Special Assessments as indicated in the reserve study. See Current Assessment Funding Model Summary for further details.

ASSUMPTIONS, SCOPE, AND LIMITED CONDITIONS

To the best of our knowledge, all data set forth in this report are true and accurate. Although gathered from reliable sources, no guarantee is made nor liability assumed for the accuracy of any data, opinions, or estimates identified as being furnished by others or ourselves that have been used in formulating this analysis.

No soils analysis or geological studies were ordered or made in conjunction with this report, nor was any water, oil, gas, coal or other subsurface mineral and use rights or conditions investigated.

Any latent defects will not be a part of the reserve study. Should we find signs of possible latent defects or problems not within the scope of the reserve study, the Association will be notified so that the Association can retain the proper experts. However, the study will not be designed to uncover any possible latent defects, and the absence of any indications to such effect will not be, and should not be construed to be, an indication that there are no defects not so noted, or that we warrant the absence of any such defects.

Substances such as fungi, mold, asbestos, lead paint, urea-formaldehyde foam insulation, termite control substances other chemicals, toxic wastes, radon gas, electro-magnetic radiation or other potentially hazardous materials (on the surface or sub-surface) could, if present, adversely affect the validity of our reserve study. Unless otherwise stated in our reserve study, the existence of hazardous substances, that may or may not be present on the property, will not be considered nor will there be any inspection for termites. Our opinions are predicated on the assumption that there is no such material on or in the property nor existence of termites. No responsibility is assumed for any such conditions, and you are advised that we are not qualified to detect such substances, quantify the impact, or develop the remedial cost.

The Association needs to review each line item in the reports to be certain corrections are made from information the Association may possess that we are not aware of. It is assumed in our reserve study that no additional work, or expenditures from the reserve funds have occur for the balance of the last fiscal year. If this is not correct, the Association needs to let us know what extra work was done and how much money was be spent.

This physical analysis was made by individuals generally familiar with real estate and building construction and 30 years experience preparing reserve studies; however, no invasive testing was performed. Our report does not consider electrical wiring, plumbing or utilities that may be the responsibility of the Association. Accordingly, we do not opine on, nor are we responsible for, the structural integrity of the property, including, but not limited to, its conformity to specific governmental code requirements, such as fire, building safety, earthquake, occupancy, land movement and/or slides, or any physical defects that were not readily apparent in our physical analysis. This reserve study is not an engineering study.

The cost outlined in the reserve study is subjective in some areas; therefore, we may use costs submitted by the Association that are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time the repair, replacement or restoration is done, and on actual price levels prevailing at the time the future repair, replacement or restoration must be done. The estimates on future repair, replacement and restoration in the reserve study will be good faith estimates and projections, based upon the estimated future inflation rate and interest (yield) on the monies set aside which may or may not prove accurate. We submit that the probability that the Board may project in its reserve study or disclosures, future costs or actual future remaining useful lives of components having useful lives extended beyond one year with precision is the functional equivalent of winning the lottery (while it may happen in rare instances by chance, one may not reasonably expect it to happen). As a result, we cannot, and do not, guaranty its projections. Assumptions on future costs and life expectancies should be reviewed and adjusted on an annualized basis, as current future costs projections and life expectancies become more uncertain.

PROFESSIONAL SERVICE CONDITIONS

The services provided by Reserve Studies by Reserve Funding were performed in accordance with our professional practice standards. Our compensation is not contingent in any way upon our conclusions. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor. All files, work papers or documents developed by us during the course of the engagement will remain our property.

Our report is to be used only for the purposes stated herein. Any use or reliance for any other purpose, by the Association or third parties, is invalid. The Association may show our report in its entirety to those third parties that need to review the information contained herein. No reference to our name or our report, in whole or in part, in any document the Association prepares and/or distribute to third parties may be made without our written consent.

You shall defend, indemnify, and hold harmless Reserve Studies by Reserve Funding and its employees and subagents, who were or are a party or are threatened to be made a party to any threatened, pending, or completed actions, suits, or proceedings, whether civil, criminal, administrative, or investigative by reason of the fact that Reserve Studies by Reserve Funding and its employees and subagents, are or were the authorized representatives of the Association, as to any expense, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by Reserve Studies by Reserve Funding and its employees and subagents, in connection with such action, suit, or proceeding, if Reserve Studies by Reserve Funding and its employees and subagents acted in good faith and in a manner Reserve Studies by Reserve Funding and its employees and subagents reasonably believed to be in, or not opposed to, the best interest of the Association, and with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful.

We have prepared an initial draft of the study and will make one adjustment to the report upon a written request from the Association within 30 days of the date the initial draft of the study is sent to the Board.

We reserve the right to include your Association's name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings.

These conditions can only be modified by written documents executed by both parties.

Respectfully submitted,

D. L. "Dan" Huntley, PRA, RS
Tamarra "Tammy" Axton, PRA
Ray Axton, PRA

Association of Professional Reserve Analyst-APRA-(PRA)
Community Association Institute-CAI-(RS) Reserve Specialist

TABLE OF CONTENTS
Hiller Highlands I Association

Hiller Highlands I Association
Category Detail Index

Hiller Highlands I Association
Category Detail Index

Total Funded Assets	32
Total Unfunded Assets	1
Total Assets	33

Hiller Highlands I Association
Base Line Assessment Funding Model Summary

Report Date	April 26, 2016
Account Number	Use This One
Version	1 (2017) Level III
Budget Year Beginning	January 01, 2017
Budget Year Ending	December 31, 2017
Total Units	34

Report Parameters

Inflation	1.02%
Interest Rate on Reserve Deposit	0.34%
2017 Beginning Balance	$98,503.90

BUSINESS JUDGEMENT RULE

To avoid personal liability for their actions/decisions, directors must perform their fiduciary duties "with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances."

****

- **This reserve study is for budget and planning purposes and identifies the status of the reserve fund and schedules the anticipated major commonly owned item replacements.**

  This reserve study will also estimate the expected useful life and remaining useful life of the building and site components or systems, and will provide an estimate replacement or refurbishment cost for those components or systems. Major components or systems may include, but are not limited to, painting, mailboxes, doors, paving, and amenities and other commonly owned systems or items.

- **The scope of work identified within our contract is to provide the association with an "Updated Off-Site Visit" (Level III) reserve study which includes:**

  Component/System Inventory

  Expected Useful Life and Remaining Useful Life Estimates

  Condition Assessment (based upon on-site visual observations if applicable).

  Component/System Replacement Schedule and Estimated Pricing

Identify Current Reserve Account Balance
30 Year Funding Plan

- **How to Use a Reserve Study**

  The documents included within the reserve study are intended to be used as guidelines and estimates. It is nearly impossible to know exactly when a building component system will fail; however, an estimation of useful life based on similar product history and professional experience is used to estimate the time of replacement and associated costs. All costs included within this reserve study should be used as budgeting figures. For exact pricing, a qualified, licensed contractor should be contacted to provide a bid for any anticipated replacements.

  The replacement schedule lists all known components and systems that are anticipated to "wear out" or fail within 30 years. Items which are anticipated to be replaced or repaired in the current year are not included within the reserve study as those items should already be budgeted for, and scheduled to be replaced or repaired.

  On the reserve schedule, review which items are anticipated to fail in the near future, and keep a close eye on them. It is always better to replace items prior to failure to eliminate the opportunity for surrounding components or associated systems to be affected. Be cognizant of items scheduled for replacement or repair within 2-3 years of the current year. Remember, items listed are scheduled based on history and replacement or repair is scheduled as an estimate. Items commonly fail sooner or later than the estimated date.

- **Disclosures**
- **General - The Hiller Highlands I Association and Reserve Studies by Reserve Funding aka Western States Subdivision Consulting have no professional or personal involvements with each other, other than the scope of work identified in the reserve study contract. This relationship cannot be perceived as a conflict of interest.**
- **Physical Analysis - If an on-site reserve study was performed observations were limited to visual observations only. Destructive testing (invasive testing) was not performed. Any items that were not clearly visible at the time of the site observation were not viewed, and therefore were not included in the drafting of this reserve study.**

- **Measurements (if applicable) - Measuring and inventory (+/- 10%) were identified via a combination of on-site physical measurements, previous reserve study and/or drawing take-offs. Drawing sets (if used) were provided by the property manager or Declarant for our use relating only to the reserve study scope of work.**
- **Reliance on Client Data - Data received from property management, association representatives and/or Declarant is deemed reliable by Reserve Funding. Such data may include financial information, physical deficiencies or physical conditions, quantity of physical assets, or historical issues.**
- **Scope - The Reserve Study is a reflection of information provided to the Consultant and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, or background checks of historical records.**
- **Reserve Balance - The actual or projected (estimated) total presented in this reserve study is based upon information provided or collected and was not audited.**
- **Reserve Projects -Information provided or collected for the purpose of this reserve study will be considered reliable and should not be considered a project audit or quality inspection.**
- **Adjustments to Reserve Study - Should components suggested by Consultant be removed from the reserve study or any life cycles or costs other than current bids, engineering construction standards, or current component history be used in this reserve study the Client accepts full responsibility for the results of the reserve study and is not warranted by Consultant.**
- **Information Provided - Quantity, design and material information included in this report was provided in part by the Association and is subject to course of construction changes.**
- **Limitations on Inventory -The following items, but not limited to, are not included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, bearing and shear walls, perimeter walls, beams, columns and girders, sub floors, unfinished floors, concrete stair surfaces, windows, exterior doors, window and door frames, plumbing system, flues (chimneys), air delivery or return systems, ducts, chutes, conduits, pipes, plumbing, sanitary sewage and storm drains, wire, telephone, cable, central television system, sprinklers systems and internet lines.**

- **Warranty or Guaranty - This reserve study and its recommendations should not be construed in any way to constitute a warranty or guaranty regarding the current or future performance of the components. Components will be replaced as required, not necessarily in their expected replacement year.**
- **Annual Updates - Often times there can be a significant expenditure in those years that exceeds the life of the reserve study. Hence, annual updates should be done to allow adjustments in the reserve contribution each year if required.**
- **Tax Consequences - The tax consequences are not considered in this reserve study due to the uncertainty of all factors affecting net taxable income and the election of the tax form to be filed.**
- **<u>Preparation of a Reserve Study</u>**

  Data is collected from many sources to prepare a reserve study and a variety of document reviews, interviews, and site observations are required to adequately fulfill our duties as a reserve provider. The following sources, but not limited to, and methods were utilized in the preparation of this reserve study document:

  Property Management Personnel Interviews

  As built Plans and Specifications Document Reviews

  On-site Observations - If Applicable or previous reserve study

  In-house company consultations with accredited RS and PRA personnel

  Discussions with Engineering or Architectural Consultants

  RS Means Facilities Maintenance & Repair Cost Data, 23rd Edition (2016) printed manual

  Interviewing General Contractor Consultants

- **A tabular list of commonly owned items has been developed and given a current condition grade, expected useful life, and remaining useful life. A portion of that data will determine in what year it is estimated the component should be replaced.**

Hiller Highlands I Association
Base Line Assessment Funding Model Summary

- **Property Information**
- **Original Starting Date of Reserve Study - Unless otherwise indicated, we have used January 1, 1994 to begin aging the original components in this reserve study.**
- **Number of Units/Lots and Location - This reserve study is a total of 34 Lots located in Oakland, California.**
- **Date of Last Reserve Study (if applicable) - The last on-site physical analysis was completed on July 6, 2015.**
- **NOTE: All interest accrued from reserve savings account(s) must remain in the reserve savings account(s) and not used as an off-set for operating expenses.**
- **Funding Required - A minimum balance of $81,053.00 has been used over the thirty years of this reserve study with a monthly reserve assessment of $121.25 and an annual increase of 2.6% to reach 70% funded within the thirty years of the reserve study.**

  The National percent funded rating in the industry is:

  0% to 29% - Poor

  30% to 69% - Fair

  70% to 100% - Good

  This association is 34% funded on 12/31/2017 as it relates to being fully funded.

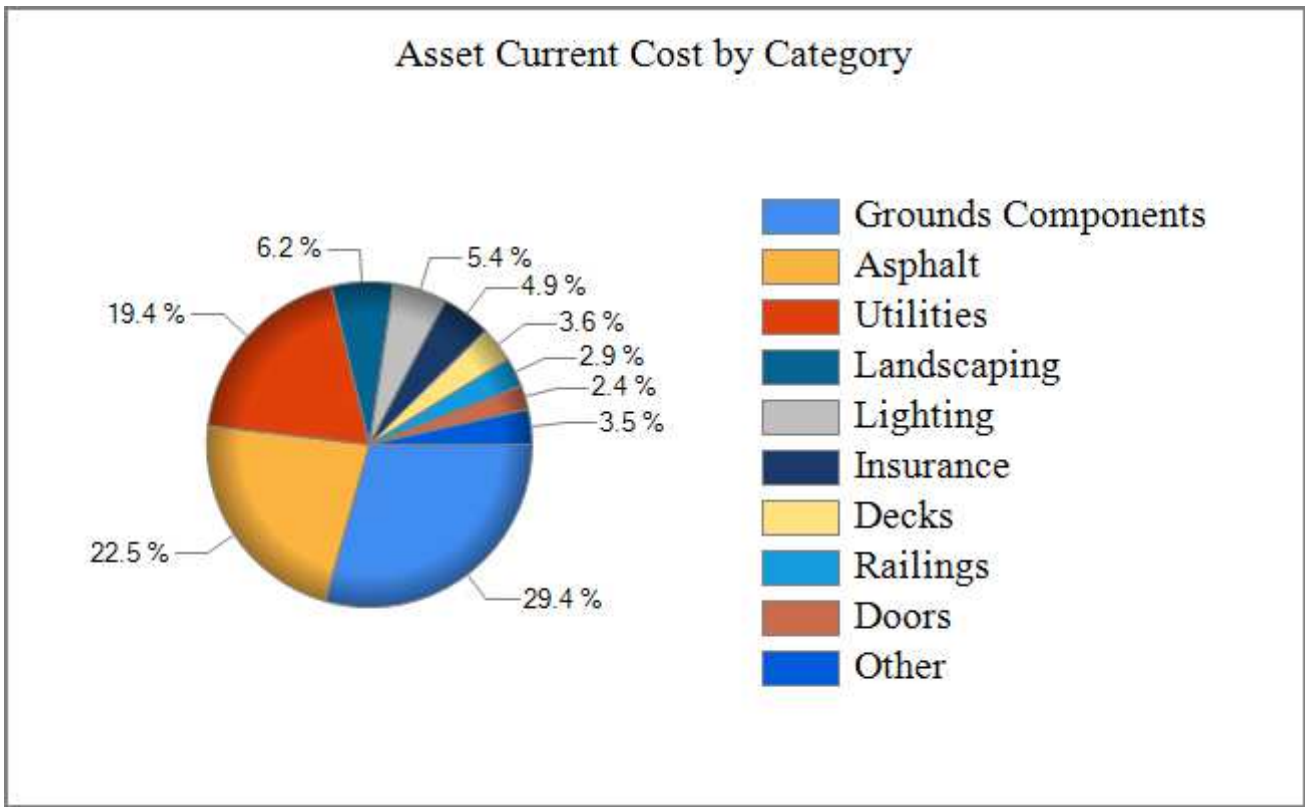
AFM Model Summary of Calculations

Required Month Contribution	$4,122.50
$121.25 per unit monthly	
Average Net Month Interest Earned	$0.64
Total Month Allocation to Reserves	$4,123.14
$121.27 per unit monthly	

Hiller Highlands I Association
Base Assessment Funding Model Projection

Beginning Balance: $98,504

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2017	671,771	49,470	8	48,377	99,604	292,084	34%
2018	678,623	50,756	9	33,337	117,033	320,729	36%
2019	685,545	52,076	8	60,729	108,389	322,755	34%
2020	692,537	53,430	10	34,503	127,327	351,908	36%
2021	699,601	54,819	10	54,550	127,606	361,726	35%
2022	706,737	56,244	6	102,803	81,053	323,525	25%
2023	713,946	57,707	7	40,352	98,415	348,654	28%
2024	721,228	59,207	7	59,919	97,710	354,911	28%
2025	728,584	60,746	8	49,348	109,117	372,556	29%
2026	736,016	62,326	11	36,669	134,784	403,840	33%
2027	743,523	63,946	13	42,101	156,642	430,615	36%
2028	751,107	65,609	16	36,897	185,370	463,584	40%
2029	758,769	67,315	14	78,893	173,805	455,137	38%
2030	766,508	69,065	17	37,654	205,234	488,942	42%
2031	774,326	70,861	19	53,617	222,496	507,651	44%
2032	782,225	72,703	22	44,837	250,383	536,113	47%
2033	790,203	74,593	25	38,818	286,184	571,645	50%
2034	798,263	76,533	6	271,016	91,706	373,680	25%
2035	806,406	78,523	9	45,577	124,660	402,148	31%
2036	814,631	80,564	11	59,420	145,815	417,643	35%
2037	822,940	82,659	14	46,598	181,890	446,978	41%
2038	831,334	84,808	19	41,418	225,299	482,582	47%
2039	839,814	87,013	18	96,210	216,120	463,941	47%
2040	848,380	89,275	21	50,614	254,803	491,921	52%
2041	857,033	91,596	8	227,143	119,264	342,616	35%
2042	865,775	93,978	8	87,697	125,553	333,423	38%
2043	874,606	96,421	13	42,964	179,024	370,099	48%
2044	883,527	98,928	19	44,018	233,954	406,867	58%
2045	892,539	101,500	23	60,453	275,024	428,198	64%
2046	901,643	104,139	26	72,708	306,482	438,164	70%


Asset Current Cost by Category
6.2 %
5.4 %
4.9 %
19.4 %
3.6 %
2.9 %
2.4 %
3.5 %
22.5 %
29.4 %
Grounds Components
Asphalt
Utilities
Landscaping
Lighting
Insurance
Decks
Railings
Doors
Other

Hiller Highlands I Association
Oakland, California
Component Summary

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
Asphalt							
Asphalt: Overlay	167,029	25	24		0	382.91	5,237
Asphalt: Repairs	4,500	6	0		4,500	45.23	4,500
Asphalt: Seal Coat	5,371	12	0		5,371	28.40	5,371
Asphalt: Slurry Seal	10,595	12	5		5,875	52.52	5,875
Asphalt - Total	$187,496				$15,746	$509	$20,983
Concrete							
Concrete - Stairs/Pads/Prkng/Drive-R..	*unfunded*						
Decks							
Decks: Wood-Replace	25,249	20	5		18,000	78.90	18,000
Decks - Total	$25,249				$18,000	$79	$18,000
Doors							
Doors: Storage-Replace	19,403	30	19		0	56.67	5,867
Doors - Total	$19,403					$57	$5,867
Fencing							
Fence: Wood-Replace	2,062	20	4		1,584	6.50	1,584
Fencing - Total	$2,062				$1,584	$6	$1,584
Grounds Components							
French Drain - Replace/Repairs	13,557	20	8		4,615	62.31	7,500
Sewer Lateral: Replace	219,835	40	17		0	720.11	106,375
Grounds Components - Total	$233,392				$4,615	$782	$113,875
Insurance							
Earthquake Insurance	33,000	1	0		33,000	1,907.89	33,000
Insurance - Total	$33,000				$33,000	$1,908	$33,000
Irrigation							
Irrigation: Valves-Replace	468	3	0	1	468	9.17	468
Irrigation - Total	$468				$468	$9	$468
Landscaping							
Irrigation: Smart Controller System, R..	9,233	15	7		4,587	36.71	4,587
Landscape: Back Flow Preventor-Rep..	4,686	30	4		3,900	10.43	3,900
Landscape: Controller System-Replace	9,502	15	7		4,720	37.77	4,720
Landscape: Improvements	19,900	10	2		15,600	119.79	15,600
Landscaping - Total	$43,321				$28,807	$205	$28,807

Hiller Highlands I Association
Oakland, California
Component Summary

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
Lighting							
Lighting - Exterior, Street Lights, Rep..	11,560	25	4		9,324	30.01	9,324
Lighting - Exterior-Landscape, Replace	20,620	25	5		15,680	53.10	15,680
Lighting: Exterior-Entry Walls-Repla..	5,164	25	7		3,463	13.09	3,463
Lighting: Exterior-Entry-Replace	590	25	7		396	1.50	396
Lighting - Total	$37,935				$28,863	$98	$28,863
Mailboxes							
Mailboxes & Wood Kiosks: Replace	8,938	25	23		0	21.42	566
Mailboxes - Total	$8,938					$21	$566
Painting							
Paint - Interior, Garages, Bldgs C1-U..	1,535	10	2	10	1,354	4.91	1,354
Paint - Interior, Garages, Bldgs C2-U..	1,535	10	2	10	1,354	4.91	1,354
Paint: Exterior, Unit 42, Bldg C1	1,225	10	2		960	7.37	960
Paint: Exterior, Unit 48, Bldg C2	1,225	10	2		960	7.37	960
Paint: Exterior, Units 33 & 35, Bldg ..	816	10	2		640	4.91	640
Paint: Exterior, Units 51 & 53, Bldg ..	816	10	2		640	4.91	640
Paint: Metal Railings	1,350	5	0	1	1,350	16.15	1,350
Paint: Wood Railings	3,687	5	0	1	3,687	44.10	3,687
Painting - Total	$12,190				$10,946	$95	$10,946
Railings							
Railing: Metal-Replace	15,579	30	14		0	62.29	7,209
Railing: Wood-Replace	6,321	20	5		4,506	19.75	4,506
Railings - Total	$21,900				$4,506	$82	$11,714
Signs							
Signs: Wood, Painted, Replace	1,875	20	4		1,440	5.91	1,440
Signs - Total	$1,875				$1,440	$6	$1,440
Utilities							
Waste Product: Line-Replacement	193,121	40	39		0	265.46	3,250
Utilities - Total	$193,121					$265	$3,250
Grand Total:	$820,349				$147,974	$4,122	$279,363

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2017	
Asphalt: Repairs	4,500
Asphalt: Seal Coat	5,371
Earthquake Insurance	33,000
Irrigation: Valves-Replace	468
Paint: Metal Railings	1,350
Paint: Wood Railings	3,687
Total for 2017	**$48,377**
Replacement Year 2018	
Earthquake Insurance	33,337
Total for 2018	**$33,337**
Replacement Year 2019	
Earthquake Insurance	33,677
Landscape: Improvements	19,900
Paint - Interior, Garages, Bldgs C1-Unit 42	1,535
Paint - Interior, Garages, Bldgs C2-Unit 48	1,535
Paint: Exterior, Unit 42, Bldg C1	1,225
Paint: Exterior, Unit 48, Bldg C2	1,225
Paint: Exterior, Units 33 & 35, Bldg E1	816
Paint: Exterior, Units 51 & 53, Bldg E2	816
Total for 2019	**$60,729**
Replacement Year 2020	
Earthquake Insurance	34,020
Irrigation: Valves-Replace	482
Total for 2020	**$34,503**
Replacement Year 2021	
Earthquake Insurance	34,367
Fence: Wood-Replace	2,062
Landscape: Back Flow Preventor-Replace	4,686
Lighting - Exterior, Street Lights, Replace	11,560
Signs: Wood, Painted, Replace	1,875
Total for 2021	**$54,550**
Replacement Year 2022	
Asphalt: Slurry Seal	10,595

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2022 continued...	
Decks: Wood-Replace	25,249
Earthquake Insurance	34,718
Lighting - Exterior-Landscape, Replace	20,620
Paint: Metal Railings	1,421
Paint: Wood Railings	3,879
Railing: Wood-Replace	6,321
Total for 2022	**$102,803**
Replacement Year 2023	
Asphalt: Repairs	4,783
Earthquake Insurance	35,072
Irrigation: Valves-Replace	497
Total for 2023	**$40,352**
Replacement Year 2024	
Earthquake Insurance	35,430
Irrigation: Smart Controller System, Replace	9,233
Landscape: Controller System-Replace	9,502
Lighting: Exterior-Entry Walls-Replace	5,164
Lighting: Exterior-Entry-Replace	590
Total for 2024	**$59,919**
Replacement Year 2025	
Earthquake Insurance	35,791
French Drain - Replace/Repairs	13,557
Total for 2025	**$49,348**
Replacement Year 2026	
Earthquake Insurance	36,156
Irrigation: Valves-Replace	513
Total for 2026	**$36,669**
Replacement Year 2027	
Earthquake Insurance	36,525
Paint: Metal Railings	1,495
Paint: Wood Railings	4,081
Total for 2027	**$42,101**

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2028	
Earthquake Insurance	36,897
Total for 2028	**$36,897**
Replacement Year 2029	
Asphalt: Repairs	5,083
Asphalt: Seal Coat	6,067
Earthquake Insurance	37,274
Irrigation: Valves-Replace	529
Landscape: Improvements	22,025
Paint - Interior, Garages, Bldgs C1-Unit 42	1,699
Paint - Interior, Garages, Bldgs C2-Unit 48	1,699
Paint: Exterior, Unit 42, Bldg C1	1,355
Paint: Exterior, Unit 48, Bldg C2	1,355
Paint: Exterior, Units 33 & 35, Bldg E1	904
Paint: Exterior, Units 51 & 53, Bldg E2	904
Total for 2029	**$78,893**
Replacement Year 2030	
Earthquake Insurance	37,654
Total for 2030	**$37,654**
Replacement Year 2031	
Earthquake Insurance	38,038
Railing: Metal-Replace	15,579
Total for 2031	**$53,617**
Replacement Year 2032	
Earthquake Insurance	38,426
Irrigation: Valves-Replace	545
Paint: Metal Railings	1,573
Paint: Wood Railings	4,294
Total for 2032	**$44,837**
Replacement Year 2033	
Earthquake Insurance	38,818
Total for 2033	**$38,818**

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2034	
Asphalt: Slurry Seal	11,967
Earthquake Insurance	39,214
Sewer Lateral: Replace	219,835
Total for 2034	**$271,016**
Replacement Year 2035	
Asphalt: Repairs	5,402
Earthquake Insurance	39,614
Irrigation: Valves-Replace	562
Total for 2035	**$45,577**
Replacement Year 2036	
Doors: Storage-Replace	19,403
Earthquake Insurance	40,018
Total for 2036	**$59,420**
Replacement Year 2037	
Earthquake Insurance	40,426
Paint: Metal Railings	1,654
Paint: Wood Railings	4,517
Total for 2037	**$46,598**
Replacement Year 2038	
Earthquake Insurance	40,838
Irrigation: Valves-Replace	579
Total for 2038	**$41,418**
Replacement Year 2039	
Earthquake Insurance	41,255
Irrigation: Smart Controller System, Replace	10,751
Landscape: Controller System-Replace	11,064
Landscape: Improvements	24,378
Paint - Interior, Garages, Bldgs C1-Unit 42	1,880
Paint - Interior, Garages, Bldgs C2-Unit 48	1,880
Paint: Exterior, Unit 42, Bldg C1	1,500
Paint: Exterior, Unit 48, Bldg C2	1,500
Paint: Exterior, Units 33 & 35, Bldg E1	1,000

Description	Expenditures
Replacement Year 2039 continued...	
Paint: Exterior, Units 51 & 53, Bldg E2	1,000
Total for 2039	**$96,210**
Replacement Year 2040	
Earthquake Insurance	41,676
Mailboxes & Wood Kiosks: Replace	8,938
Total for 2040	**$50,614**
Replacement Year 2041	
Asphalt: Overlay	167,029
Asphalt: Repairs	5,741
Asphalt: Seal Coat	6,852
Earthquake Insurance	42,101
Fence: Wood-Replace	2,526
Irrigation: Valves-Replace	597
Signs: Wood, Painted, Replace	2,296
Total for 2041	**$227,143**
Replacement Year 2042	
Decks: Wood-Replace	30,931
Earthquake Insurance	42,530
Paint: Metal Railings	1,741
Paint: Wood Railings	4,752
Railing: Wood-Replace	7,743
Total for 2042	**$87,697**
Replacement Year 2043	
Earthquake Insurance	42,964
Total for 2043	**$42,964**
Replacement Year 2044	
Earthquake Insurance	43,402
Irrigation: Valves-Replace	616
Total for 2044	**$44,018**
Replacement Year 2045	
Earthquake Insurance	43,845

Description	Expenditures
Replacement Year 2045 continued...	
French Drain - Replace/Repairs	16,608
Total for 2045	**$60,453**
Replacement Year 2046	
Asphalt: Slurry Seal	13,517
Earthquake Insurance	44,292
Lighting - Exterior, Street Lights, Replace	14,898
Total for 2046	**$72,708**

Hiller Highlands I Association
Annual Expenditure Detail

Description	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Asphalt: Overlay										
Asphalt: Repairs	4,500						4,783			
Asphalt: Seal Coat	5,371									
Asphalt: Slurry Seal						10,595				
Concrete - Stairs/Pads/Prkng/Drive-Repairs	*Unfunded*									
Decks: Wood-Replace						25,249				
Doors: Storage-Replace										
Earthquake Insurance	33,000	33,337	33,677	34,020	34,367	34,718	35,072	35,430	35,791	36,156
Fence: Wood-Replace					2,062					
French Drain - Replace/Repairs									13,557	
Irrigation: Smart Controller System, Replace								9,233		
Irrigation: Valves-Replace	468			482			497			513
Landscape: Back Flow Preventor-Replace					4,686					
Landscape: Controller System-Replace								9,502		
Landscape: Improvements			19,900							
Lighting - Exterior, Street Lights, Replace					11,560					
Lighting - Exterior-Landscape, Replace						20,620				
Lighting: Exterior-Entry Walls-Replace								5,164		
Lighting: Exterior-Entry-Replace								590		
Mailboxes & Wood Kiosks: Replace										
Paint - Interior, Garages, Bldgs C1-Unit 42			1,535							
Paint - Interior, Garages, Bldgs C2-Unit 48			1,535							
Paint: Exterior, Unit 42, Bldg C1			1,225							
Paint: Exterior, Unit 48, Bldg C2			1,225							
Paint: Exterior, Units 33 & 35, Bldg E1			816							
Paint: Exterior, Units 51 & 53, Bldg E2			816							
Paint: Metal Railings	1,350					1,421				
Paint: Wood Railings	3,687					3,879				
Railing: Metal-Replace										
Railing: Wood-Replace						6,321				
Sewer Lateral: Replace										
Signs: Wood, Painted, Replace					1,875					
Waste Product: Line-Replacement										
Year Total:	**48,377**	**33,337**	**60,729**	**34,503**	**54,550**	**102,803**	**40,352**	**59,919**	**49,348**	**36,669**

Hiller Highlands I Association
Annual Expenditure Detail

Description	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Asphalt: Overlay										
Asphalt: Repairs			5,083						5,402	
Asphalt: Seal Coat			6,067							
Asphalt: Slurry Seal								11,967		
Concrete - Stairs/Pads/Prkng/Drive-Repairs	*Unfunded*									
Decks: Wood-Replace										
Doors: Storage-Replace										19,403
Earthquake Insurance	36,525	36,897	37,274	37,654	38,038	38,426	38,818	39,214	39,614	40,018
Fence: Wood-Replace										
French Drain - Replace/Repairs										
Irrigation: Smart Controller System, Replace										
Irrigation: Valves-Replace			529			545			562	
Landscape: Back Flow Preventor-Replace										
Landscape: Controller System-Replace										
Landscape: Improvements			22,025							
Lighting - Exterior, Street Lights, Replace										
Lighting - Exterior-Landscape, Replace										
Lighting: Exterior-Entry Walls-Replace										
Lighting: Exterior-Entry-Replace										
Mailboxes & Wood Kiosks: Replace										
Paint - Interior, Garages, Bldgs C1-Unit 42			1,699							
Paint - Interior, Garages, Bldgs C2-Unit 48			1,699							
Paint: Exterior, Unit 42, Bldg C1			1,355							
Paint: Exterior, Unit 48, Bldg C2			1,355							
Paint: Exterior, Units 33 & 35, Bldg E1			904							
Paint: Exterior, Units 51 & 53, Bldg E2			904							
Paint: Metal Railings	1,495					1,573				
Paint: Wood Railings	4,081					4,294				
Railing: Metal-Replace					15,579					
Railing: Wood-Replace										
Sewer Lateral: Replace								219,835		
Signs: Wood, Painted, Replace										
Waste Product: Line-Replacement										
Year Total:	**42,101**	**36,897**	**78,893**	**37,654**	**53,617**	**44,837**	**38,818**	**271,016**	**45,577**	**59,420**

Hiller Highlands I Association
Annual Expenditure Detail

Description	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Asphalt: Overlay					167,029					
Asphalt: Repairs					5,741					
Asphalt: Seal Coat					6,852					
Asphalt: Slurry Seal										13,517
Concrete - Stairs/Pads/Prkng/Drive-Repairs	*Unfunded*									
Decks: Wood-Replace						30,931				
Doors: Storage-Replace										
Earthquake Insurance	40,426	40,838	41,255	41,676	42,101	42,530	42,964	43,402	43,845	44,292
Fence: Wood-Replace					2,526					
French Drain - Replace/Repairs									16,608	
Irrigation: Smart Controller System, Replace			10,751							
Irrigation: Valves-Replace		579			597			616		
Landscape: Back Flow Preventor-Replace										
Landscape: Controller System-Replace			11,064							
Landscape: Improvements			24,378							
Lighting - Exterior, Street Lights, Replace										14,898
Lighting - Exterior-Landscape, Replace										
Lighting: Exterior-Entry Walls-Replace										
Lighting: Exterior-Entry-Replace										
Mailboxes & Wood Kiosks: Replace				8,938						
Paint - Interior, Garages, Bldgs C1-Unit 42			1,880							
Paint - Interior, Garages, Bldgs C2-Unit 48			1,880							
Paint: Exterior, Unit 42, Bldg C1			1,500							
Paint: Exterior, Unit 48, Bldg C2			1,500							
Paint: Exterior, Units 33 & 35, Bldg E1			1,000							
Paint: Exterior, Units 51 & 53, Bldg E2			1,000							
Paint: Metal Railings	1,654					1,741				
Paint: Wood Railings	4,517					4,752				
Railing: Metal-Replace										
Railing: Wood-Replace						7,743				
Sewer Lateral: Replace										
Signs: Wood, Painted, Replace					2,296					
Waste Product: Line-Replacement										
Year Total:	**46,598**	**41,418**	**96,210**	**50,614**	**227,143**	**87,697**	**42,964**	**44,018**	**60,453**	**72,708**

Asphalt: Overlay

		33,570 SF	@ $3.90
Asset ID	1002	Asset Cost	$130,923.00
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$167,029.31
Placed in Service	August 2016		
Useful Life	25		
Replacement Year	2041		
Remaining Life	24		

Remarks:

This component is the 1.5" to 3" overlay on the existing surface including re-setting 27 manhole covers and 5 valve covers.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Most asphalt areas can be expected to last approximately 20 to 25 years before it will become necessary for an overlay to be applied. This can double the life of the surface upon application. It will be necessary to adjust manhole and valve covers at the time the overlay is applied and apply a sealcoat or a slurry seal within 6 months of the overlay. Testing should be conducted by an independent consultant to determine the condition of the asphalt near the end

Asphalt: Overlay continued...

of the estimated useful life. The cost of asphalt overlay is based on a minimum thickness of 1.5" and includes the cost of applying a paving fabric. A consultant may be obtained to prepare the asphalt application specifications, and to work with the contractor during the actual installation. We recommend the client obtain bids for such a consultation near the end of the estimated useful life. As costs vary, we have not included such an expense in our cost estimates. Should the client request, we will be happy to incorporate this cost in our calculations.

Asphalt: Repairs

		1 Total	@ $4,500.00
Asset ID	1003	Asset Cost	$4,500.00
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$4,500.00
Placed in Service	July 2011		
Useful Life	6		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the repairs to the asphalt surface each time a sealcoat or slurry seal is applied (6 years)

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requests to budget for slurry seal coating and repairs to the asphalt using an 12 year useful life beginning during the 2013 fiscal year, and regular seal coating and repairs using a 12 year useful life, beginning during the 2021 fiscal year. The client advised the association will alternate between slurry and regular seal coats, which effectively makes the slurry seal coat have an 8 year useful life, and the regular seal coat have a 4 year useful life.

Asphalt: Repairs continued...

This asset budgets for repairs to the asphalt, aligning with the regular seal coat cycle (2012 comment).

The client advises that the association repaired and seal coated the streets during July 2000 for a total of $3,904.The client advises that repairs and slurry seal coating was completed in June 2005 for a total of $4,300. The association appears to have received a bargain with this transaction and may not receive that same pricing in the future. We are budgeting for the more nominal cost in the area (2006 comments).

Asphalt: Seal Coat

		33,570 SF	@ $0.16
Asset ID	1036	Asset Cost	$5,371.20
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$5,371.20
Placed in Service	July 2005		
Useful Life	12		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the seal coating of the asphalt surface every 10 years with a slurry seal every 10 years in between each sealcoat.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requests to budget for slurry seal coating and repairs to the asphalt using an 12 year useful life beginning during the 2013 fiscal year, and regular seal coating and repairs using a 12 year useful life, beginning during the 2021 fiscal year. The client advised the association will alternate between slurry and regular seal coats, which effectively makes the

Asphalt: Seal Coat continued...

slurry seal coat have an 8 year useful life, and the regular seal coat have a 4 year useful life. This asset budgets for repairs to the asphalt, aligning with the regular seal coat cycle (2012 comment).

The client advises that the association repaired and seal coated the streets during July 2000 for a total of $3,904.The client advises that repairs and slurry seal coating was completed in June 2005 for a total of $4,300. The association appears to have received a bargain with this transaction and may not receive that same pricing in the future. We are budgeting for the more nominal cost in the area (2006 comments).

Asphalt: Slurry Seal

		33,570 sq. ft.	@ $0.30
Asset ID	1004	Asset Cost	$10,071.00
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$10,595.21
Placed in Service	June 2010		
Useful Life	12		
Replacement Year	2022		
Remaining Life	5		

Remarks:

This component is the slurry seal of the asphalt surface at intervals between each seal coat including, re-striping, curb painting and ADA stencels as required.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requests to budget for slurry seal coating and repairs to the asphalt using an 12 year useful life beginning during the 2013 fiscal year, and regular seal coating and repairs using a 12 year useful life, beginning during the 2021 fiscal year. The client advised the association will alternate between slurry and regular seal coats, which effectively makes the slurry seal coat have an 8 year useful life, and the regular seal coat have a 4 year useful life.

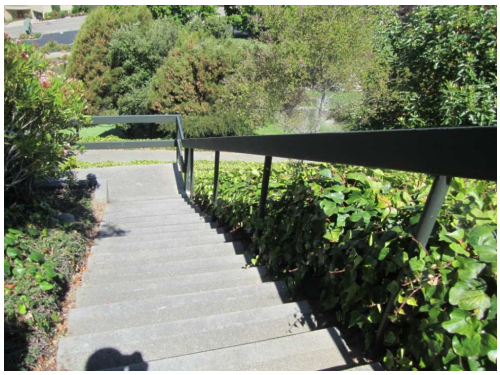
Asphalt: Slurry Seal continued...

This asset budgets for repairs to the asphalt, aligning with the regular seal coat cycle (2012 comment).

The client advises that the association repaired and seal coated the streets during July 2000 for a total of $3,904.The client advises that repairs and slurry seal coating was completed in June 2005 for a total of $4,300. The association appears to have received a bargain with this transaction and may not receive that same pricing in the future. We are budgeting for the more nominal cost in the area (2006 comments).

Concrete - Stairs/Pads/Prkng/Drive-Repairs

		1 Total	@ $4,500.00
Asset ID	1013	Asset Cost	
Category	Concrete	Future Cost	
Placed in Service	January 2014		
Useful Life	5		
Replacement Year	2019		
Remaining Life	2		



Remarks:

This component is the repairs to the concrete stairs, pads and flatwork.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as

established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

It is estimated that a percentage of the concrete areas will require repair or replacement. The actual condition of the concrete should be monitored through time and the estimates adjusted accordingly.

Decks: Wood-Replace

		1 Total	@ $24,000.00
Asset ID	1028	Asset Cost	$24,000.00
Group	Capital	Percent Replacement	100%
Category	Decks	Future Cost	$25,249.23
Placed in Service	January 2002		
Useful Life	20		
Replacement Year	2022		
Remaining Life	5		

Remarks:

This component is the replacement of the single deck and 2 stairs for units D1 & D2.

This component was in fair condition at the time of the physical analysis.

Dry rot and paint peeling were noted at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost. This is unpainted wood deck, railings, and stairs, located in front of the upper units of buildings D1 and D2.

This asset, and the information contained herein, has been provided by the client and incorporated into our report at their request.

Doors: Storage-Replace

		32 Each	@ $500.00
Asset ID	1031	Asset Cost	$16,000.00
Group	Capital	Percent Replacement	100%
Category	Doors	Future Cost	$19,402.60
Placed in Service	January 2006		
Useful Life	30		
Replacement Year	2036		
Remaining Life	19		

Remarks:

This component is the replacement of the storage doors in the garages and carports.

This component was in good condition at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Earthquake Insurance

		1 Total	@ $33,000.00
Asset ID	1063	Asset Cost	$33,000.00
Group	Non-Capital	Percent Replacement	100%
Category	Insurance	Future Cost	$33,000.00
Placed in Service	October 2016		
Useful Life	1		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the funds need to purchase earthquake insurance each year for the association.

If applicable, the useful life of this component is predicated on the assumption the 0component was properly installed or applied.

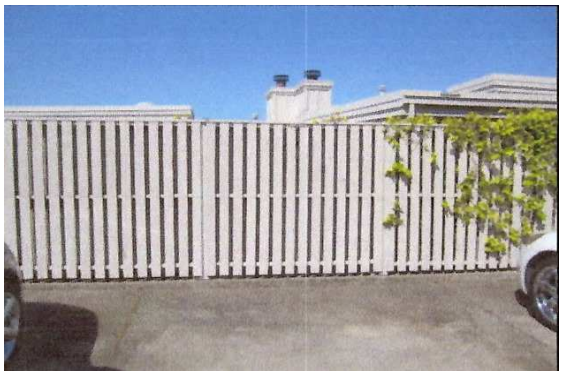
The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded insurance broker each year to confirm this estimate.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Fence: Wood-Replace

		60 LF	@ $33.00
Asset ID	1032	Asset Cost	$1,980.00
Group	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$2,062.03
Placed in Service	January 2001		
Useful Life	20		
Replacement Year	2021		
Remaining Life	4		



Remarks:

This component is the replacement of the wood fence in the parking area.

This component was in fair condition at the time of the physical analysis.

Dry rot was noted at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

French Drain - Replace/Repairs

		1	@ $12,500.00
Asset ID	1040	Asset Cost	$12,500.00
Group	Capital	Percent Replacement	100%
Category	Grounds Components	Future Cost	$13,557.17
Placed in Service	January 2005		
Useful Life	20		
Replacement Year	2025		
Remaining Life	8		

Remarks:

This component is the replacement of the french drains in the common area.

The Clients states this sytem is working properly.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Irrigation: Smart Controller System, Replace

		1 Total	@ $8,600.00
Asset ID	1038	Asset Cost	$8,600.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$9,233.15
Placed in Service	January 2009		
Useful Life	15		
Replacement Year	2024		
Remaining Life	7		

Remarks:

This component is the replacement of the Smart Controller System for the landscape.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client advised $8,600 was expended July 2009 for irrigation controllers. No cost break down was provided. We are estimating the cost of the controllers (2012 comment).

The client's current landscape contractor, Raylene Ojeda of Trimacs Landscape Maintenance, advises that these irrigation controllers are 15 years old and in good condition (2009 comment).

These Rainmaster RME Sentar controllers are wall mounted and located on Carport "D" near unit #55.1

	- 18 station controller, RM18E	@	$1,500.00 =	$1,500.00
1	- 24 station controller, RM24E	@	3,000.00 =	3,000.00
1	- 30 station controller, RM30E	@	3,500.00 =	3,500.00
			Total =	$8,000.00

The client advised the association is currently receiving proposals for replacement of the current irrigation controller system with a smart controller system. This new system will be solar equipped and will turn off before, during, and after a rain, as to not over water the area. No further information was provided to ARA. When such information is recieved, we can

Irrigation: Smart Controller System, Replace continued...

amend our information in an updated or revised study. We are listing this here for informational purposes only (2009 comment).

Irrigation: Valves-Replace

		72 Valves	@ $6.50
Asset ID	1050	Asset Cost	$468.00
Group	Capital	Percent Replacement	100%
Category	Irrigation	Future Cost	$468.00
Placed in Service	January 2013		
Useful Life	3		
Adjustment	1		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the replacement of the 72 irrigation valves for the sprinkler system.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client's current landscape contractor, Raylene Ojeda of Trimacs Landscape Maintenance, advises that the association has 72 irrigation valves that are replaced as needed (2009 comment).

Landscape: Back Flow Preventor-Replace

		2 Each	@ $2,250.00
Asset ID	1049	Asset Cost	$4,500.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$4,686.43
Placed in Service	January 1991		
Useful Life	30		
Replacement Year	2021		
Remaining Life	4		

Remarks:

This component is the replacement of the 2 common area back flow preventors.

No access provided for this component.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client's current landscape contractor, Raylene Ojeda of Trimacs Landscape Maintenance, advises that the association has 2 backflow preventors. No further information was provided to ARA. We will budget for replacement of these backflow preventors at the nominal cost (2009 comment). The information used on this asset has been provided

Landscape: Back Flow Preventor-Replace continued...

with the assistance of the client's maintenance contractor.

Landscape: Controller System-Replace

		3 Total	@ $2,950.00
Asset ID	1039	Asset Cost	$8,850.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$9,501.56
Placed in Service	January 2009		
Useful Life	15		
Replacement Year	2024		
Remaining Life	7		

Remarks:

This component is the replacement of the irrigation controllers in the common area.

The Client has informed the reserve study provider the controllers are in working order.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requests to budget $15,000 every 10 years for landscape upgrades.

The cost and useful life estimates on this asset have been provided by the client and the cost adjusted for inflation when applicable.

Landscape: Improvements

		1 Total	@ $19,500.00
Asset ID	1060	Asset Cost	$19,500.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$19,899.83
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		

Remarks:

This component is the work required in the landscape area.

The Client has informed the reserve study provider the controllers are in working order.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

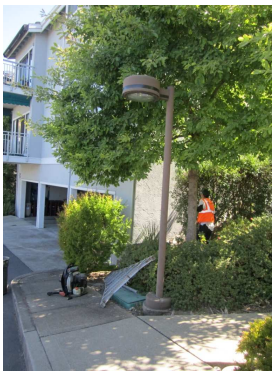
Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requests to budget $15,000 every 10 years for landscape upgrades.

The cost and useful life estimates on this asset have been provided by the client and the cost adjusted for inflation when applicable.

Lighting - Exterior, Street Lights, Replace

		12 Each	@ $925.00
Asset ID	1018	Asset Cost	$11,100.00
Group	Non-Capital	Percent Replacement	100%
Category	Lighting	Future Cost	$11,559.86
Placed in Service	January 1996		
Useful Life	25		
Replacement Year	2021		
Remaining Life	4		



Remarks:

This component is the replacement of the street light fixtures.

The Client has informed the reserve study provider all lights are in working order

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Lighting - Exterior-Landscape, Replace

Asset ID	1017	70 Each	@ $280.00
Group	Non-Capital	Asset Cost	$19,600.00
Category	Lighting	Percent Replacement	100%
Placed in Service	January 1997	Future Cost	$20,620.20
Useful Life	25		
Replacement Year	2022		
Remaining Life	5		


Remarks:

This component is the replacement of the landscape, path and sidewalk lights in the common area.

The Client has informed the reserve study provider all lights in working order.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Lighting: Exterior-Entry Walls-Replace

		26 Each	@ $185.00
Asset ID	1021	Asset Cost	$4,810.00
Group	Non-Capital	Percent Replacement	100%
Category	Lighting	Future Cost	$5,164.12
Placed in Service	January 1999		
Useful Life	25		
Replacement Year	2024		
Remaining Life	7		

Remarks:

This component is the replacement of the exterior light fixtures on the garages and carports.

The Client informed the reserve study provider all lights are in working order.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

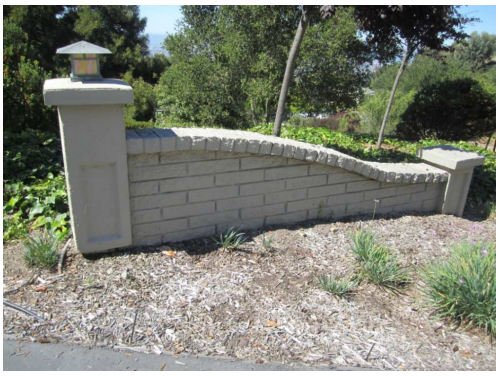
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Lighting: Exterior-Entry-Replace

		2 Each	@ $275.00
Asset ID	1054	Asset Cost	$550.00
Group	Non-Capital	Percent Replacement	100%
Category	Lighting	Future Cost	$590.49
Placed in Service	January 1999		
Useful Life	25		
Replacement Year	2024		
Remaining Life	7		



Remarks:

This component is the replacement of the exterior light fixtures on the entry wall.

The Client has informed the reserve study provider all lights in working order.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Mailboxes & Wood Kiosks: Replace

		1 Total	@ $7,077.20
Asset ID	1005	Asset Cost	$7,077.20
Group	Capital	Percent Replacement	100%
Category	Mailboxes	Future Cost	$8,937.80
Placed in Service	April 2015		
Useful Life	25		
Replacement Year	2040		
Remaining Life	23		

Remarks:

This component is the replacement of the wood mail kiosks and aluminum mail boxes for various lots.

There are one single, four double and 4 quadruple mailboxes in the common area.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

These are rural type mailboxes, set in wood structures with wood shake roofs. Not all units have a mailboxes; some have mail slots in the garage doors.

Paint - Interior, Garages, Bldgs C1-Unit 42

		4,280 SF	@ $0.82
Asset ID	1024	Asset Cost	$1,504.21
Group	Non-Capital	Percent Replacement	42.86%
Category	Painting	Future Cost	$1,535.06
Placed in Service	January 1999		
Useful Life	10		
Adjustment	10		
Replacement Year	2019		
Remaining Life	2		

Remarks:

This component is the painting of the interior of the garages.

This component was in fair condition. Dry rot and peeling paint were noted at the time of the on-site physical analysis

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint - Interior, Garages, Bldgs C2-Unit 48

		4,280 SF	@ $0.82
Asset ID	1064	Asset Cost	$1,504.21
Group	Non-Capital	Percent Replacement	42.86%
Category	Painting	Future Cost	$1,535.06
Placed in Service	January 1999		
Useful Life	10		
Adjustment	10		
Replacement Year	2019		
Remaining Life	2		

Remarks:

This component is the painting of the interior of the garages.

This component was in fair condition. Dry rot and peeling paint were noted at the time of the on-site physical analysis

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Exterior, Unit 42, Bldg C1

		1 Total	@ $1,200.00
Asset ID	1025	Asset Cost	$1,200.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,224.60
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		

Remarks:

This component is the painting of the carport area.

This component was in fair condition at the time if the physical analysis.

Cracking was noted at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Exterior, Unit 48, Bldg C2

		1 Total	@ $1,200.00
Asset ID	1056	Asset Cost	$1,200.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,224.60
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		

oRemarks:

This component is the painting of the carport area.

This component was in fair condition at the time of the physical analysis.

Cracking was noted at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

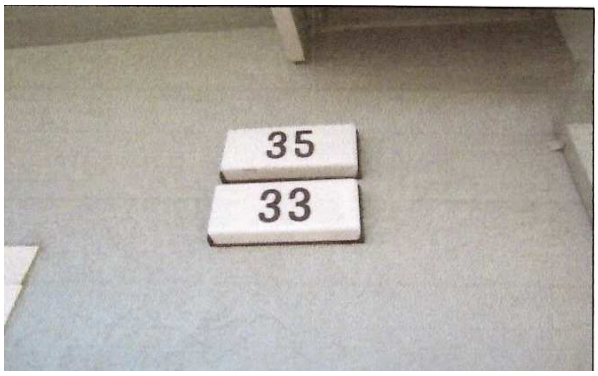
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Exterior, Units 33 & 35, Bldg E1

		1 Total	@ $800.00
Asset ID	1057	Asset Cost	$800.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$816.40
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		



oRemarks:

This component is the painting of the garage area.

This component was in fair condition at the time of the physical analysis.

Cracking was noted at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Exterior, Units 51 & 53, Bldg E2

		1 Total	@ $800.00
Asset ID	1058	Asset Cost	$800.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$816.40
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	2		

oRemarks:

This component is the painting of the garage area.

Unable to access this area at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Metal Railings

		730 SF	@ $1.85
Asset ID	1055	Asset Cost	$1,350.50
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,350.50
Placed in Service	January 2011		
Useful Life	5		
Adjustment	1		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the painting of the metal stairway railings and hand railings.

This component was in fair condition. Rust and chipped paint were noted at the time of the on-site physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Paint: Wood Railings

		2,950 SF	@ $1.25
Asset ID	1011	Asset Cost	$3,687.50
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$3,687.50
Placed in Service	January 2011		
Useful Life	5		
Adjustment	1		
Replacement Year	2017		
Remaining Life	0		

Remarks:

This component is the painting of the walkway, deck, and stair railings and the sealing or painting of the common area decks.

This component was in poor condition. Dry rot and peeling paint were noted at the time of the on-site physical analysis

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

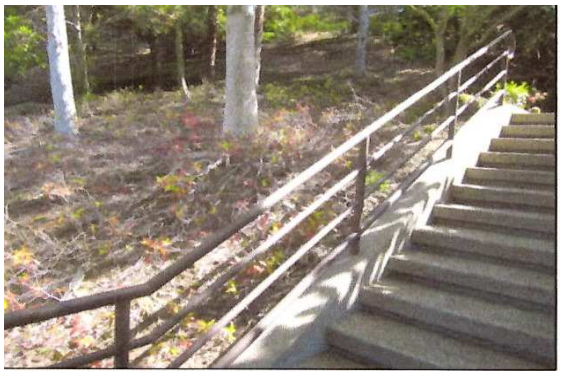
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Railing: Metal-Replace

		310 LF	@ $43.60
Asset ID	1027	Asset Cost	$13,516.00
Group	Capital	Percent Replacement	100%
Category	Railings	Future Cost	$15,579.42
Placed in Service	January 2001		
Useful Life	30		
Replacement Year	2031		
Remaining Life	14		



Remarks:

This component is the replacement of the metal railings in the common area.

This component was in fair condition at the time of the physical analysis.

Rust was noted at the base of the railing at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Railing: Wood-Replace

		285 LF	@ $21.08
Asset ID	1053	Asset Cost	$6,007.80
Group	Capital	Percent Replacement	100%
Category	Railings	Future Cost	$6,320.51
Placed in Service	January 2002		
Useful Life	20		
Replacement Year	2022		
Remaining Life	5		

Remarks:

This component is the replacement of the wood railings by the sidewalks.

Some dry rot and paint peeling was noted during the on-site physical analysis in 2015.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Sewer Lateral: Replace

		1 Buildings	@ $185,000.00
Asset ID	1051	Asset Cost	$185,000.00
Group	Capital	Percent Replacement	100%
Category	Grounds Components	Future Cost	$219,835.04
Placed in Service	January 1994		
Useful Life	40		
Replacement Year	2034		
Remaining Life	17		

Remarks:

This component is the replacement of the waste product line replacement from the main.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Signs: Wood, Painted, Replace

		1 Each	@ $1,800.00
Asset ID	1016	Asset Cost	$1,800.00
Group	Capital	Percent Replacement	100%
Category	Signs	Future Cost	$1,874.57
Placed in Service	January 2001		
Useful Life	20		
Replacement Year	2021		
Remaining Life	4		

Remarks:

This component is the replacement of the common area signs.

Dry rot was observed around the post area at the time of the physical analysis.

If applicable, the useful life of this component is predicated on the assumption the component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

Waste Product: Line-Replacement

		1 Total	@ $130,000.00
Asset ID	1052	Asset Cost	$130,000.00
Group	Capital	Percent Replacement	100%
Category	Utilities	Future Cost	$193,121.47
Placed in Service	August 2016		
Useful Life	40		
Replacement Year	2056		
Remaining Life	39		

Remarks:

This component is the replacement or renovation of the waste product lines in the common area from the city main line to the property line of the owners.

If applicable, the useful life of this component is predicated on the assumption the 0component was properly installed or applied.

The cost and useful life assumptions are based on accepted industry estimates as established by RS Means, Craftsman, Marshall Swift, The National Construction Estimator, National Repair and Remodel Estimator, Dodge Cost Manual, McGraw Hill Professional, assorted independent contractors, various specialists, assorted vendors catalogues, actual quotations or historical costs, Consultant's own experience in like components or as provided by the Client.

The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

These costs do not take into consideration any changes to the building code.

Note: This is a provision for an anticipated expense. Should the Association find that the cost of this item is greater or less than the amount provided for herein, this reserve study should be updated to reflect the actual component cost.

The client requested we inquired about the cost of replacement/repairs if a line is clogged or needs to be replaced as a result of the video sewer line test. Superior Plumbing & Drain Cleaning Services advised there is no way to anticipate cost without visually inspecting the sewer line that needs to be replaced/repaired. We are budgeting $20,000 every 10 years for sewer line replacement (2012 comment).

ASSOCIATION RESOLUTION FOR REVENUE RULING 70-604 ELECTION
EXCESS INCOME APPLIED TO THE FOLLOWING YEAR'S ASSESSMENTS

RESOLUTION MUST BE VOTED ON BY THE MEMBERSHIP
AT THE ANNUAL MEETING IF FILING AS A 1120 STANDARD CORPORATION

ANNUAL RESOLUTION OF THE (Association)_____
_____

RE: EXCESS INCOME APPLIED TO THE FOLLOWING YEAR'S ASSESSMENTS REVENUE RULING 70-604

WHEREAS, The (Association)_____ is a (State) _____ corporation duly organized and existing under the laws of the State of (State) _____;

and

WHEREAS, The members desire that the corporation shall act in full accordance with the rulings and regulations of the Internal Revenue Service;

and

NOW, THEREFORE, the members hereby adopt the following resolution by and on behalf of the (Association) _____:

RESOLVED, that any excess of membership income over membership expenses for the year ending _____20__ shall be applied against the subsequent tax year member assessment as provided by IRS Revenue Ruling 70-604.

This resolution was voted on and made a part of the minutes of the annual meeting of (Association) _____.

BY: _____
President

ATTESTED: _____
Secretary

Form compliant with IRS Ruling 70-604

HILLER HIGHLANDS 1 ASSOCIATION

Maintenance Plan
(will follow late by email)

The current maintenance plan prepared by Reserve Studies by Reserve Funding is attached as an addendum to this reserve study by separate document. The reserve study and the maintenance plan should be filed together as one document.

Each year, during the update process whether Level II or Level III, the maintenance plan should be updated and revised as required.

The maintenance plan should be used as a guide for the timing of maintenance procedures and the forms attached to the maintenance plan used in order to have an on-going record of maintenance done.

This maintenance plan may be the original maintenance plan done (Level 1) or an update of a previous maintenance plan.

If component materials have been changed or substituted the Client should notify Reserve Funding by Reserve Studies so that changes can be taken into consideration during the preparation of the reserve study.

Hiller Highlands I Association
Member Summary Report

Description	Date In Service	Replacement Year	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Asphalt: Overlay	2016	2041	130,923	25	0	24	167,029	33570 @	3.90
Asphalt: Repairs	2011	2017	4,500	6	0	0	4,500	1 @	4,500.00
Asphalt: Seal Coat	2005	2017	5,371	12	0	0	5,371	33570 @	0.16
Asphalt: Slurry Seal	2010	2022	10,071	12	0	5	10,595	33570 @	0.30
Concrete - Stairs/Pads/Prkng/Drive-..	*1013*	*Unfunded*							
Decks: Wood-Replace	2002	2022	24,000	20	0	5	25,249	1 @	24,000.00
Doors: Storage-Replace	2006	2036	16,000	30	0	19	19,403	32 @	500.00
Earthquake Insurance	2016	2017	33,000	1	0	0	33,000	1 @	33,000.00
Fence: Wood-Replace	2001	2021	1,980	20	0	4	2,062	60 @	33.00
French Drain - Replace/Repairs	2005	2025	12,500	20	0	8	13,557	1 @	12,500.00
Irrigation: Smart Controller System, ..	2009	2024	8,600	15	0	7	9,233	1 @	8,600.00
Irrigation: Valves-Replace	2013	2017	468	3	1	0	468	72 @	6.50
Landscape: Back Flow Preventor-Re..	1991	2021	4,500	30	0	4	4,686	2 @	2,250.00
Landscape: Controller System-Repla..	2009	2024	8,850	15	0	7	9,502	3 @	2,950.00
Landscape: Improvements	2009	2019	19,500	10	0	2	19,900	1 @	19,500.00
Lighting - Exterior, Street Lights, Re..	1996	2021	11,100	25	0	4	11,560	12 @	925.00
Lighting - Exterior-Landscape, Repla..	1997	2022	19,600	25	0	5	20,620	70 @	280.00
Lighting: Exterior-Entry Walls-Repl..	1999	2024	4,810	25	0	7	5,164	26 @	185.00
Lighting: Exterior-Entry-Replace	1999	2024	550	25	0	7	590	2 @	275.00
Mailboxes & Wood Kiosks: Replace	2015	2040	7,077	25	0	23	8,938	1 @	7,077.20
Paint - Interior, Garages, Bldgs C1-U..	1999	2019	1,504	10	10	2	1,535	4280 @	0.82
Paint - Interior, Garages, Bldgs C2-U..	1999	2019	1,504	10	10	2	1,535	4280 @	0.82
Paint: Exterior, Unit 42, Bldg C1	2009	2019	1,200	10	0	2	1,225	1 @	1,200.00
Paint: Exterior, Unit 48, Bldg C2	2009	2019	1,200	10	0	2	1,225	1 @	1,200.00
Paint: Exterior, Units 33 & 35, Bldg ..	2009	2019	800	10	0	2	816	1 @	800.00
Paint: Exterior, Units 51 & 53, Bldg ..	2009	2019	800	10	0	2	816	1 @	800.00
Paint: Metal Railings	2011	2017	1,350	5	1	0	1,350	730 @	1.85
Paint: Wood Railings	2011	2017	3,687	5	1	0	3,687	2950 @	1.25
Railing: Metal-Replace	2001	2031	13,516	30	0	14	15,579	310 @	43.60
Railing: Wood-Replace	2002	2022	6,008	20	0	5	6,321	285 @	21.08
Sewer Lateral: Replace	1994	2034	185,000	40	0	17	219,835	1 @	185,000.00
Signs: Wood, Painted, Replace	2001	2021	1,800	20	0	4	1,875	1 @	1,800.00
Waste Product: Line-Replacement	2016	2056	130,000	40	0	39	193,121	1 @	130,000.00

FUNDING GOALS AND FUNDING PLANS

EXPLANATION OF FUNDING GOALS

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan".

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

EXPLANATION OF FUNDING PLANS

☐ **Baseline Funding Model**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance. **Greatest risk to Client for a special assessment**

☐ **Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than $0) and Client must select a dollar amount. **Lesser risk to Client for a special assessment**

☐ **Full Funding Model (Proportional Funding)---**Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves will be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it will set aside approximately one-tenth of the replacement cost each year. At the end of three years, one will expect three-tenths of the replacement cost to have accumulated, and if so, that component will be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded." **Least risk to Client for a special assessment.**

Important Information

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the expressed written permission of Reserve Studies by Reserve Funding©. The client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialist and independent contractors, the Community Association Institute, Association of Professional Reserve Analyst and various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration (our contract provides that we shall update the reserve study annually). All of the information collected during our physical analysis of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Reserve Studies by Reserve Funding© would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study. Client shall accept all responsibility and liability for changes made and the results thereof. Consultant does not warranty the results of the revised study.

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Introduction

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a $150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association's overall budget.

Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study (level I);

Update with site inspection (level II); and

Update without site inspection (level III).

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan".

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the "fund status and "funding plan."

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the "fund status" and "funding plan."

The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

Operational Expenses

Occur at least annually, no matter how large the expense, and can be effectively budgeted each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next. Examples of ***operational expenses*** include:

Utilities:
- Electricity
- Gas
- Water
- Telephone
- Cable TV

Administrative:
- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees
- Insurance(s)

Services:
- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Repair Expenses:
- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

Reserve Expenses

These are major expenses that occur other than annually, and which must be budgeted in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved in advance. Examples of reserve expenses include:

- Roof Replacements
- Painting
- Deck Resurfacing
- Fencing Replacement
- Asphalt Seal Coating
- Asphalt Repairs
- Asphalt Overlays
- Equipment Replacement
- Interior Furnishings
- Park/Play Equipment
- Pool/Spa Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Lighting Replacement
- Insurance(s)
- Reserve Study

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the

community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents, or other occurrences that are more properly insured, rather than reserved, are also excluded.

Financial Analysis

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan."

Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives, and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements, and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

Funding Methods

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops 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 actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a "window" in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Reserve Funding© Threshold and the Reserve Funding© Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The Reserve Funding© Component Funding model is based upon the component methodology.

Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The

four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

Full Funding---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

The Reserve Studies b**y** Reserve Funding© **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

The Reserves Studies by Reserve Funding© **Threshold Funding Model.** This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than $0).

The Reserve Studies by Reserve Funding© **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The Reserve Studies by Reserve Funding© **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

Component Funding Model Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" is a "Component Funding Model" calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The Reserve Studies by Reserve Funding software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of $50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to "replenish" the account. If the $50,000 under-funding were to be assigned to short remaining life items, the impact would be felt immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

Funding Reserves

Three assessment and contribution figures are provided in the report, the "Monthly Reserve Assessment Required", the "Average Net Monthly Interest Earned" contribution and the "Total Monthly Allocation to Reserves." The association should allocate the "Monthly Reserve Assessment Required" amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in the reserve account.

Users' Guide to your Reserve Analysis Study

Part II of your Reserve Studies by Reserve Funding© Report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

Report Summaries

The Report Summary for all funding models lists all of the parameters that were used in calculating the report as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the "Component Funding Model" calculation

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

Detail Reports

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as

design, manufactured quality, usage, exposure to elements and maintenance history.

The Reserve Studies by Reserve Funding© Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

Projections

Thirty-year projections add to the usefulness of your reserve analysis study.

Definitions

Report I.D.
Includes the Report Date (example: June 19, 2006), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

Budget Year Beginning/Ending
The budgetary year for which the report is prepared. For associations with fiscal years ending December 31st, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

Number of Units and/or Phases
If applicable, the number of units and/or phases included in this version of the report.

Inflation

This figure (information taken from "Inflationdata.com" is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

Annual Assessment Increase
This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate $10,000 in 10 years, you could set aside $1,000 per year. As an alternative, you could set aside $795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

Investment Yield Before Taxes
The average interest rate anticipated by the association based upon its current investment practices.

Taxes on Interest Yield

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

Projected Reserve Balance
The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

Percent Fully Funded
The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

Phase Increment Detail and/or Age
Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

Monthly Assessment
The assessment to reserves required by the association each month.

Interest Contribution (After Taxes)
The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

Total Monthly Allocation
The sum of the monthly assessment and interest contribution figures.

Group and Category
The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

Percentage of Replacement or Repairs
In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

Placed-In-Service Date
The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

Estimated Useful Life
The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

Adjustment to Useful Life
Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

Estimated Remaining Life

This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

Replacement Year
The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

Annual Fixed Reserves
An optional figure which, if used, will override the normal process of allocating reserves to each asset.

Fixed Assessment
An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

Salvage Value
The salvage value of the asset at the time of replacement, if applicable.

One-Time Replacement
Notation if the asset is to be replaced on a one-time basis.

Current Replacement Cost
The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

Future Replacement Cost
The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

Component Inventory
The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

A Multi-Purpose Tool

Your Reserve Studies by Reserve Funding© Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your Reserve Studies by Reserve Funding© reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The Reserve Studies by Reserve Funding© reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Reserve Studies by Reserve Funding© Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Reserve Studies by Reserve Funding© Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the Reserve Studies by Reserve Funding© reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The Reserve Studies by Reserve Funding© reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.
- The Reserve Studies by Reserve Funding© Owners' Summary meets the disclosure requirements of the California Civil Code 5500 and also the recently adopted ECHO standards.
- Your Reserve Studies by Reserve Funding© Report provides a record of the time, cost, and quantities of past reserve replacements. At times the association's management company and board of directors are transitory which may result in the loss of these important records.

Assessment and Reserve Funding Disclosure Summary
for the Fiscal Year Ending 2017

(1) The regular assessment per ownership interest is $4,122.50 per Month. Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page _____ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date Assessment Will Be Due:	Amount Per Ownership Interest Per Month or Year (If Assessments Are Variable, See Note Immediately Below):	Purpose Of The Assessment:
	None	
	None	
	None	
	Total:	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ____ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes _____No _____

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members?

Approximate Date Assessment Will Be Due:	Amount Per Ownership Interest Per Month or Year:
	Total:

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is $279,363, based in whole or in part on the last reserve study or update prepared by ____ as of ____ (month), ____ (year). The projected reserve fund cash balance at the end of the current fiscal year is $99,604, resulting in reserves being 34% percent funded at this date.

If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is $____. (See attached explanation)

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is:

Year	Estimated Reserve Amount Required	Projected Reserve Fund Balance	Percent Funded
2017	$292,084	$99,604	34%
2018	$320,729	$117,033	36%
2019	$322,755	$108,389	34%
2020	$351,908	$127,327	36%
2021	$361,726	$127,606	35%

If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be:

Year	Projected Reserve Fund Balance	Percent Funded
2017	$99,604	34%
2018	$117,033	36%
2019	$108,389	34%
2020	$127,327	36%
2021	$127,606	35%

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 0% percent per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 1% percent per year.

(b) For the purposes of preparing a summary pursuant to this section:

(1) “Estimated remaining useful life” means the time reasonably calculated to remain before a major component will require replacement.

(2) “Major component” has the meaning used in Section 55530. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each annual budget report or summary thereof that is delivered pursuant to **Section 5300**. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.