Reserve Studies by Reserve Funding

Hiller Highlands I Association

Spyglass Hill & Hiller Road
Oakland, California 94618
December 20, 2017

Prepared by:
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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, 2018 to December 31, 2018

Number of Lots 34

Parameters

Beginning Balance $143,678

Fiscal Year 2018 Required Contribution $30,000

Average Monthly Reserve Assessment Required Per Lot $73.53

Prior Year's Actual Contribution $45,800

Fiscal Year Projected Interest Rate 0.1%

Fiscal Year Inflation Rate 2.23%

Annual Increase To Required Contribution 2.67%

Lowest Cash Balance Over 30 Years (Threshold) $155,329

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Shingle Springs, California 95682
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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

Hiller Highlands I Association
Category Detail Index

Asset ID	Description	Replacement	Page
Asphalt			
1002	Asphalt: Overlay	2030	34
1003	Asphalt: Repairs	2022	36
1036	Asphalt: Seal Coat	2022	38
Benches			
1065	Bench: Replace-Common Area	2037	40
Concrete			
1013	Concrete: Stairs-Pads-Parking-Drive-Repairs	2019	41
Decks			
1028	Decks: Wood-Replace-Buildings D1 & D2	2037	43
Doors			
1031	Doors: Storage-Replace	2036	44
Fencing			
1071	Fence: Wood-Replace	2021	45
Grounds Components			
1040	Lateral Drain: Replace/Repairs	2018	54
Irrigation			
1050	Landscape: Irrigation-Valves-Replace	Unfunded	50
Landscaping			
1049	Landscape: Back Flow Preventor-Replace	2024	46
1060	Landscape: Improvements-Fire Suppression	2023	48
1038	Landscape: Smart Controller System-Replace	2042	52
1067	Lighting: Exterior-Street Light Poles	2034	59
1018	Lighting: Fixtures-Street Light Repair/Replace	2019	60
Lighting			
1021	Lighting: Exterior-Entry Walls-Replace	2024	55
1054	Lighting: Exterior-Entry-Replace	2024	56
1017	Lighting: Exterior-Landscape-Repair/Replace	2018	57

Hiller Highlands I Association
Category Detail Index

Asset ID	Description	Replacement	Page
Mailboxes			
1005	Mailboxes: Replace	2040	61
Painting			
1025	Paint: Exterior-Unit 42-Bldg C1	2019	62
1056	Paint: Exterior-Unit 48-Bldg C2	2019	63
1057	Paint: Exterior-Units 33 & 35-Bldg E1	2019	64
1058	Paint: Exterior-Units 51 & 53-Bldg E2	2019	65
1024	Paint: Interior-Garages-Bldgs C1-Unit 42	2019	66
1064	Paint: Interior-Garages-Bldgs C2-Unit 48	2019	67
1055	Paint: Metal Railings	2018	68
1066	Paint: Wood Deck-Bldgs D1 & D2/Bench	2024	69
Railings			
1027	Railing: Metal-Replace	2031	70
Signs			
1016	Signs: Wood, Painted, Replace	2021	71
Utilities			
1070	Utilities: Electrical-Replace	2034	72
1052	Utilities: Waste Product-Line-Replacement	2046	73
1062	Utilities: Water-Potable-Line-Replacement	2029	74
Walls			
1022	Walls: Block-Retaining-Repairs	2018	75

Total Funded Assets	32
Total Unfunded Assets	1
Total Assets	33

Hiller Highlands I Association
Base Line Assessment Funding Model Summary

Report Date	December 20, 2017
Version	2 (2018) Level II
Budget Year Beginning	January 1, 2018
Budget Year Ending	December 31, 2018
Total Units	34

Report Parameters

Inflation	2.23%
Interest Rate on Reserve Deposit	0.100%
2018 Beginning Balance	$143,678

Current Assessment Funding Model Summary
Cash Flow Time Value of Money With Threshold

BUSINESS JUDGEMENT RULE
(as we understand it)

The business judgment of the Board require that board members make ordinary and reasonable inquiry before making a decision. They are protected if they act in good faith, with the best interests of the Association and with such care as an ordinary prudent and reasonable person in a like position would use.

- **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, gutters and downspouts. mailboxes, roofing, siding, windows, doors, paving, mechanical equipment, common area furnishings and amenities and other commonly owned systems or items.

- **The scope of work identified within our contract is to provide the association with a Level II On-Site-reserve study which includes:**

  Component/System Inventory

  Expected Useful Life and Remaining Useful Life Estimates

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

  Component/System Replacement Schedule and Estimated Pricing

  Identify Current Reserve Account Balance

  30 Year Funding Plan

- **<u>How to Use a Reserve Study</u>**

  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.

- **<u>Disclosures</u>**
- **General - The Hiller Highlands Association reserve study and Reserve Studies by Reserve Funding 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 - On-site 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 - 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.**
- **Completeness - Reserve Funding, in its limited review, has found no material issues which, if not disclosed, would cause a distortion of the Association's situation as this is a budget and planning tool study and not a building assessment or building envelope study. Sub-flooring issues have not been included as there is no data provided to anticipate costs or useful life.**
- **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, may not be included in the physical analysis because they have a useful life greater than 30 years. Grading/drainage, foundations/footings, party walls, sub floors, unfinished floors, concrete stair surfaces, windows, doors, 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.**
- **We recommend a building envelope (water intrusion) inspection every twelved years and a roofing inspection every six years (not funded in the reserve).**

- **Preparation of a Reserve Study**

  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 and methods were utilized in preparation of this reserve study document:

  Property Management Personnel Interviews

  As built Plans and Specifications Document Reviews

  On-site Observations

  In-house company consultations with accredited RS and PRA personnel

  Discussions with Engineering or Architectural Consultants

  RS Means Facilities Maintenance & Repair Cost Data, 24th Edition (2017) 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.**
- **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 for a total of 34 Condominiums and/or the Residential Lots located in Oakland, California.**
- **Date of Last Reserve Study (if applicable) - The last on-site level II physical analysis done by Reserve Studies by Reserve Funding was completed on December 6, 2017 for fiscal year 2018.**

- **Infrastructure Exposure**

  The possibility of infrastructure system failures as buildings age such as, but not limited to, aluminum wiring, cast iron piping, polybutylene plumbing and coaxial cable may be a threat to the soundness of a building or the expected heath both physically and financially to all owners.

  We strongly suggest the board have a qualified, credentialed, bonded and licensed engineer or architect inspect the infrastructure for any signs of failure or potential liability of any kind to owners and provide a written report to the board for future concerns and mitigation and the estimated cost for potential repairs, maintenance or replacement including expected remaining useful life.

  Tests may include ultrasound, thermographic imaging, sonar imaging and video snaking.

  These infrastructure components are not considered in the reserve study as they may be out of view (hidden) or beyond the expertise of the reserve study provider.

  We strongly suggest the board have a qualified insulation contractor review the wall insulation as it appears to be asbestos and may need special handling to contain or remove. See area in alley where cement shingles are broken.

Hiller Highlands I Association
Base Line Assessment Funding Model Summary

- **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.**
- **A minimum threshold of $155,329 has been used over the thirty years of this reserve study and an monthly reserve assessment of $73,53 per Unit/Lot ($30,000 total annually all Units/Lots) and an annual increase of 2.67% to reach 70% funded within the thirty years of the reserve study.**

  The industry standards for percent funded are:

  0% to 29% - Poor

  30% to 69% - Fair

  70% to 100% - Good

  This association is 49% funded on 12/31/2018 as it relates to being fully funded.

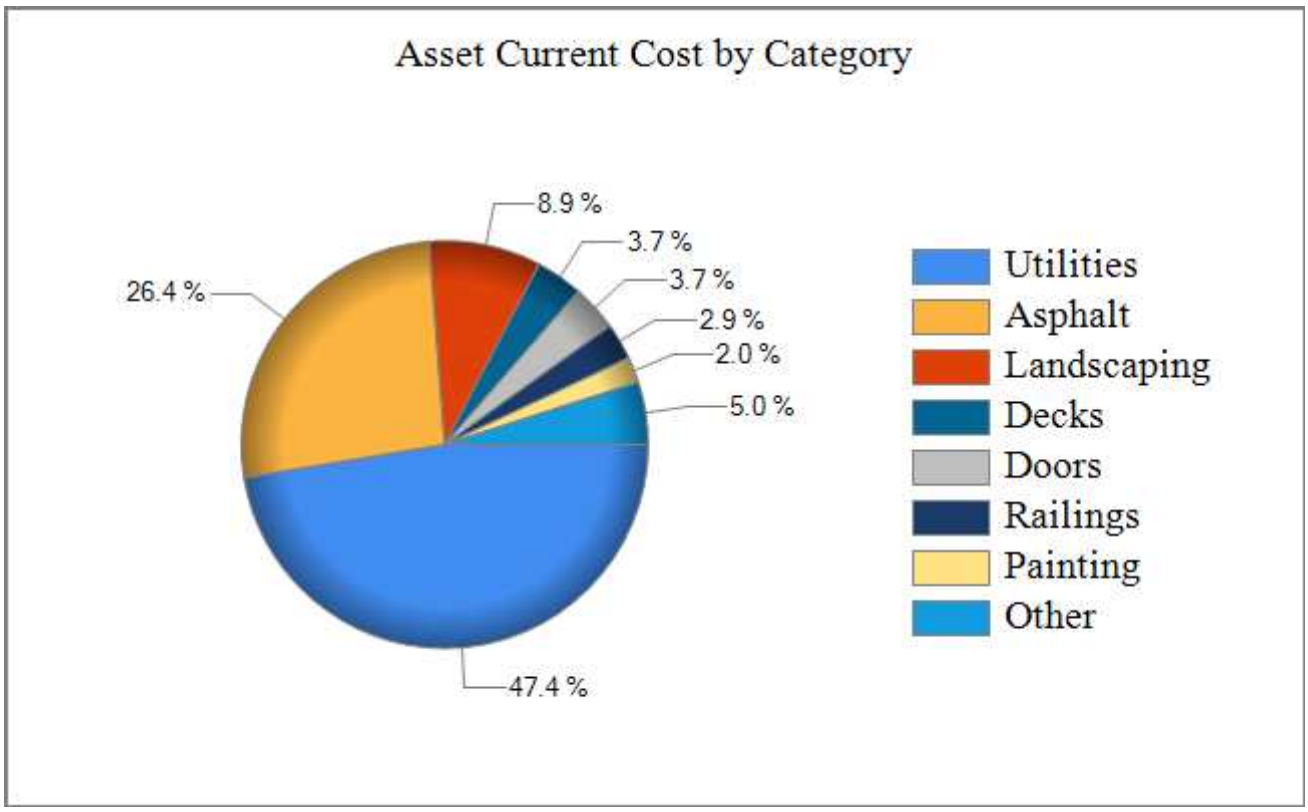
AFM Model Summary of Calculations

Required Month Contribution	$2,500.00
$73.53 per unit monthly	
Average Net Month Interest Earned	$11.79
Total Month Allocation to Reserves	$2,511.79
$73.88 per unit monthly	

Hiller Highlands I Association
Base Assessment Funding Model Projection

Beginning Balance: $143,678

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2018	830,066	30,000	141	18,491	155,329	314,961	49%
2019	848,576	45,084	154	26,194	174,373	341,767	51%
2020	867,500	46,288	200		220,860	396,986	56%
2021	886,845	47,524	243	4,039	264,588	450,370	59%
2022	906,621	48,793	271	20,625	293,026	489,073	60%
2023	926,839	50,095	292	28,626	314,787	521,568	60%
2024	947,508	51,433	316	26,458	340,078	558,249	61%
2025	968,637	52,806	369		393,253	623,956	63%
2026	990,238	54,216	423		447,892	692,317	65%
2027	1,012,320	55,664	455	23,029	480,982	739,873	65%
2028	1,034,895	57,150	504	8,275	530,360	804,815	66%
2029	1,057,973	58,676	345	217,601	371,779	658,479	56%
2030	1,081,566	60,242	144	260,698	171,467	456,279	38%
2031	1,105,685	61,851	167	38,265	195,220	478,070	41%
2032	1,130,341	63,502	204	25,714	233,212	514,309	45%
2033	1,155,548	65,198	259	9,240	289,429	569,354	51%
2034	1,181,317	66,938	152	173,462	183,058	458,925	40%
2035	1,207,660	68,726	193	27,643	224,333	496,313	45%
2036	1,234,591	70,561	217	45,510	249,601	517,505	48%
2037	1,262,122	72,445	202	87,221	235,026	497,792	47%
2038	1,290,268	74,379	258	17,654	292,009	550,049	53%
2039	1,319,040	76,365	308	25,208	343,474	597,068	58%
2040	1,348,455	78,404	375	11,497	410,755	660,503	62%
2041	1,378,526	80,497	417	37,832	453,837	699,811	65%
2042	1,409,267	82,646	441	57,798	479,127	720,994	66%
2043	1,440,693	84,853	493	32,093	532,381	770,370	69%
2044	1,472,821	87,119	552	27,376	592,676	827,142	72%
2045	1,505,665	89,445	633	8,562	674,192	905,922	74%
2046	1,539,241	91,833	432	292,154	474,302	698,083	68%
2047	1,573,566	94,285	454	71,816	497,225	712,436	70%


Asset Current Cost by Category
8.9 %
3.7 %
3.7 %
2.9 %
2.0 %
5.0 %
26.4 %
47.4 %
Utilities
Asphalt
Landscaping
Decks
Doors
Railings
Painting
Other

Hiller Highlands I Association
Oakland, California 94618
Component Summary

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
Asphalt							
Asphalt: Overlay	260,698	25	12	-12	0	722.61	15,391
Asphalt: Repairs	7,792	5	4		1,427	53.09	1,427
Asphalt: Seal Coat	12,833	5	4		2,350	87.44	2,350
Asphalt - Total	$281,323				$3,777	$863	$19,167
Benches							
Bench: Replace-Common Area	11,452	20	19		0	19.98	377
Benches - Total	$11,452					$20	$377
Concrete							
Concrete: Stairs-Pads-Parking-Drive-..	4,600	5	1		3,600	33.34	3,600
Concrete - Total	$4,600				$3,600	$33	$3,600
Decks							
Decks: Wood-Replace-Buildings D1 ..	47,056	20	19		0	82.09	1,547
Decks - Total	$47,056					$82	$1,547
Doors							
Doors: Storage-Replace	45,510	30	18		0	83.84	12,239
Doors - Total	$45,510					$84	$12,239
Fencing							
Fence: Wood-Replace	2,115	20	3		1,683	4.76	1,683
Fencing - Total	$2,115				$1,683	$5	$1,683
Grounds Components							
Lateral Drain: Replace/Repairs	1,306	5	0	8	1,306	9.74	1,306
Grounds Components - Total	$1,306				$1,306	$10	$1,306
Irrigation							
Landscape: Irrigation-Valves-Replace	*unfunded*						
Landscaping							
Landscape: Back Flow Preventor-Rep..	14,592	30	6		10,227	23.93	10,227
Landscape: Improvements-Fire Suppr..	21,215	6	5		3,167	120.38	3,167
Landscape: Smart Controller System-..	25,738	25	24		0	35.46	606
Lighting: Exterior-Street Light Poles	23,909	40	16		0	49.60	10,080
Lighting: Fixtures-Street Light Repair..	10,575	25	1		9,930	21.22	9,930
Landscaping - Total	$96,029				$23,323	$251	$34,010

Hiller Highlands I Association
Oakland, California 94618
Component Summary

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
Lighting							
Lighting: Exterior-Entry Walls-Repla..	668	5	6	20	445	1.23	445
Lighting: Exterior-Entry-Replace	673	25	6		448	1.24	448
Lighting: Exterior-Landscape-Repair/..	3,920	5	0	16	3,920	29.22	3,920
Lighting - Total	$5,261				$4,813	$32	$4,813
Mailboxes							
Mailboxes: Replace	11,497	25	22		0	17.30	849
Mailboxes - Total	$11,497					$17	$849
Painting							
Paint: Exterior-Unit 42-Bldg C1	1,282	10	1		1,129	5.09	1,129
Paint: Exterior-Unit 48-Bldg C2	1,282	10	1		1,129	5.09	1,129
Paint: Exterior-Units 33 & 35-Bldg E1	1,227	10	1		1,080	4.87	1,080
Paint: Exterior-Units 51 & 53-Bldg E2	1,227	10	1		1,080	4.87	1,080
Paint: Interior-Garages-Bldgs C1-Unit..	3,001	10	1	10	2,788	7.00	2,788
Paint: Interior-Garages-Bldgs C2-Unit..	3,001	10	1	10	2,788	7.00	2,788
Paint: Metal Railings	1,411	5	0	2	1,411	10.52	1,411
Paint: Wood Deck-Bldgs D1 & D2/B..	5,388	7	6		674	26.19	674
Painting - Total	$17,818				$12,079	$71	$12,079
Railings							
Railing: Metal-Replace	31,978	30	13		0	81.78	13,604
Railings - Total	$31,978					$82	$13,604
Signs							
Signs: Wood, Painted, Replace	1,923	20	3		1,530	4.33	1,530
Signs - Total	$1,923				$1,530	$4	$1,530
Utilities							
Utilities: Electrical-Replace	142,316	40	16		0	295.26	60,000
Utilities: Waste Product-Line-Replace..	292,154	30	28		0	344.28	10,503
Utilities: Water-Potable-Line-Replace..	173,166	35	11		79,713	280.06	93,163
Utilities - Total	$607,636				$79,713	$920	$163,666
Walls							
Walls: Block-Retaining-Repairs	11,853	25	0	26	11,853	27.19	11,853
Walls - Total	$11,853				$11,853	$27	$11,853

Hiller Highlands I Association
Oakland, California 94618
Component Summary

Description	Future Cost	Useful Life	Remaining Life	Adjustment	Distribution	Required Contribution	Ideally Funded
Grand Total:	$1,177,359				$143,678	$2,500	$282,324

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2018	
Lateral Drain: Replace/Repairs	1,306
Lighting: Exterior-Landscape-Repair/Replace	3,920
Paint: Metal Railings	1,411
Walls: Block-Retaining-Repairs	11,853
Total for 2018	**$18,491**
Replacement Year 2019	
Concrete: Stairs-Pads-Parking-Drive-Repairs	4,600
Lighting: Fixtures-Street Light Repair/Replace	10,575
Paint: Exterior-Unit 42-Bldg C1	1,282
Paint: Exterior-Unit 48-Bldg C2	1,282
Paint: Exterior-Units 33 & 35-Bldg E1	1,227
Paint: Exterior-Units 51 & 53-Bldg E2	1,227
Paint: Interior-Garages-Bldgs C1-Unit 42	3,001
Paint: Interior-Garages-Bldgs C2-Unit 48	3,001
Total for 2019	**$26,194**
No Replacement in 2020	
Replacement Year 2021	
Fence: Wood-Replace	2,115
Signs: Wood, Painted, Replace	1,923
Total for 2021	**$4,039**
Replacement Year 2022	
Asphalt: Repairs	7,792
Asphalt: Seal Coat	12,833
Total for 2022	**$20,625**
Replacement Year 2023	
Landscape: Improvements-Fire Suppression	21,215
Lateral Drain: Replace/Repairs	1,459
Lighting: Exterior-Landscape-Repair/Replace	4,377
Paint: Metal Railings	1,576
Total for 2023	**$28,626**
Replacement Year 2024	
Concrete: Stairs-Pads-Parking-Drive-Repairs	5,137

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2024 continued...	
Landscape: Back Flow Preventor-Replace	14,592
Lighting: Exterior-Entry Walls-Replace	668
Lighting: Exterior-Entry-Replace	673
Paint: Wood Deck-Bldgs D1 & D2/Bench	5,388
Total for 2024	**$26,458**
No Replacement in 2025	
No Replacement in 2026	
Replacement Year 2027	
Asphalt: Repairs	8,700
Asphalt: Seal Coat	14,329
Total for 2027	**$23,029**
Replacement Year 2028	
Lateral Drain: Replace/Repairs	1,629
Lighting: Exterior-Landscape-Repair/Replace	4,887
Paint: Metal Railings	1,759
Total for 2028	**$8,275**
Replacement Year 2029	
Concrete: Stairs-Pads-Parking-Drive-Repairs	5,736
Landscape: Improvements-Fire Suppression	24,217
Lighting: Exterior-Entry Walls-Replace	746
Paint: Exterior-Unit 42-Bldg C1	1,598
Paint: Exterior-Unit 48-Bldg C2	1,598
Paint: Exterior-Units 33 & 35-Bldg E1	1,529
Paint: Exterior-Units 51 & 53-Bldg E2	1,529
Paint: Interior-Garages-Bldgs C1-Unit 42	3,741
Paint: Interior-Garages-Bldgs C2-Unit 48	3,741
Utilities: Water-Potable-Line-Replacement	173,166
Total for 2029	**$217,601**
Replacement Year 2030	
Asphalt: Overlay	260,698
Total for 2030	**$260,698**

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2031	
Paint: Wood Deck-Bldgs D1 & D2/Bench	6,287
Railing: Metal-Replace	31,978
Total for 2031	**$38,265**
Replacement Year 2032	
Asphalt: Repairs	9,714
Asphalt: Seal Coat	16,000
Total for 2032	**$25,714**
Replacement Year 2033	
Lateral Drain: Replace/Repairs	1,819
Lighting: Exterior-Landscape-Repair/Replace	5,457
Paint: Metal Railings	1,964
Total for 2033	**$9,240**
Replacement Year 2034	
Concrete: Stairs-Pads-Parking-Drive-Repairs	6,404
Lighting: Exterior-Entry Walls-Replace	833
Lighting: Exterior-Street Light Poles	23,909
Utilities: Electrical-Replace	142,316
Total for 2034	**$173,462**
Replacement Year 2035	
Landscape: Improvements-Fire Suppression	27,643
Total for 2035	**$27,643**
Replacement Year 2036	
Doors: Storage-Replace	45,510
Total for 2036	**$45,510**
Replacement Year 2037	
Asphalt: Repairs	10,847
Asphalt: Seal Coat	17,865
Bench: Replace-Common Area	11,452
Decks: Wood-Replace-Buildings D1 & D2	47,056
Total for 2037	**$87,221**

Hiller Highlands I Association
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2038	
Lateral Drain: Replace/Repairs	2,031
Lighting: Exterior-Landscape-Repair/Replace	6,093
Paint: Metal Railings	2,193
Paint: Wood Deck-Bldgs D1 & D2/Bench	7,337
Total for 2038	**$17,654**
Replacement Year 2039	
Concrete: Stairs-Pads-Parking-Drive-Repairs	7,151
Lighting: Exterior-Entry Walls-Replace	930
Paint: Exterior-Unit 42-Bldg C1	1,993
Paint: Exterior-Unit 48-Bldg C2	1,993
Paint: Exterior-Units 33 & 35-Bldg E1	1,907
Paint: Exterior-Units 51 & 53-Bldg E2	1,907
Paint: Interior-Garages-Bldgs C1-Unit 42	4,664
Paint: Interior-Garages-Bldgs C2-Unit 48	4,664
Total for 2039	**$25,208**
Replacement Year 2040	
Mailboxes: Replace	11,497
Total for 2040	**$11,497**
Replacement Year 2041	
Fence: Wood-Replace	3,288
Landscape: Improvements-Fire Suppression	31,554
Signs: Wood, Painted, Replace	2,989
Total for 2041	**$37,832**
Replacement Year 2042	
Asphalt: Repairs	12,111
Asphalt: Seal Coat	19,948
Landscape: Smart Controller System-Replace	25,738
Total for 2042	**$57,798**
Replacement Year 2043	
Lateral Drain: Replace/Repairs	2,267
Lighting: Exterior-Landscape-Repair/Replace	6,804
Paint: Metal Railings	2,449

Description	Expenditures
Replacement Year 2043 continued...	
Walls: Block-Retaining-Repairs	20,573
Total for 2043	**$32,093**
Replacement Year 2044	
Concrete: Stairs-Pads-Parking-Drive-Repairs	7,985
Lighting: Exterior-Entry Walls-Replace	1,038
Lighting: Fixtures-Street Light Repair/Replace	18,354
Total for 2044	**$27,376**
Replacement Year 2045	
Paint: Wood Deck-Bldgs D1 & D2/Bench	8,562
Total for 2045	**$8,562**
Replacement Year 2046	
Utilities: Waste Product-Line-Replacement	292,154
Total for 2046	**$292,154**
Replacement Year 2047	
Asphalt: Repairs	13,523
Asphalt: Seal Coat	22,274
Landscape: Improvements-Fire Suppression	36,019
Total for 2047	**$71,816**

Hiller Highlands I Association
Annual Expenditure Detail

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Asphalt: Overlay										
Asphalt: Repairs					7,792					8,700
Asphalt: Seal Coat					12,833					14,329
Bench: Replace-Common Area										
Concrete: Stairs-Pads-Parking-Drive-Repairs		4,600					5,137			
Decks: Wood-Replace-Buildings D1 & D2										
Doors: Storage-Replace										
Fence: Wood-Replace				2,115						
Landscape: Back Flow Preventor-Replace							14,592			
Landscape: Improvements-Fire Suppression						21,215				
Landscape: Irrigation-Valves-Replace	*Unfunded*									
Landscape: Smart Controller System-Replace										
Lateral Drain: Replace/Repairs	1,306					1,459				
Lighting: Exterior-Entry Walls-Replace							668			
Lighting: Exterior-Entry-Replace							673			
Lighting: Exterior-Landscape-Repair/Replace	3,920					4,377				
Lighting: Exterior-Street Light Poles										
Lighting: Fixtures-Street Light Repair/Replace		10,575								
Mailboxes: Replace										
Paint: Exterior-Unit 42-Bldg C1		1,282								
Paint: Exterior-Unit 48-Bldg C2		1,282								
Paint: Exterior-Units 33 & 35-Bldg E1		1,227								
Paint: Exterior-Units 51 & 53-Bldg E2		1,227								
Paint: Interior-Garages-Bldgs C1-Unit 42		3,001								
Paint: Interior-Garages-Bldgs C2-Unit 48		3,001								
Paint: Metal Railings	1,411					1,576				
Paint: Wood Deck-Bldgs D1 & D2/Bench							5,388			
Railing: Metal-Replace										
Signs: Wood, Painted, Replace				1,923						
Utilities: Electrical-Replace										
Utilities: Waste Product-Line-Replacement										
Utilities: Water-Potable-Line-Replacement										
Walls: Block-Retaining-Repairs	11,853									
Year Total:	**18,491**	**26,194**		**4,039**	**20,625**	**28,626**	**26,458**			**23,029**

Hiller Highlands I Association
Annual Expenditure Detail

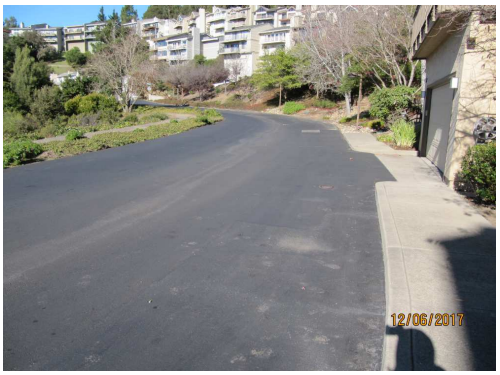
Description	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Asphalt: Overlay			260,698							
Asphalt: Repairs					9,714					10,847
Asphalt: Seal Coat					16,000					17,865
Bench: Replace-Common Area										11,452
Concrete: Stairs-Pads-Parking-Drive-Repairs		5,736					6,404			
Decks: Wood-Replace-Buildings D1 & D2										47,056
Doors: Storage-Replace									45,510	
Fence: Wood-Replace										
Landscape: Back Flow Preventor-Replace										
Landscape: Improvements-Fire Suppression		24,217						27,643		
Landscape: Irrigation-Valves-Replace	*Unfunded*									
Landscape: Smart Controller System-Replace										
Lateral Drain: Replace/Repairs	1,629					1,819				
Lighting: Exterior-Entry Walls-Replace		746					833			
Lighting: Exterior-Entry-Replace										
Lighting: Exterior-Landscape-Repair/Replace	4,887					5,457				
Lighting: Exterior-Street Light Poles							23,909			
Lighting: Fixtures-Street Light Repair/Replace										
Mailboxes: Replace										
Paint: Exterior-Unit 42-Bldg C1		1,598								
Paint: Exterior-Unit 48-Bldg C2		1,598								
Paint: Exterior-Units 33 & 35-Bldg E1		1,529								
Paint: Exterior-Units 51 & 53-Bldg E2		1,529								
Paint: Interior-Garages-Bldgs C1-Unit 42		3,741								
Paint: Interior-Garages-Bldgs C2-Unit 48		3,741								
Paint: Metal Railings	1,759					1,964				
Paint: Wood Deck-Bldgs D1 & D2/Bench				6,287						
Railing: Metal-Replace				31,978						
Signs: Wood, Painted, Replace										
Utilities: Electrical-Replace							142,316			
Utilities: Waste Product-Line-Replacement										
Utilities: Water-Potable-Line-Replacement		173,166								
Walls: Block-Retaining-Repairs										
Year Total:	**8,275**	**217,601**	**260,698**	**38,265**	**25,714**	**9,240**	**173,462**	**27,643**	**45,510**	**87,221**

Hiller Highlands I Association
Annual Expenditure Detail

Description	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Asphalt: Overlay										
Asphalt: Repairs					12,111					13,523
Asphalt: Seal Coat					19,948					22,274
Bench: Replace-Common Area										
Concrete: Stairs-Pads-Parking-Drive-Repairs		7,151					7,985			
Decks: Wood-Replace-Buildings D1 & D2										
Doors: Storage-Replace										
Fence: Wood-Replace				3,288						
Landscape: Back Flow Preventor-Replace										
Landscape: Improvements-Fire Suppression				31,554						36,019
Landscape: Irrigation-Valves-Replace	*Unfunded*									
Landscape: Smart Controller System-Replace					25,738					
Lateral Drain: Replace/Repairs	2,031					2,267				
Lighting: Exterior-Entry Walls-Replace		930					1,038			
Lighting: Exterior-Entry-Replace										
Lighting: Exterior-Landscape-Repair/Replace	6,093					6,804				
Lighting: Exterior-Street Light Poles										
Lighting: Fixtures-Street Light Repair/Replace							18,354			
Mailboxes: Replace			11,497							
Paint: Exterior-Unit 42-Bldg C1		1,993								
Paint: Exterior-Unit 48-Bldg C2		1,993								
Paint: Exterior-Units 33 & 35-Bldg E1		1,907								
Paint: Exterior-Units 51 & 53-Bldg E2		1,907								
Paint: Interior-Garages-Bldgs C1-Unit 42		4,664								
Paint: Interior-Garages-Bldgs C2-Unit 48		4,664								
Paint: Metal Railings	2,193					2,449				
Paint: Wood Deck-Bldgs D1 & D2/Bench	7,337							8,562		
Railing: Metal-Replace										
Signs: Wood, Painted, Replace				2,989						
Utilities: Electrical-Replace										
Utilities: Waste Product-Line-Replacement									292,154	
Utilities: Water-Potable-Line-Replacement										
Walls: Block-Retaining-Repairs						20,573				
Year Total:	**17,654**	**25,208**	**11,497**	**37,832**	**57,798**	**32,093**	**27,376**	**8,562**	**292,154**	**71,816**

Asphalt: Overlay

		33,570 SF	@ $5.96
Asset ID	1002	Asset Cost	$200,077.20
Group	Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$260,698.14
Placed in Service	November 2017		
Useful Life	25		
Adjustment	-12		
Replacement Year	2030		
Remaining Life	12		



Remarks:

This component is the 2" to 3" overlay on the existing surface including re-setting 27 manhole covers and 5 valve covers.

In 2017, the asphalt underwent extensive repairs in the center of the roadway. The Board, based on consultation with the asphalt vendor, has determined the work should be completed in 2030. The roadway will be replaced and will include the installation of a concrete valley shaped gutter in the center to maximize water runoff to the stormdrains. It is estimated that the cost of this work will be approximately $200,000.

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

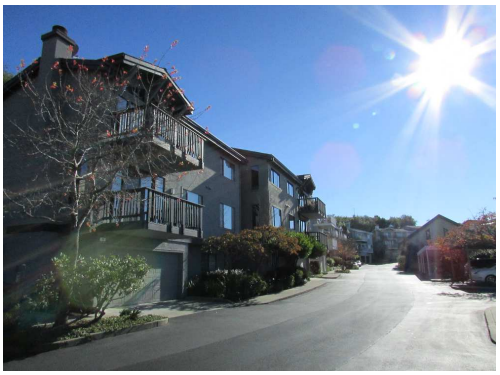
Asphalt: Overlay continued...

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 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

		33,570 SF	@ $4.25
Asset ID	1003	Asset Cost	$7,133.62
Group	Capital	Percent Replacement	5%
Category	Asphalt	Future Cost	$7,791.55
Placed in Service	July 2017		
Useful Life	5		
Replacement Year	2022		
Remaining Life	4		



Remarks:

This component is the repairs to the asphalt surface in conjunction with the application of sealcoat (5 years).

In 2017, the Association had repairs completed at a cost of $59,185.

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 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

Asphalt: Repairs continued...

nominal cost in the area (2006 comments).

Asphalt: Seal Coat

		33,570 SF	@ $0.35
Asset ID	1036	Asset Cost	$11,749.50
Group	Non-Capital	Percent Replacement	100%
Category	Asphalt	Future Cost	$12,833.14
Placed in Service	July 2017		
Useful Life	5		
Replacement Year	2022		
Remaining Life	4		

Remarks:

This component is the application of seal coating on the asphalt surface every 5 years in conjunction with repairs.

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.

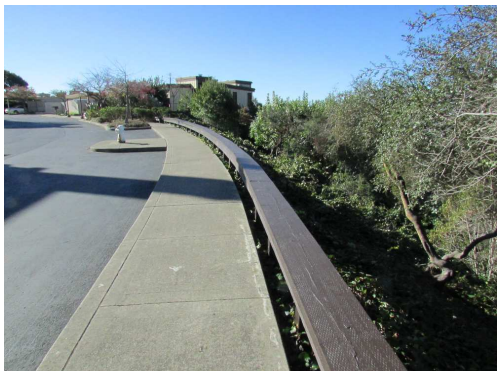
The client advises that the association repaired and seal coated the streets during July 2000 for a total of $3,904.The client advises that repairs and slurry seal coating was completed in June 2005 for a total of $4,300. The association appears to have received a bargain with this transaction and may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

Asphalt: Seal Coat continued...

nominal cost in the area (2006 comments).

Bench: Replace-Common Area

		1 Total	@ $7,532.00
Asset ID	1065	Asset Cost	$7,532.00
Group	Capital	Percent Replacement	100%
Category	Benches	Future Cost	$11,452.47
Placed in Service	October 2017		
Useful Life	20		
Replacement Year	2037		
Remaining Life	19		



Remarks:

This component is the replacement of the common area bench that runs along Spyglass Hill.

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.

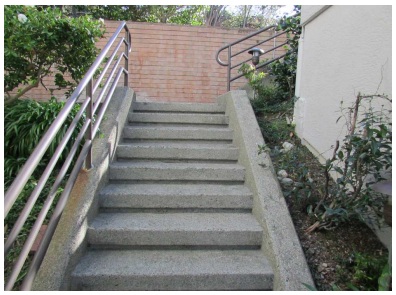
These costs do not take into consideration any changes to the building code.

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.

Concrete: Stairs-Pads-Parking-Drive-Repairs

		1 Total	@ $4,500.00
Asset ID	1013	Asset Cost	$4,500.00
Group	Capital	Percent Replacement	100%
Category	Concrete	Future Cost	$4,600.35
Placed in Service	January 2014		
Useful Life	5		
Replacement Year	2019		
Remaining Life	1		



Remarks:

This component is for the repair/partial replacement to the concrete stairs, pads, and flatwork. 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.

During the 2017 on-site review, it was observed that a couple areas of flatwork had been replaced. There were also some cracking in the sidewalks that should be watched and repaired/replace if it becomes a tripping hazard.

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.

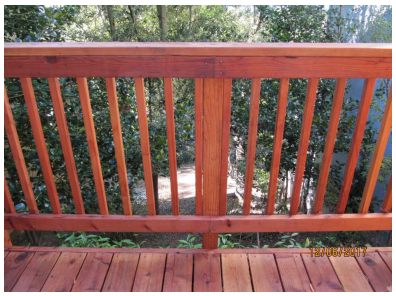
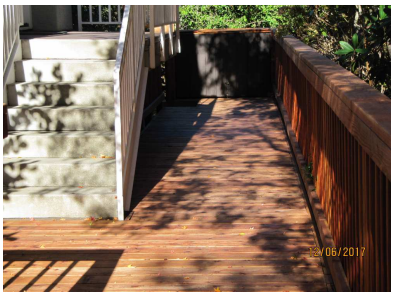
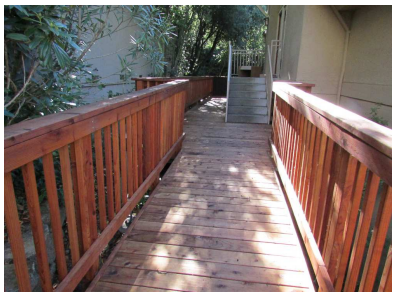
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

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.

Decks: Wood-Replace-Buildings D1 & D2

		1,786 SF	@ $17.33
Asset ID	1028	Asset Cost	$30,947.81
Group	Capital	Percent Replacement	100%
Category	Decks	Future Cost	$47,056.40
Placed in Service	October 2017		
Useful Life	20		
Replacement Year	2037		
Remaining Life	19		

Remarks:

This component is the replacement of the wood deck, railings and stairs located in front of the upper units of buildings D1 and D2.

Building D1 is 38 and 40 Spyglass Hill

Building D2 is 44 and 46 Spyglass Hill

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.

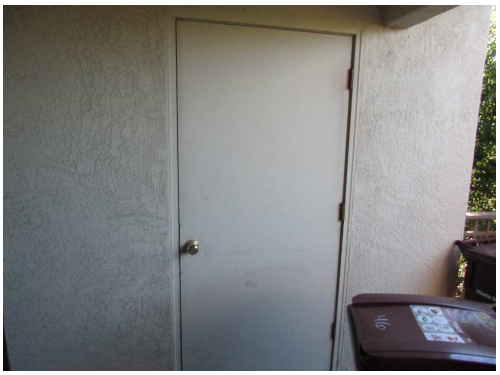
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

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 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	@ $956.20
Asset ID	1031	Asset Cost	$30,598.40
Group	Capital	Percent Replacement	100%
Category	Doors	Future Cost	$45,510.25
Placed in Service	January 2006		
Useful Life	30		
Replacement Year	2036		
Remaining Life	18		



Remarks:

This component is the replacement of the storage doors in the open 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.

Fence: Wood-Replace

		60 LF	@ $33.00
Asset ID	1071	Asset Cost	$1,980.00
Group	Capital	Percent Replacement	100%
Category	Fencing	Future Cost	$2,115.44
Placed in Service	January 2001		
Useful Life	20		
Replacement Year	2021		
Remaining Life	3		

Remarks:

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

This fence is common area fencing as shown on the plat map as Pacel 4.

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.

Landscape: Back Flow Preventor-Replace

		2 Each	@ $6,391.60
Asset ID	1049	Asset Cost	$12,783.20
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$14,591.83
Placed in Service	January 1994		
Useful Life	30		
Replacement Year	2024		
Remaining Life	6		

Remarks:

This component is the replacement of the 2 common area back flow preventors with insulation covers and box.

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.

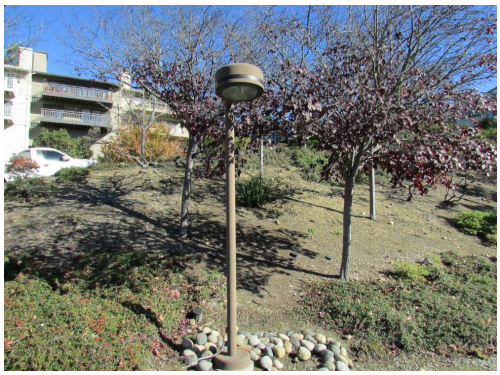
The client's current landscape contractor, Raylene Ojeda of Trimacs Landscape Maintenance, advises that the association has 2 backflow preventors. No further information was provided to ARA. We will budget for replacement of these backflow preventors at the

Landscape: Back Flow Preventor-Replace continued...

nominal cost (2009 comment). The information used on this asset has been provided with the assistance of the client's maintenance contractor.

Landscape: Improvements-Fire Suppression

		1 Total	@ $19,000.00
Asset ID	1060	Asset Cost	$19,000.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$21,215.12
Placed in Service	July 2017		
Useful Life	6		
Replacement Year	2023		
Remaining Life	5		



Remarks:

This component is the work required in the landscape area to aid in the suppression of fire.

$13,075 was spent in 2017 for fire suppression.

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.

Landscape: Improvements-Fire Suppression continued...

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: Irrigation-Valves-Replace

Asset ID	1050	72 Valves	@ $20.00
Group	Capital	Asset Cost	$1,440.00
Category	Irrigation	Percent Replacement	100%
Placed in Service	January 2013	Future Cost	$1,440.00
Useful Life	3		
Adjustment	2		
Replacement Year	2018		
Remaining Life	0		

Remarks:

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

This component is information only as this component is funded from operational funds per Board.

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

Landscape: Irrigation-Valves-Replace continued...

(2009 comment).

Landscape: Smart Controller System-Replace

		1 Total	@ $15,160.00
Asset ID	1038	Asset Cost	$15,160.00
Group	Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$25,738.30
Placed in Service	June 2017		
Useful Life	25		
Replacement Year	2042		
Remaining Life	24		



Remarks:

This component is the replacement of the Smart Controller System for the landscape. This system consists of a weather centerr that is designed to operate with the controllers and provides "real-time" onsite data and rain switch. The controllers installed are:

1 - 36 Station Controller @ $5,475

1 - 20 Station Controller @ $5,045

1 - 18 Station Controller @ $4,660

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

Landscape: Smart Controller System-Replace continued...

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

Lateral Drain: Replace/Repairs

		1 Total	@ $13,063.72
Asset ID	1040	Asset Cost	$1,306.37
Group	Capital	Percent Replacement	10%
Category	Grounds Components	Future Cost	$1,306.37
Placed in Service	January 2005		
Useful Life	5		
Adjustment	8		
Replacement Year	2018		
Remaining Life	0		

Remarks:

This component is an allowance for the repair, maintenance or replacement of the lateral drains in the common area.

During the 2017 on-site review, it was observed that a portion of the lateral drain in front of the carport should be repaired or replaced.

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	@ $225.00
Asset ID	1021	Asset Cost	$585.00
Group	Non-Capital	Percent Replacement	10%
Category	Lighting	Future Cost	$667.77
Placed in Service	January 1999		
Useful Life	5		
Adjustment	20		
Replacement Year	2024		
Remaining Life	6		


Remarks:

This component is an allowance for 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.

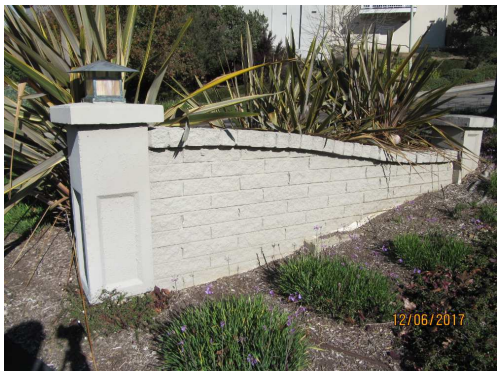
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

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	@ $295.00
Asset ID	1054	Asset Cost	$590.00
Group	Non-Capital	Percent Replacement	100%
Category	Lighting	Future Cost	$673.48
Placed in Service	January 1999		
Useful Life	25		
Replacement Year	2024		
Remaining Life	6		



Remarks:

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

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-Landscape-Repair/Replace

		70 Each	@ $280.00
Asset ID	1017	Asset Cost	$3,920.00
Group	Non-Capital	Percent Replacement	20%
Category	Lighting	Future Cost	$3,920.00
Placed in Service	January 1997		
Useful Life	5		
Adjustment	16		
Replacement Year	2018		
Remaining Life	0		

Remarks:

This component is an allowance for the repair, maintenance or replacement of the landscape, path and sidewalk lights in the common area.

During the 2017 on-site review, it was observed that a couple of the landscape lights along the newly replaced deck at Buildings D1 and D2 are broken. The Board is determining the best way to complete these repairs since the location of the broken lights are difficult to access.

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.

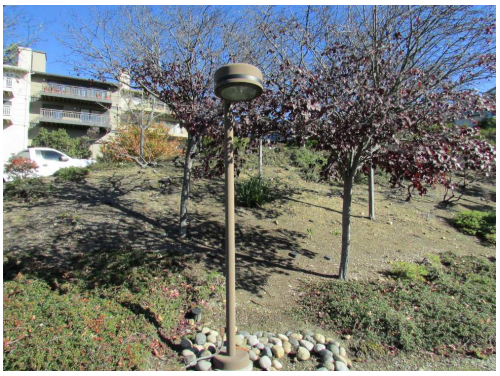
These costs do not take into consideration any changes to the building code.

Lighting: Exterior-Landscape-Repair/Replace continued...

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-Street Light Poles

Asset ID	1067	12 Each	@ $1,400.00
Group	Non-Capital	Asset Cost	$16,800.00
Category	Landscaping	Percent Replacement	100%
Placed in Service	January 1994	Future Cost	$23,909.09
Useful Life	40		
Replacement Year	2034		
Remaining Life	16		



Remarks:

This component is the replacement of the street light poles, excluding the fixtures.

During the 2017 on-site review, it was observed that the poles on the street light poles have some rust areas and chipping paint.

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: Fixtures-Street Light Repair/Replace

		12 Each	@ $862.00
Asset ID	1018	Asset Cost	$10,344.00
Group	Non-Capital	Percent Replacement	100%
Category	Landscaping	Future Cost	$10,574.67
Placed in Service	January 1994		
Useful Life	25		
Replacement Year	2019		
Remaining Life	1		



Remarks:

This component is an allowance for the repair, maintenance or replacement of the HID street light fixtures, excluding the poles.

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.

Mailboxes: Replace

		1 Total	@ $7,077.20
Asset ID	1005	Asset Cost	$7,077.20
Group	Capital	Percent Replacement	100%
Category	Mailboxes	Future Cost	$11,497.02
Placed in Service	April 2015		
Useful Life	25		
Replacement Year	2040		
Remaining Life	22		

Remarks:

This component is the replacement of the mail boxes for various lots. The wood kiosks have been removed.

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.

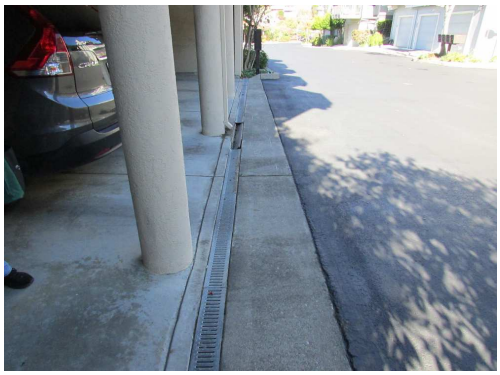
These costs do not take into consideration any changes to the building code.

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: Exterior-Unit 42-Bldg C1

		1 Total	@ $1,254.12
Asset ID	1025	Asset Cost	$1,254.12
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,282.08
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	1		



Remarks:

This component is an estimate for the Association's share of the painting stucco exterior of Building C1. According to the CC&Rs, the Association is responsible for 40% of the total cost for painting the exterior stucco.

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	@ $1,254.12
Asset ID	1056	Asset Cost	$1,254.12
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,282.08
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	1		

Remarks:

This component is an estimate for the Association's share of the painting stucco exterior of Building C2. According to the CC&Rs, the Association is responsible for 40% of the total cost for painting the exterior stucco.

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	@ $1,200.00
Asset ID	1057	Asset Cost	$1,200.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,226.76
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	1		

Remarks:

This component is an estimate for the Associations share of the painting of the stucco exterior. According to the CC&Rs, the Association is responsible for 10% of the cost to paint the stucco. Photo credit to Google Earth.

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	@ $1,200.00
Asset ID	1058	Asset Cost	$1,200.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,226.76
Placed in Service	January 2009		
Useful Life	10		
Replacement Year	2019		
Remaining Life	1		

Remarks:

This component is an estimate for the Associations share of the painting of the stucco exterior. According to the CC&Rs, the Association is responsible for 10% of the cost to paint the stucco. Photo credit to Google Earth.

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 C1-Unit 42

		4,280 SF	@ $1.60
Asset ID	1024	Asset Cost	$2,935.05
Group	Non-Capital	Percent Replacement	42.86%
Category	Painting	Future Cost	$3,000.50
Placed in Service	January 1999		
Useful Life	10		
Adjustment	10		
Replacement Year	2019		
Remaining Life	1		

Remarks:

This component is the painting of the interior of the open garages/carport. According to the CC&Rs, the Association is responsible for 42.86% of the painting 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.

Paint: Interior-Garages-Bldgs C2-Unit 48

		4,280 SF	@ $1.60
Asset ID	1064	Asset Cost	$2,935.05
Group	Non-Capital	Percent Replacement	42.86%
Category	Painting	Future Cost	$3,000.50
Placed in Service	January 1999		
Useful Life	10		
Adjustment	10		
Replacement Year	2019		
Remaining Life	1		

Remarks:

This component is the painting of the interior of the open garages/carport. According to the CC&Rs, the Association is responsible for 42.86% of the painting 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.

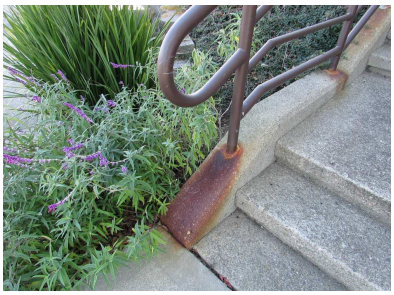
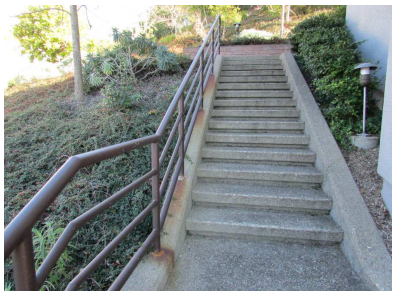
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

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.

Paint: Metal Railings

		730 SF	@ $1.93
Asset ID	1055	Asset Cost	$1,411.09
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$1,411.09
Placed in Service	January 2011		
Useful Life	5		
Adjustment	2		
Replacement Year	2018		
Remaining Life	0		

Remarks:

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

During the 2017 on-site review, it was observed that the metal is cracking, peeling, and leaching rust onto the concrete stair wall.

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.

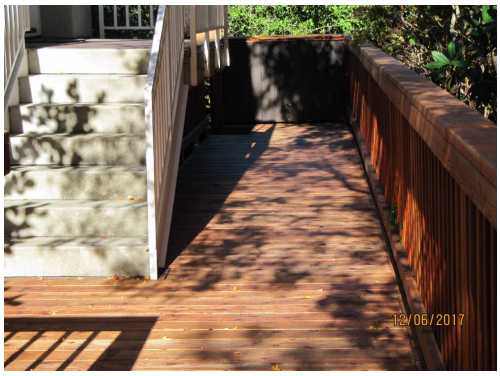
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

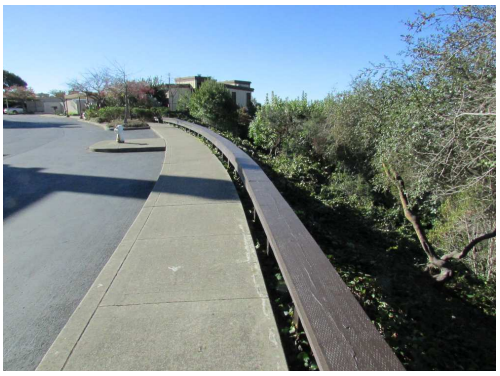
These costs do not take into consideration any changes to the building code.

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 Deck-Bldgs D1 & D2/Bench

		2,950 SF	@ $1.60
Asset ID	1066	Asset Cost	$4,720.00
Group	Non-Capital	Percent Replacement	100%
Category	Painting	Future Cost	$5,387.81
Placed in Service	December 2017		
Useful Life	7		
Replacement Year	2024		
Remaining Life	6		





Remarks:

This component is for the painting or sealing of the deck, deck railings, stairs at Buildings D1 and D2 and the bench that runs along the sidwalk on Spyglass Hill.

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.

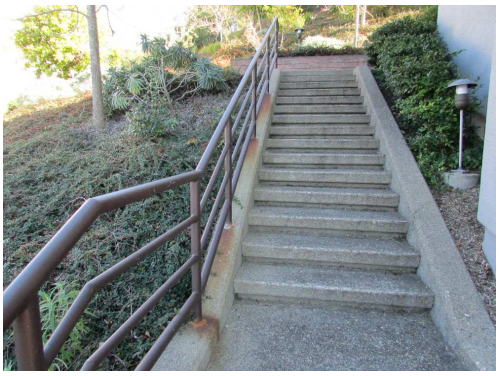
The Association should obtain a bid from a licensed and bonded contractor to confirm this estimate.

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	@ $77.44
Asset ID	1027	Asset Cost	$24,006.40
Group	Capital	Percent Replacement	100%
Category	Railings	Future Cost	$31,977.59
Placed in Service	January 2001		
Useful Life	30		
Replacement Year	2031		
Remaining Life	13		



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.

Signs: Wood, Painted, Replace

		1 Total	@ $1,800.00
Asset ID	1016	Asset Cost	$1,800.00
Group	Capital	Percent Replacement	100%
Category	Signs	Future Cost	$1,923.13
Placed in Service	January 2001		
Useful Life	20		
Replacement Year	2021		
Remaining Life	3		

Remarks:

This component is the replacement of the common area signs.

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.

Utilities: Electrical-Replace

		1 Total	@ $100,000.00
Asset ID	1070	Asset Cost	$100,000.00
Group	Capital	Percent Replacement	100%
Category	Utilities	Future Cost	$142,316.01
Placed in Service	August 1994		
Useful Life	40		
Replacement Year	2034		
Remaining Life	16		

Remarks:

This component is the estimate for the replacement of the underground electrical utilities in the common area.

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.

Utilities: Waste Product-Line-Replacement

		1 Total	@ $157,550.00
Asset ID	1052	Asset Cost	$157,550.00
Group	Capital	Percent Replacement	100%
Category	Utilities	Future Cost	$292,154.45
Placed in Service	August 2016		
Useful Life	30		
Replacement Year	2046		
Remaining Life	28		

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. The work was performed by Advanced Trenchless.

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.

Utilities: Water-Potable-Line-Replacement

		1 Total	@ $135,862.65
Asset ID	1062	Asset Cost	$135,862.65
Group	Capital	Percent Replacement	100%
Category	Utilities	Future Cost	$173,165.77
Placed in Service	August 1994		
Useful Life	35		
Replacement Year	2029		
Remaining Life	11		

Remarks:

This component is the replacement or renovation of the potable water lines in the common area.

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.

Walls: Block-Retaining-Repairs

		5,900 SF	@ $20.09
Asset ID	1022	Asset Cost	$11,853.10
Group	Capital	Percent Replacement	10%
Category	Walls	Future Cost	$11,853.10
Placed in Service	January 1967		
Useful Life	25		
Adjustment	26		
Replacement Year	2018		
Remaining Life	0		

Remarks:

This component is an allowance for the cost of repair, maintenance or replacement of the block retaining walls and entry walls. According to the CC&Rs, Exhibit B, Item 1, the Association is responsible for all retaining walls bordering decks or patios and the foundations of the retaining walls. Also, the retaining walls and their foundations which protect or support street-side decks.

During the 2017 on-site review, the Board was under the belief that these retaining walls are the owners responsibility. However, the CC&Rs state the are the Association's. We have included this component in the study, but identified it as unfunded.

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.

Historical comments:

During the August 2012 field inspection the client advised the HOA consulted an engineer on the condition of the wall. The engineer advised the wall will need repairs however no definite timeline could be given. The client identified a portion of the wall with visible cracking and water penetrating the wall and the client advised the HOA does not have plans to repair the wall in the near future. This asset should be monitored and the repairs schedule should be adjusted when necessary (2012 comment).

During our 2009 field inspection, it was noted these walls appeared to need cleaning and repairs.

We are budgeting 10% of the total cost for replacement of these retaining block walls, as repairs every 25 years.

We have estimated the amount of the patio retaining walls from the drawings provided by the client. The client advises that these walls were built during 1966 - 1968. We have used 1967 as the average construction year for budgeting purposes.

bldgs A1/A2	-	780	
bldgs A3/A4	-	1,170	
bldgs B1/B2	-	520	
bldgs B3/B4	-	1,180	
bldgs D1/D2	-	710	
bldgs F1/F2	-	540	
bldgs E1/E2	-	910	
bldg F3	-	90	
	Total =	5,900	sq. ft.

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

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	2017	2030	200,077	25	-12	12	260,698	33570 @	5.96
Asphalt: Repairs	2017	2022	7,134	5	0	4	7,792	33570 @	4.25
Asphalt: Seal Coat	2017	2022	11,749	5	0	4	12,833	33570 @	0.35
Bench: Replace-Common Area	2017	2037	7,532	20	0	19	11,452	1 @	7,532.00
Concrete: Stairs-Pads-Parking-Drive..	2014	2019	4,500	5	0	1	4,600	1 @	4,500.00
Decks: Wood-Replace-Buildings D1 ..	2017	2037	30,948	20	0	19	47,056	1786 @	17.33
Doors: Storage-Replace	2006	2036	30,598	30	0	18	45,510	32 @	956.20
Fence: Wood-Replace	2001	2021	1,980	20	0	3	2,115	60 @	33.00
Landscape: Back Flow Preventor-Re..	1994	2024	12,783	30	0	6	14,592	2 @	6,391.60
Landscape: Improvements-Fire Supp..	2017	2023	19,000	6	0	5	21,215	1 @	19,000.00
Landscape: Irrigation-Valves-Replace	*1050*	*Unfunded*							
Landscape: Smart Controller System..	2017	2042	15,160	25	0	24	25,738	1 @	15,160.00
Lateral Drain: Replace/Repairs	2005	2018	1,306	5	8	0	1,306	1 @	13,063.72
Lighting: Exterior-Entry Walls-Repl..	1999	2024	585	5	20	6	668	26 @	225.00
Lighting: Exterior-Entry-Replace	1999	2024	590	25	0	6	673	2 @	295.00
Lighting: Exterior-Landscape-Repai..	1997	2018	3,920	5	16	0	3,920	70 @	280.00
Lighting: Exterior-Street Light Poles	1994	2034	16,800	40	0	16	23,909	12 @	1,400.00
Lighting: Fixtures-Street Light Repai..	1994	2019	10,344	25	0	1	10,575	12 @	862.00
Mailboxes: Replace	2015	2040	7,077	25	0	22	11,497	1 @	7,077.20
Paint: Exterior-Unit 42-Bldg C1	2009	2019	1,254	10	0	1	1,282	1 @	1,254.12
Paint: Exterior-Unit 48-Bldg C2	2009	2019	1,254	10	0	1	1,282	1 @	1,254.12
Paint: Exterior-Units 33 & 35-Bldg E1	2009	2019	1,200	10	0	1	1,227	1 @	1,200.00
Paint: Exterior-Units 51 & 53-Bldg E2	2009	2019	1,200	10	0	1	1,227	1 @	1,200.00
Paint: Interior-Garages-Bldgs C1-Un..	1999	2019	2,935	10	10	1	3,001	4280 @	1.60
Paint: Interior-Garages-Bldgs C2-Un..	1999	2019	2,935	10	10	1	3,001	4280 @	1.60
Paint: Metal Railings	2011	2018	1,411	5	2	0	1,411	730 @	1.93
Paint: Wood Deck-Bldgs D1 & D2/Be..	2017	2024	4,720	7	0	6	5,388	2950 @	1.60
Railing: Metal-Replace	2001	2031	24,006	30	0	13	31,978	310 @	77.44
Signs: Wood, Painted, Replace	2001	2021	1,800	20	0	3	1,923	1 @	1,800.00
Utilities: Electrical-Replace	1994	2034	100,000	40	0	16	142,316	1 @	100,000.00
Utilities: Waste Product-Line-Replac..	2016	2046	157,550	30	0	28	292,154	1 @	157,550.00
Utilities: Water-Potable-Line-Replac..	1994	2029	135,863	35	0	11	173,166	1 @	135,862.65
Walls: Block-Retaining-Repairs	1967	2018	11,853	25	26	0	11,853	5900 @	20.09

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

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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 by 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 2018

(1) The regular assessment per ownership interest is $2,500.00 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 $282,324, 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 $155,329, resulting in reserves being 49% 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
2018	$314,961	$155,329	49%
2019	$341,767	$174,373	51%
2020	$396,986	$220,860	56%
2021	$450,370	$264,588	59%
2022	$489,073	$293,026	60%

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
2018	$155,329	49%
2019	$174,373	51%
2020	$220,860	56%
2021	$264,588	59%
2022	$293,026	60%

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 2% 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.