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## Update "No-Site-Visit" Reserve Study



### Heritage Grove at Los Gatos HOA Los Gatos, CA

**Report #: 10972-8**  
**For Period Beginning: January 1, 2020**  
**Expires: December 31, 2020**

**Date Prepared: July 8, 2019**



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**Hello, and welcome to your Reserve Study!**

**T**his Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

**W**ith respect to Reserves, this Report will tell you "where you are," and "where to go from here."

In this Report, you will find...

- 1) A List of What you're Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

**More Questions?**

Visit our website at [www.ReserveStudy.com](http://www.ReserveStudy.com) or call us at:

415-694-8931



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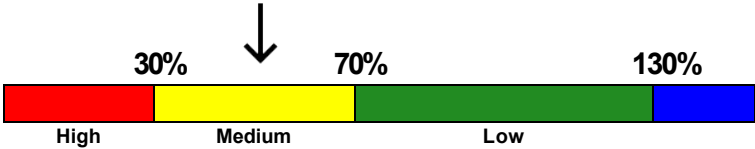
## 3- Minute Executive Summary

**Association:** Heritage Grove at Los Gatos HOA **Assoc. #: 10972-8**  
**Location:** Los Gatos, CA **# of Units: 44**  
**Report Period:** January 1, 2020 through December 31, 2020

**Findings/Recommendations as-of: January 1, 2020**

Projected Starting Reserve Balance .....	\$34,275
Current Fully Funded Reserve Balance .....	\$65,794
Average Reserve Deficit (Surplus) Per Unit .....	\$716
Percent Funded .....	52.1 %
Recommended 2020 "Monthly Fully Funding Contributions" .....	\$1,305
Recommended 2020 Special Assessments for Reserves .....	\$0
2019 Monthly Contribution Rate .....	\$1,298

**Reserves % Funded: 52.1%**



**Special Assessment Risk:**

**Economic Assumptions:**

**Net Annual "After Tax" Interest Earnings Accruing to Reserves .....** 1.00 %  
**Annual Inflation Rate .....** 3.00 %

- This is an Update "No-Site-Visit" Reserve Study.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is at 52.1 % Funded, this means the association's special assessment & deferred maintenance risk is currently Medium.
- Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is for you to increase your Reserve contributions.
- No assets appropriate for Reserve designation were excluded.
- We recommend that this Reserve Study be updated annually, with an on-site inspection update every three years.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
<b>Common Area</b>			
207 Concrete Pavers - Replace	24	4	\$32,900
320 Pole Lights - Replace	30	11	\$20,950
501 Block Walls - Seal/Repair	6	0	\$3,510
505 Wood Split Rail Fence - Replace	24	6	\$8,490
1001 Backflow Devices - Replace	25	7	\$2,360
1003 Irrigation Controllers - Replace	12	10	\$1,630
1005 Irrigation Valves - Replace	10	7	\$1,550
1006 Irrigation System - Repair/Replace	30	28	\$10,670
1008 Trees - Replacement	1	0	\$2,895
1009 Landscaping - Replenish	10	9	\$15,600
1109 Wood Split Rail Fence - Repaint	6	0	\$1,900
1402 Signage - Replace	10	0	\$2,060
1403 Monument Signs - Refurbish	26	8	\$5,300
<b>13 Total Funded Components</b>			

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

## Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not “for the future”. Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

## Methodology



For this [Update No-Site-Visit Reserve Study](#), we started with a review of your prior Reserve Study, then looked into recent Reserve expenditures, evaluated how expenditures are handled (ongoing maintenance vs Reserves), and researched any well-established association

precedents. We updated and adjusted your Reserve Component List on the basis of time elapsed since the last Reserve Study and interviews with association representatives.

## *Which Physical Assets are Funded by Reserves?*

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

Components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

## *How do we establish Useful Life and Remaining Useful Life estimates?*

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

## *How do we establish Current Repair/Replacement Cost Estimates?*

In this order...

- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

## How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% - 130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!



## How much should we contribute?



RESERVE FUNDING PRINCIPLES

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

## What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up," the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70 - 130% range *enjoy a low risk of special assessments or deferred maintenance.*



FUNDING OBJECTIVES

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0 - 30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

## Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses at your property as defined by your Reserve Component List. A summary of these components are shown in the Component Details table, while a summary of the expenses themselves are shown in the 30-yr Expense Summary table.

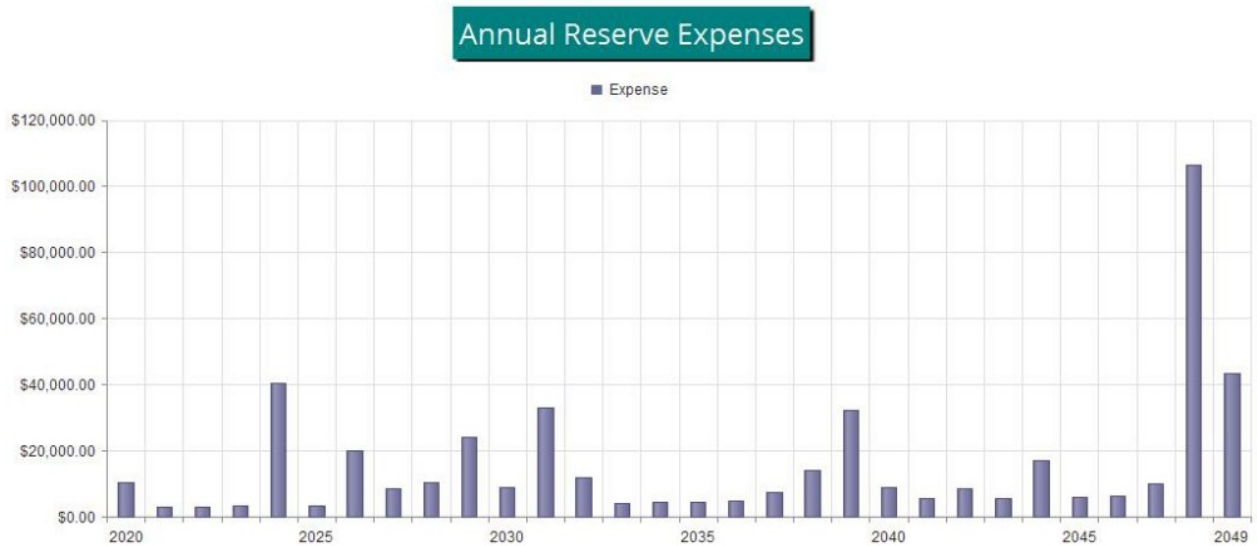


Figure 1

## Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$34,275 as-of the start of your fiscal year. This is based on your actual balance on 4/30/2019 of \$39,057 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of 1/1/2020, your Fully Funded Balance is computed to be \$65,794. (see Acct/Tax Summary table). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your 52.1 % Funded.

## Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending budgeted contributions of \$1,305/Monthly this Fiscal Year. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary and the Cash Flow Detail tables.

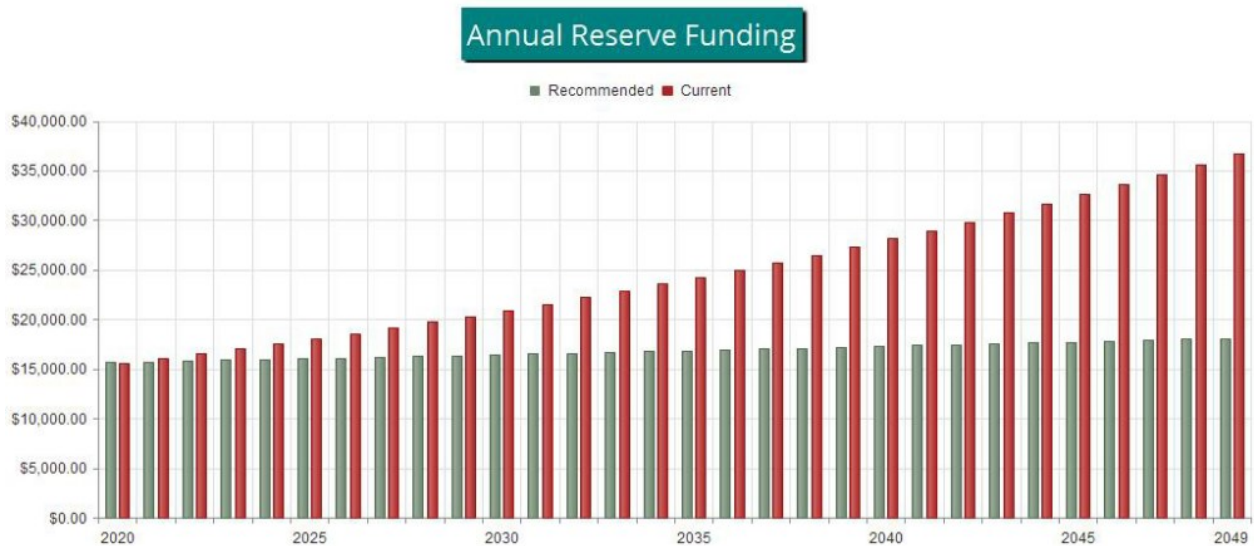


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

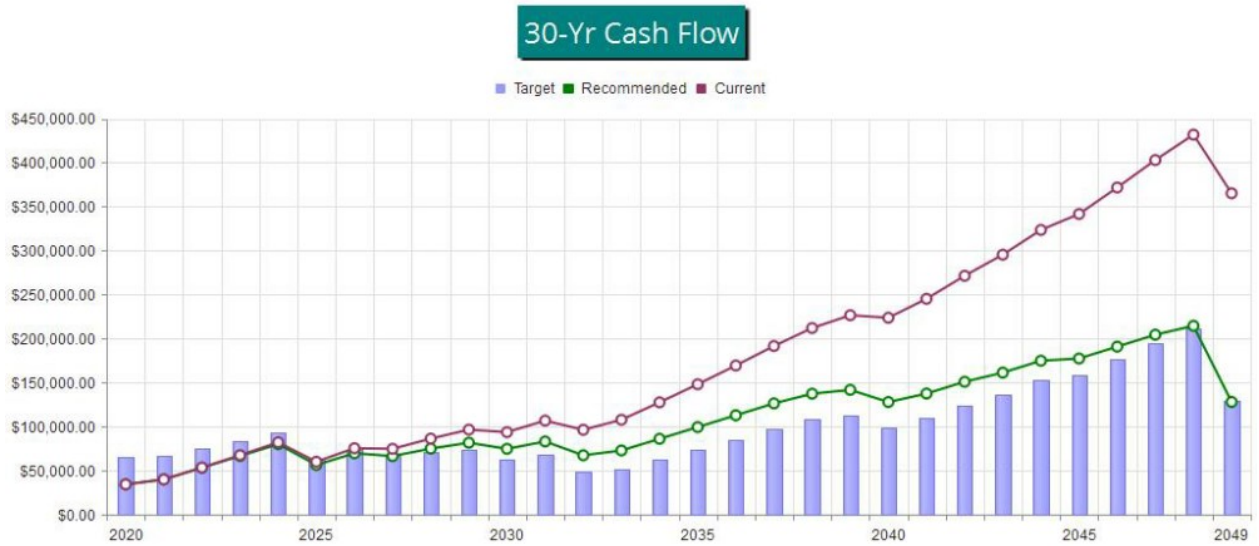


Figure 3

This figure shows the same information plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-yr Funding Plan.

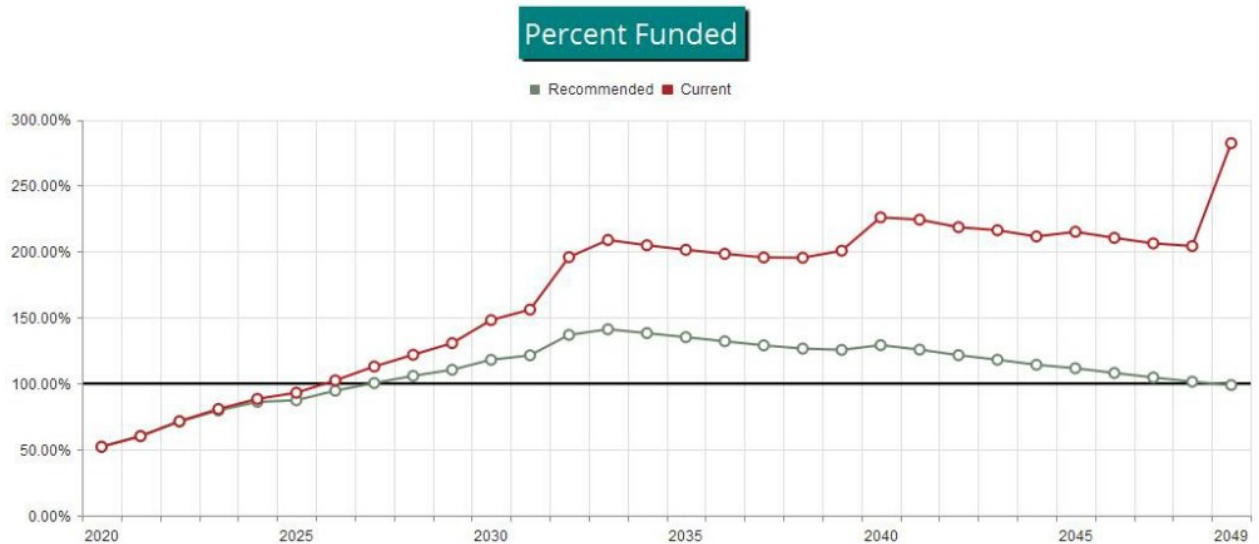


Figure 4

## **Table Descriptions**

Executive Summary is a summary of your Reserve Components

Reserve Component List Detail discloses key Component information, providing the foundation upon which the financial analysis is performed.

Fully Funded Balance shows the calculation of the Fully Funded Balance for each of your components, and their contributions to the association total. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Component Significance shows the relative significance of each component to Reserve funding needs of the association, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by its Useful Life, then that component's percentage of the total is displayed.

Accounting-Tax Summary provides information on each Component's proportionate portion of key totals, valuable to accounting professionals primarily during tax preparation time of year.

30-Yr Reserve Plan Summary provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk at the beginning of each year.

30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.

# Reserve Component List Detail

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#	Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate	
					Best Case	Worst Case
Common Area						
207	Concrete Pavers - Replace	Approx 1,410 GSF	24	4	\$29,400	\$36,400
320	Pole Lights - Replace	(9) Pole Lights	30	11	\$18,700	\$23,200
501	Block Walls - Seal/Repair	Approx 530 LF	6	0	\$3,270	\$3,750
505	Wood Split Rail Fence - Replace	Approx 185 LF	24	6	\$7,710	\$9,270
1001	Backflow Devices - Replace	(1) Backflow Device	25	7	\$2,140	\$2,580
1003	Irrigation Controllers - Replace	(1) Irrigation Controller	12	10	\$1,390	\$1,870
1005	Irrigation Valves - Replace	Irrigation Valves & Heads	10	7	\$1,390	\$1,710
1006	Irrigation System - Repair/Replace	Irrigation System	30	28	\$9,640	\$11,700
1008	Trees - Replacement	Common Area Trees	1	0	\$2,630	\$3,160
1009	Landscaping - Replenish	Common Area Landscaping	10	9	\$14,000	\$17,200
1109	Wood Split Rail Fence - Repaint	Approx 185 LF	6	0	\$1,660	\$2,140
1402	Signage - Replace	(1) Historical Sign	10	0	\$1,870	\$2,250
1403	Monument Signs - Refurbish	(2) Monument Signs	26	8	\$4,660	\$5,940
13 Total Funded Components						

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
Common Area								
207	Concrete Pavers - Replace	\$32,900	X	20	/	24	=	\$27,417
320	Pole Lights - Replace	\$20,950	X	19	/	30	=	\$13,268
501	Block Walls - Seal/Repair	\$3,510	X	6	/	6	=	\$3,510
505	Wood Split Rail Fence - Replace	\$8,490	X	18	/	24	=	\$6,368
1001	Backflow Devices - Replace	\$2,360	X	18	/	25	=	\$1,699
1003	Irrigation Controllers - Replace	\$1,630	X	2	/	12	=	\$272
1005	Irrigation Valves - Replace	\$1,550	X	3	/	10	=	\$465
1006	Irrigation System - Repair/Replace	\$10,670	X	2	/	30	=	\$711
1008	Trees - Replacement	\$2,895	X	1	/	1	=	\$2,895
1009	Landscaping - Replenish	\$15,600	X	1	/	10	=	\$1,560
1109	Wood Split Rail Fence - Repaint	\$1,900	X	6	/	6	=	\$1,900
1402	Signage - Replace	\$2,060	X	10	/	10	=	\$2,060
1403	Monument Signs - Refurbish	\$5,300	X	18	/	26	=	\$3,669
								\$65,794

# Component Significance

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#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
Common Area					
207	Concrete Pavers - Replace	24	\$32,900	\$1,371	15.35 %
320	Pole Lights - Replace	30	\$20,950	\$698	7.82 %
501	Block Walls - Seal/Repair	6	\$3,510	\$585	6.55 %
505	Wood Split Rail Fence - Replace	24	\$8,490	\$354	3.96 %
1001	Backflow Devices - Replace	25	\$2,360	\$94	1.06 %
1003	Irrigation Controllers - Replace	12	\$1,630	\$136	1.52 %
1005	Irrigation Valves - Replace	10	\$1,550	\$155	1.74 %
1006	Irrigation System - Repair/Replace	30	\$10,670	\$356	3.98 %
1008	Trees - Replacement	1	\$2,895	\$2,895	32.42 %
1009	Landscaping - Replenish	10	\$15,600	\$1,560	17.47 %
1109	Wood Split Rail Fence - Repaint	6	\$1,900	\$317	3.55 %
1402	Signage - Replace	10	\$2,060	\$206	2.31 %
1403	Monument Signs - Refurbish	26	\$5,300	\$204	2.28 %
13	Total Funded Components			\$8,930	100.00 %



#	Component	UL	RUL	Current Cost Estimate	Fully Funded Balance	Current Fund Balance	Proportional Reserve Contribs
Common Area							
207	Concrete Pavers - Replace	24	4	\$32,900	\$27,417	\$27,417	\$200.24
320	Pole Lights - Replace	30	11	\$20,950	\$13,268	\$6,858	\$102.01
501	Block Walls - Seal/Repair	6	0	\$3,510	\$3,510	\$0	\$85.45
505	Wood Split Rail Fence - Replace	24	6	\$8,490	\$6,368	\$0	\$51.67
1001	Backflow Devices - Replace	25	7	\$2,360	\$1,699	\$0	\$13.79
1003	Irrigation Controllers - Replace	12	10	\$1,630	\$272	\$0	\$19.84
1005	Irrigation Valves - Replace	10	7	\$1,550	\$465	\$0	\$22.64
1006	Irrigation System - Repair/Replace	30	28	\$10,670	\$711	\$0	\$51.95
1008	Trees - Replacement	1	0	\$2,895	\$2,895	\$0	\$422.89
1009	Landscaping - Replenish	10	9	\$15,600	\$1,560	\$0	\$227.88
1109	Wood Split Rail Fence - Repaint	6	0	\$1,900	\$1,900	\$0	\$46.26
1402	Signage - Replace	10	0	\$2,060	\$2,060	\$0	\$30.09
1403	Monument Signs - Refurbish	26	8	\$5,300	\$3,669	\$0	\$29.78
13 Total Funded Components					\$65,794	\$34,275	\$1,304

# 30-Year Reserve Plan Summary

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Fiscal Year Start: 2020	Interest: 1.00 %	Inflation: 3.00 %
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)	Projected Reserve Balance Changes	

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase		Loan or Special Assmts	Interest Income	Reserve Expenses
					In Annual Reserve Contribs.	Reserve Contribs.			
2020	\$34,275	\$65,794	52.1 %	Medium	0.50 %	\$15,654	\$0	\$371	\$10,365
2021	\$39,935	\$66,290	60.2 %	Medium	0.50 %	\$15,732	\$0	\$465	\$2,982
2022	\$53,150	\$74,682	71.2 %	Low	0.50 %	\$15,811	\$0	\$598	\$3,071
2023	\$66,488	\$83,517	79.6 %	Low	0.50 %	\$15,890	\$0	\$732	\$3,163
2024	\$79,946	\$92,815	86.1 %	Low	0.50 %	\$15,969	\$0	\$681	\$40,288
2025	\$56,309	\$64,456	87.4 %	Low	0.50 %	\$16,049	\$0	\$629	\$3,356
2026	\$69,632	\$73,597	94.6 %	Low	0.50 %	\$16,130	\$0	\$680	\$20,054
2027	\$66,387	\$66,132	100.4 %	Low	0.50 %	\$16,210	\$0	\$706	\$8,369
2028	\$74,934	\$70,808	105.8 %	Low	0.50 %	\$16,291	\$0	\$782	\$10,381
2029	\$81,627	\$73,892	110.5 %	Low	0.50 %	\$16,373	\$0	\$781	\$24,132
2030	\$74,649	\$63,254	118.0 %	Low	0.50 %	\$16,455	\$0	\$788	\$8,850
2031	\$83,042	\$68,399	121.4 %	Low	0.50 %	\$16,537	\$0	\$752	\$33,007
2032	\$67,323	\$49,186	136.9 %	Low	0.50 %	\$16,620	\$0	\$700	\$11,841
2033	\$72,802	\$51,580	141.1 %	Low	0.50 %	\$16,703	\$0	\$794	\$4,251
2034	\$86,047	\$62,256	138.2 %	Low	0.50 %	\$16,786	\$0	\$927	\$4,379
2035	\$99,381	\$73,527	135.2 %	Low	0.50 %	\$16,870	\$0	\$1,060	\$4,510
2036	\$112,801	\$85,417	132.1 %	Low	0.50 %	\$16,954	\$0	\$1,195	\$4,646
2037	\$126,305	\$97,955	128.9 %	Low	0.50 %	\$17,039	\$0	\$1,318	\$7,347
2038	\$137,315	\$108,530	126.5 %	Low	0.50 %	\$17,124	\$0	\$1,394	\$14,139
2039	\$141,695	\$112,882	125.5 %	Low	0.50 %	\$17,210	\$0	\$1,347	\$32,431
2040	\$127,821	\$98,994	129.1 %	Low	0.50 %	\$17,296	\$0	\$1,326	\$8,949
2041	\$137,493	\$109,359	125.7 %	Low	0.50 %	\$17,383	\$0	\$1,442	\$5,386
2042	\$150,932	\$124,204	121.5 %	Low	0.50 %	\$17,469	\$0	\$1,560	\$8,670
2043	\$161,291	\$136,625	118.1 %	Low	0.50 %	\$17,557	\$0	\$1,680	\$5,714
2044	\$174,814	\$152,992	114.3 %	Low	0.50 %	\$17,645	\$0	\$1,760	\$16,882
2045	\$177,337	\$158,891	111.6 %	Low	0.50 %	\$17,733	\$0	\$1,840	\$6,061
2046	\$190,848	\$176,673	108.0 %	Low	0.50 %	\$17,821	\$0	\$1,975	\$6,243
2047	\$204,401	\$195,380	104.6 %	Low	0.50 %	\$17,911	\$0	\$2,094	\$9,874
2048	\$214,532	\$211,503	101.4 %	Low	0.50 %	\$18,000	\$0	\$1,712	\$106,309
2049	\$127,935	\$129,395	98.9 %	Low	0.50 %	\$18,090	\$0	\$1,157	\$43,585

# 30-Year Income/Expense Detail

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Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$34,275	\$39,935	\$53,150	\$66,488	\$79,946
Annual Reserve Contribution	\$15,654	\$15,732	\$15,811	\$15,890	\$15,969
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$371	\$465	\$598	\$732	\$681
<b>Total Income</b>	<b>\$50,300</b>	<b>\$56,132</b>	<b>\$69,559</b>	<b>\$83,110</b>	<b>\$96,597</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$0	\$37,029
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$3,510	\$0	\$0	\$0	\$0
505 Wood Split Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$0	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1008 Trees - Replacement	\$2,895	\$2,982	\$3,071	\$3,163	\$3,258
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$0
1109 Wood Split Rail Fence - Repaint	\$1,900	\$0	\$0	\$0	\$0
1402 Signage - Replace	\$2,060	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$10,365</b>	<b>\$2,982</b>	<b>\$3,071</b>	<b>\$3,163</b>	<b>\$40,288</b>
Ending Reserve Balance	\$39,935	\$53,150	\$66,488	\$79,946	\$56,309

<b>Fiscal Year</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Starting Reserve Balance	\$56,309	\$69,632	\$66,387	\$74,934	\$81,627
Annual Reserve Contribution	\$16,049	\$16,130	\$16,210	\$16,291	\$16,373
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$629	\$680	\$706	\$782	\$781
<b>Total Income</b>	<b>\$72,988</b>	<b>\$86,441</b>	<b>\$83,303</b>	<b>\$92,008</b>	<b>\$98,780</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$0	\$4,191	\$0	\$0	\$0
505 Wood Split Rail Fence - Replace	\$0	\$10,138	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$2,903	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$1,906	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1008 Trees - Replacement	\$3,356	\$3,457	\$3,560	\$3,667	\$3,777
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$20,354
1109 Wood Split Rail Fence - Repaint	\$0	\$2,269	\$0	\$0	\$0
1402 Signage - Replace	\$0	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$6,714	\$0
<b>Total Expenses</b>	<b>\$3,356</b>	<b>\$20,054</b>	<b>\$8,369</b>	<b>\$10,381</b>	<b>\$24,132</b>
Ending Reserve Balance	\$69,632	\$66,387	\$74,934	\$81,627	\$74,649

<b>Fiscal Year</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>	<b>2033</b>	<b>2034</b>
Starting Reserve Balance	\$74,649	\$83,042	\$67,323	\$72,802	\$86,047
Annual Reserve Contribution	\$16,455	\$16,537	\$16,620	\$16,703	\$16,786
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$788	\$752	\$700	\$794	\$927
<b>Total Income</b>	<b>\$91,891</b>	<b>\$100,330</b>	<b>\$84,643</b>	<b>\$90,298</b>	<b>\$103,760</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$29,000	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$0	\$0	\$5,004	\$0	\$0
505 Wood Split Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$2,191	\$0	\$0	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$0	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1008 Trees - Replacement	\$3,891	\$4,007	\$4,128	\$4,251	\$4,379
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$0
1109 Wood Split Rail Fence - Repaint	\$0	\$0	\$2,709	\$0	\$0
1402 Signage - Replace	\$2,768	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$8,850</b>	<b>\$33,007</b>	<b>\$11,841</b>	<b>\$4,251</b>	<b>\$4,379</b>
Ending Reserve Balance	\$83,042	\$67,323	\$72,802	\$86,047	\$99,381

<b>Fiscal Year</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>
Starting Reserve Balance	\$99,381	\$112,801	\$126,305	\$137,315	\$141,695
Annual Reserve Contribution	\$16,870	\$16,954	\$17,039	\$17,124	\$17,210
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,060	\$1,195	\$1,318	\$1,394	\$1,347
<b>Total Income</b>	<b>\$117,311</b>	<b>\$130,950</b>	<b>\$144,661</b>	<b>\$155,833</b>	<b>\$160,252</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$0	\$0	\$0	\$5,976	\$0
505 Wood Split Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$2,562	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1008 Trees - Replacement	\$4,510	\$4,646	\$4,785	\$4,929	\$5,076
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$27,355
1109 Wood Split Rail Fence - Repaint	\$0	\$0	\$0	\$3,235	\$0
1402 Signage - Replace	\$0	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$4,510</b>	<b>\$4,646</b>	<b>\$7,347</b>	<b>\$14,139</b>	<b>\$32,431</b>
Ending Reserve Balance	\$112,801	\$126,305	\$137,315	\$141,695	\$127,821

<b>Fiscal Year</b>	<b>2040</b>	<b>2041</b>	<b>2042</b>	<b>2043</b>	<b>2044</b>
Starting Reserve Balance	\$127,821	\$137,493	\$150,932	\$161,291	\$174,814
Annual Reserve Contribution	\$17,296	\$17,383	\$17,469	\$17,557	\$17,645
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,326	\$1,442	\$1,560	\$1,680	\$1,760
<b>Total Income</b>	<b>\$146,443</b>	<b>\$156,317</b>	<b>\$169,962</b>	<b>\$180,528</b>	<b>\$194,219</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$0	\$0	\$0	\$0	\$7,135
505 Wood Split Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$3,123	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$0	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$0	\$0
1008 Trees - Replacement	\$5,229	\$5,386	\$5,547	\$5,714	\$5,885
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$0
1109 Wood Split Rail Fence - Repaint	\$0	\$0	\$0	\$0	\$3,862
1402 Signage - Replace	\$3,721	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$8,949</b>	<b>\$5,386</b>	<b>\$8,670</b>	<b>\$5,714</b>	<b>\$16,882</b>
Ending Reserve Balance	\$137,493	\$150,932	\$161,291	\$174,814	\$177,337

<b>Fiscal Year</b>	<b>2045</b>	<b>2046</b>	<b>2047</b>	<b>2048</b>	<b>2049</b>
Starting Reserve Balance	\$177,337	\$190,848	\$204,401	\$214,532	\$127,935
Annual Reserve Contribution	\$17,733	\$17,821	\$17,911	\$18,000	\$18,090
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,840	\$1,975	\$2,094	\$1,712	\$1,157
<b>Total Income</b>	<b>\$196,909</b>	<b>\$210,645</b>	<b>\$224,406</b>	<b>\$234,244</b>	<b>\$147,183</b>
# Component					
<b>Common Area</b>					
207 Concrete Pavers - Replace	\$0	\$0	\$0	\$75,273	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
501 Block Walls - Seal/Repair	\$0	\$0	\$0	\$0	\$0
505 Wood Split Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
1001 Backflow Devices - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Irrigation Valves - Replace	\$0	\$0	\$3,443	\$0	\$0
1006 Irrigation System - Repair/Replace	\$0	\$0	\$0	\$24,412	\$0
1008 Trees - Replacement	\$6,061	\$6,243	\$6,431	\$6,624	\$6,822
1009 Landscaping - Replenish	\$0	\$0	\$0	\$0	\$36,762
1109 Wood Split Rail Fence - Repaint	\$0	\$0	\$0	\$0	\$0
1402 Signage - Replace	\$0	\$0	\$0	\$0	\$0
1403 Monument Signs - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$6,061</b>	<b>\$6,243</b>	<b>\$9,874</b>	<b>\$106,309</b>	<b>\$43,585</b>
Ending Reserve Balance	\$190,848	\$204,401	\$214,532	\$127,935	\$103,598



## Accuracy, Limitations, and Disclosures

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Derek Eckert, R.S., company president, is a credentialed Reserve Specialist (#114). All work done by Association Reserves is performed under his Responsible Charge and is performed in accordance with National Reserve Study Standards (NRSS). There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the client's situation.

Per NRSS, information provided by official representative(s) of the client, vendors, and suppliers regarding financial details, component physical details and/or quantities, or historical issues/conditions will be deemed reliable, and is not intended to be used for the purpose of any type of audit, quality/forensic analysis, or background checks of historical records. As such, information provided to us has not been audited or independently verified.

Estimates for interest and inflation have been included, because including such estimates are more accurate than ignoring them completely. When we are hired to prepare Update reports, the client is considered to have deemed those previously developed component quantities as accurate and reliable, whether established by our firm or other individuals/firms (unless specifically mentioned in our Site Inspection Notes). During inspections our company standard is to establish measurements within 5% accuracy, and our scope includes visual inspection of accessible areas and components and does not include any destructive or other testing. Our work is done only for budget purposes. Uses or expectations outside our expertise and scope of work include, but are not limited to, project audit, quality inspection, and the identification of construction defects, hazardous materials, or dangerous conditions. Identifying hidden issues such as but not limited to plumbing or electrical problems are also outside our scope of work. Our estimates assume proper original installation & construction, adherence to recommended preventive maintenance, a stable economic environment, and do not consider frequency or severity of natural disasters. Our opinions of component Useful Life, Remaining Useful Life, and current or future cost estimates are not a warranty or guarantee of actual costs or timing.

Because the physical and financial status of the property, legislation, the economy, weather, owner expectations, and usage are all in a continual state of change over which we have no control, we do not expect that the events projected in this document will all occur exactly as planned. This Reserve Study is by nature a "one-year" document in need of being updated annually so that more accurate estimates can be incorporated. It is only because a long-term perspective improves the accuracy of near-term planning that this Report projects expenses into the future. We fully expect a number of adjustments will be necessary through the interim years to the cost and timing of expense projections and the funding necessary to prepare for those estimated expenses.

In this engagement our compensation is not contingent upon our conclusions, and our liability in any matter involving this Reserve Study is limited to our fee for services rendered.

Where any uncertainties exist, we urge the association to obtain a legal review and written opinion of the legitimacy of the funding policies, as stipulated or permitted under your Declaration and local statutes. As these are legal questions, we highly recommend use of an experienced real property attorney specializing in association law.

Re-use of reserve study, figures or calculations in any other format absolves ARSF of all responsibility.

## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area). Equivalent to Square Feet
<b>GSY</b>	Gross Square Yards (area). Equivalent to Square Yards
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)
<b>Effective Age</b>	The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.
<b>Fully Funded Balance (FFB)</b>	The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.
<b>Inflation</b>	Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on the "30-yr Income/Expense Detail" table.
<b>Interest</b>	Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.
<b>Percent Funded</b>	The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
<b>Remaining Useful Life (RUL)</b>	The estimated time, in years, that a common area component can be expected to continue to serve its intended function.
<b>Useful Life (UL)</b>	The estimated time, in years, that a common area component can be expected to serve its intended function.

## Component Details

The primary purpose of the photographic appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The photographs herein represent a wide range of components that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding.

- 1) Common area maintenance repair & replacement responsibility
- 2) Component must have a limited life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of Annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair or replacement cycles to the left of the photo (UL = Useful Life of how often the project is expected to occur, RUL = Remaining Useful Life pr how many years from our reporting period) and representative market cost range termed “Best Cost” and “Worst Cost” below the photo. There are many factors that can result in a wide variety of potential costs, we are attempting to represent a market to be a one-time expense. Where no pricing, the component deemed inappropriate for Reserve Funding.

## Common Area

**Comp #: 103 Concrete Walkways - Repair****Quantity: Extensive GSF**

Location: Sidewalks

Funded?: No. The city is responsible for the repair and replacement of any concrete walkways and sidewalks. No Reserve funding necessary.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

---

**Comp #: 104 Asphalt Walkway - Seal/Repair****Quantity: Extensive GSF**

Location: Adjacent to streets

Funded?: No. The asphalt walkways are the responsibility of the City, not the association. No Reserve funding necessary.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

---

**Comp #: 201 Asphalt - Resurface****Quantity: Extensive GSF**

Location: Streets

Funded?: No. The streets are the responsibility of the City, not the Association. No Reserve funding necessary.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

---

**Comp #: 207 Concrete Pavers - Replace****Quantity: Approx 1,410 GSF**

Location: Emergency Easement at end of Heintz Court

Funded?: Yes.

History:

Comments: As routine maintenance, the paver system should be inspected to identify any physical issues such as lifting, cracking, and excessive surface wear.

Useful Life: 24 years

Remaining Life: 4 years

Best Case: \$ 29,400

Worst Case: \$36,400

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

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**Comp #: 320 Pole Lights - Replace****Quantity: (9) Pole Lights**

Location: Adjacent to streets

Funded?: Yes.

History:

Comments: Repaint every 3-5 years as an Operating expense. Funding for eventual complete replacement to maintain a uniform appearance.

Useful Life: 30 years

Remaining Life: 11 years

Best Case: \$ 18,700

Worst Case: \$23,200

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

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**Comp #: 403 Mailboxes - Replace****Quantity: (44) Mailboxes**

Location: Adjacent to driveways

Funded?: No. The replacement of the mailboxes is the responsibility of the individual owners, not the association. No Reserve funding required.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

**Comp #: 501 Block Walls - Seal/Repair****Quantity: Approx 530 LF**

Location: Along Ramohs Way and Walking Path

Funded?: Yes.

History:

Comments: We recommend having the wall professionally inspected to better establish a maintenance/replacement plan.

Useful Life: 6 years

Remaining Life: 0 years

Best Case: \$ 3,270

Worst Case: \$3,750

Lower allowance to seal/repair

Higher allowance to seal/repair

Cost Source: Cost History, plus Inflation

**Comp #: 505 Wood Split Rail Fence - Replace****Quantity: Approx 185 LF**

Location: Entrance at Blossom Hill Rd and Recent Drive

Funded?: Yes.

History:

Comments: Inspect periodically for stability.

Useful Life: 24 years

Remaining Life: 6 years

Best Case: \$ 7,710

Worst Case: \$9,270

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

**Comp #: 1001 Backflow Devices - Replace****Quantity: (1) Backflow Device**

Location: Center of association on Regents Drive

Funded?: Yes.

History:

Comments: We recommend having the backflow tested annually by a backflow professional to ensure functionality.

Useful Life: 25 years

Remaining Life: 7 years

Best Case: \$ 2,140

Worst Case: \$2,580

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

**Comp #: 1003 Irrigation Controllers - Replace****Quantity: (1) Irrigation Controller**

Location: Adjacent to Regents Drive

Funded?: Yes.

History: Irrigation upgrades made last 02/2018.

Comments: Inspect regularly and repair as needed as an Operating expense.

Useful Life: 12 years

Remaining Life: 10 years

Best Case: \$ 1,390

Worst Case: \$1,870

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

**Comp #: 1005 Irrigation Valves - Replace****Quantity: Irrigation Valves & Heads**

Location: Common area landscaping

Funded?: Yes.

History: New sprinkler heads and valves installed last 09/2017.

Comments: We recommend regular inspection and testing by a professional landscape vendor to help ensure the irrigation valves continues to function properly.

Useful Life: 10 years

Remaining Life: 7 years

Best Case: \$ 1,390

Worst Case: \$1,710

Lower allowance to replace

Higher allowance to replace

Cost Source: Cost History, plus Inflation

**Comp #: 1006 Irrigation System - Repair/Replace****Quantity: Irrigation System**

Location: Common area landscaping

Funded?: Yes.

History: Irrigation upgrades made last 02/2018.

Comments: We recommend periodic inspection by a licensed professional to ensure the irrigation system is functioning properly.

Useful Life: 30 years

Remaining Life: 28 years

Best Case: \$ 9,640

Worst Case: \$11,700

Lower allowance to repair/replace

Higher allowance to repair/replace

Cost Source: Cost History, plus Inflation

**Comp #: 1008 Trees - Replacement****Quantity: Common Area Trees**

Location: Common Area

Funded?: Yes.

History:

Comments: Monitor trees to ensure there are no areas of tree obstruction and no contact with buildings.

Useful Life: 1 years

Remaining Life: 0 years

Best Case: \$ 2,630

Worst Case: \$3,160

Lower allowance for replacement

Higher allowance for replacement

Cost Source: Estimate Provided by Client, plus

Inflation

**Comp #: 1009 Landscaping - Replenish****Quantity: Common Area Landscaping**

Location: Common Area

Funded?: Yes.

History: Last addressed in 05/2019.

Comments: Plan on selected areas to be periodically upgraded and plant material replaced. Cost and timing of replacement can vary greatly on the level of aesthetics desired by the association, but plan on 10 year interval.

Useful Life: 10 years

Remaining Life: 9 years

Best Case: \$ 14,000

Worst Case: \$17,200

Lower allowance to replenish

Higher allowance to replenish

Cost Source: Cost History, plus Inflation

**Comp #: 1109 Wood Split Rail Fence - Repaint****Quantity: Approx 185 LF**

Location: Entrance at Blossom Hill Rd and Recent Drive

Funded?: Yes.

History: Painted in 2008

Comments: Wood surfaces will need to be painted in this environment every 5-6 years to protect against wood rot and natural deterioration.

Useful Life: 6 years

Remaining Life: 0 years

Best Case: \$ 1,660

Worst Case: \$2,140

Lower allowance to repaint

Higher allowance to repaint

Cost Source: ARSF Cost Database

**Comp #: 1402 Signage - Replace****Quantity: (1) Historical Sign**

Location: Adjacent to Regent Drive

Funded?: Yes.

History: Replaced in 2010

Comments: As a routine Operating expense, sign should be inspected to make sure visibility is adequate. Repair any damaged or leaning posts as needed. In our experience, associations should replace signage at the rough interval shown below in order to maintain good aesthetic standards in keeping with the local area.

Useful Life: 10 years

Remaining Life: 0 years

Best Case: \$ 1,870

Worst Case: \$2,250

Lower allowance to replace

Higher allowance to replace

Cost Source: ARSF Cost Database

**Comp #: 1403 Monument Signs - Refurbish****Quantity: (2) Monument Signs**

Location: Association Entrance

Funded?: Yes.

History:

Comments: As routine maintenance, inspect regularly, clean/touch up for appearance and repair from operating budget. Plan to replace at the interval below based on typical deterioration caused by constant exposure. Costs can vary significantly depending on style/type desired.

Useful Life: 26 years

Remaining Life: 8 years

Best Case: \$ 4,660

Worst Case: \$5,940

Lower allowance to refurbish

Higher allowance to refurbish

Cost Source: ARSF Cost Database

