

# Rocky Bluffs Property Owners Association

## Level 2 Reserve Study



**Report Period - 1/1/2020 to 12/31/2020**

<b>Client Reference Number</b>	<b>17441</b>
<b>Property Type</b>	<b>PUD</b>
<b>Number of Units</b>	<b>42</b>
<b>Fiscal Year End</b>	<b>12/31</b>
<b>Type of Study</b>	<b>Update with Site Visit</b>
<b>Date of Site Visit</b>	<b>11/22/2019</b>
<b>Prepared By</b>	<b>Eric Phillipps</b>
<b>Analysis Method</b>	<b>Cash Flow</b>
<b>Funding Goal</b>	<b>Full Funding</b>

**Report prepared on – January 23, 2020**



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# Executive Summary - Rocky Bluffs Property Owners Association - ID # 17441

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

<b>Projected Starting Balance as of 1/1/2020</b>	<b>\$91,780</b>
<b>Ideal Reserve Balance as of 1/1/2020</b>	<b>\$337,040</b>
<b>Percent Funded as of 1/1/2020</b>	<b>27%</b>
<b>Recommended Reserve Contribution (per month)</b>	<b>\$4,220</b>
<b>Recommended Special Assessment</b>	<b>\$0</b>

## Property Details

The Rocky Bluffs Property Owners Association is a (42) unit PUD (Planned Unit Development) located in Chico, CA.

## Currently Programmed Projects

Projects programmed to occur this fiscal year (FY 2020) include: Asphalt - Preventive Maintenance (Comp #402), Landscaping/Irrigation - Renovate (Comp #1812) and Mailboxes - Paint (Comp #219). We have programmed an estimated \$68,775 in reserve expenditures toward the completion of these projects. (See Page(s) 16 - 18)

## Significant Reserve Projects

The association's significant reserve projects include: Asphalt - Major Rehab. (Comp #401), Asphalt - Preventive Maintenance (Comp #402), (Comp #1812) and Septic System - Repair (Comp #2001). The fiscal significance of these components is approximately 45%, 32%, 7% and 7% respectively. A component's significance is calculated by dividing its replacement cost by its useful life. In this way, not only is a component's replacement cost considered but also the frequency of occurrence. These components most significantly contribute to the total monthly reserve contribution. As these components have a high level of fiscal significance the association should properly maintain them to ensure they reach their full useful lives. (See Page(s) 11)

## Reserve Funding

In comparing the projected starting reserve balance of \$91,780 versus the ideal reserve balance of \$337,040 we find the association's reserve fund to be approximately 27% funded. This indicates a relatively weak reserve fund position. In order to strengthen the account fund, we suggest adopting a monthly reserve contribution of \$4,220 (\$100.48/unit) per month. If the contribution falls below this rate, then the reserve fund may fall into a situation where special assessments, deferred maintenance, and lower property values are likely at some point in the future.

## Starting Reserve Balance

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

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# Introduction

## Reserve Study Purpose

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

## Preparer's Credentials

This reserve study was prepared under the responsible charge of Eric Phillipps. Any persons assisting in the preparation of this study worked under his responsible charge and have appropriate experience and training. Mr. Phillipps has been preparing reserve studies since 2007 and has completed reserve studies in California, Washington, Oregon, Arizona and Idaho. Eric has worked for 25 years in the architectural/engineering fields as a reserve specialist/analyst, drafter/designer, project manager, supervisor & business owner. He has a wide range of experience in residential and commercial design, structural detailing, working with city and county governments and had Department of Defense clearance to manage conversion of plans & specifications for government military, aerospace and nuclear facilities. Prior to joining Applied Reserve Analysis, Eric worked as a reserve specialist/analyst for more than seven years in the Pacific Northwest, California and Arizona and prior to that as a project manager/drafter for a Seattle based Architect working on multiple building envelope waterproofing projects, which entailed forensic investigation through design/detailing to final construction for single-family housing, condominium & apartment complexes.

- Community Association Institute (CAI) Reserve Specialist (RS) designation #238
- Active member of Washington State chapter of CAI
- Has personally prepared over 1,000 reserve studies.
- Projects have ranged in size from small apartment-style condominium communities to 1000+ Planned Unit Communities.
- Clients have ranged from developers interested in setting initial reserve accounts for communities under construction to high-rise communities, worship facilities, college campus facilities and more.

## Budget Breakdown

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

## Report Sections

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

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

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# General Information and Frequently Asked Questions

## Is it the law to have a Reserve Study conducted?

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

## Why is it important to perform a Reserve Study?

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

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

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

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

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

## How often do we update or review the Reserve Study?

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

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

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

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

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

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

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

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

### **Information and Data Gathered**

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

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

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

### **What is the Financial Analysis?**

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

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

#### **Measures of strength are as follows:**

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

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

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

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

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

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**Disclosures:**

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

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

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

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

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

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

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

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

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

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

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

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

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# Funding Summary

## Beginning Assumptions

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# of units	42
Fiscal Year End	12/31
Budgeted Monthly Reserve Allocation	\$0
Projected Starting Reserve Balance	\$91,780
Ideal Starting Reserve Balance	\$337,040

## Economic Assumptions

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

## Current Reserve Status

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Current Balance as a % of Ideal Balance	27%
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## Recommendations

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Recommended Special Assessment	\$0
Recommended Monthly Reserve Allocation	\$4,220
Per Unit	\$100.48
Future Annual Increases	3.00%
For number of years:	30
Increases thereafter:	3.00%

## Changes From Prior Year

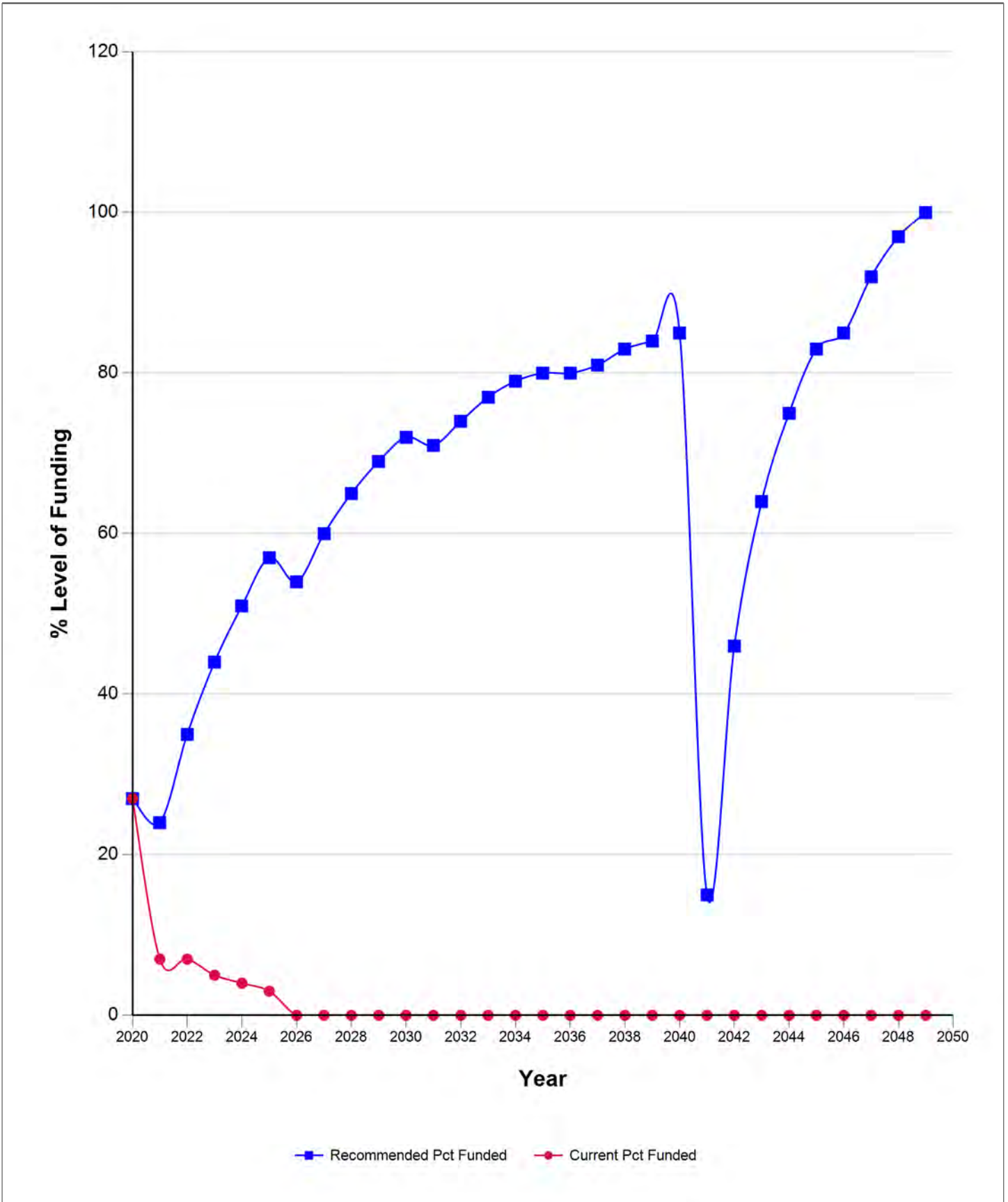
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Recommended Increase to Reserve Allocation	\$4,220
as Percentage	0%

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# Percent Funded - Graph



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# Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
206	Metal Entry Gates/Fencing - Paint	5	4	Approx 68 Linrear ft.	\$1,350	\$270	\$270	\$32.62
213	Street Sign Poles - Paint (Operating Expense)	N/A	0	(5) Street sign poles	\$0	\$0	\$0	\$0.00
219	Mailboxes - Paint	5	0	(5) Mailbox clusters	\$1,000	\$1,000	\$1,000	\$24.16
401	Asphalt - Major Rehab.	35	20	Approx 184,300 Square ft.	\$552,900	\$236,957	\$0	\$1,908.29
402	Asphalt - Preventive Maintenance	5	0	Approx 184,300 Square ft.	\$55,275	\$55,275	\$55,275	\$1,335.44
504	Vehicle Gates - Replace	30	15	(2) 16 Linear ft. gates	\$10,000	\$5,000	\$0	\$40.27
505	Vehicle Gate Hinges - Repair/Replace	8	4	(4) Hinges	\$1,600	\$800	\$800	\$24.16
506	Phone Entry Panel - Replace	15	9	(1) DKS panel	\$4,500	\$1,800	\$1,800	\$36.24
507	Vehicle Gate Operator - Replace (A)	15	14	(1) Maximum Control	\$5,000	\$333	\$0	\$40.27
508	Vehicle Gate Operator - Replace (B)	15	5	(1) Chamberlain Elite	\$5,000	\$3,333	\$3,333	\$40.27
509	Vehicle Gate Loops - Replace	15	5	(1) Set of loops	\$2,500	\$1,667	\$1,667	\$20.13
801	Entry Monument - Refurbish	25	8	(1) Monument	\$3,000	\$2,040	\$2,040	\$14.50
803	Mailboxes - Replace	20	5	(3) Mailbox clusters, (4) Parcels	\$5,500	\$4,125	\$4,125	\$33.22
808	Street Signs - Replace	20	6	(10) Metal signs	\$1,500	\$1,050	\$1,050	\$9.06
1090	Stone Façades - Repair	20	2	Moderate Square ft.	\$3,500	\$3,150	\$3,150	\$21.14
1604	Pole Lights - Replace	25	10	(3) Pole lights	\$4,500	\$2,700	\$2,130	\$21.74
1605	Mushroom Metal Lights - Replace	15	3	(6) Fixtures	\$1,800	\$1,440	\$1,440	\$14.50
1790	Backflow Device - Replace	20	8	(1) Backflow device	\$2,000	\$1,200	\$1,200	\$12.08
1812	Landscaping/Irrigation - Renovate	5	0	Extensive area	\$12,500	\$12,500	\$12,500	\$302.00
2001	Septic System - Repair	50	49	Extensvie system	\$120,000	\$2,400	\$0	\$289.92
					<b>\$793,425</b>	<b>\$337,040</b>	<b>\$91,780</b>	<b>\$4,220</b>

**Current Fund Balance as a percentage of Ideal Balance: 27%**

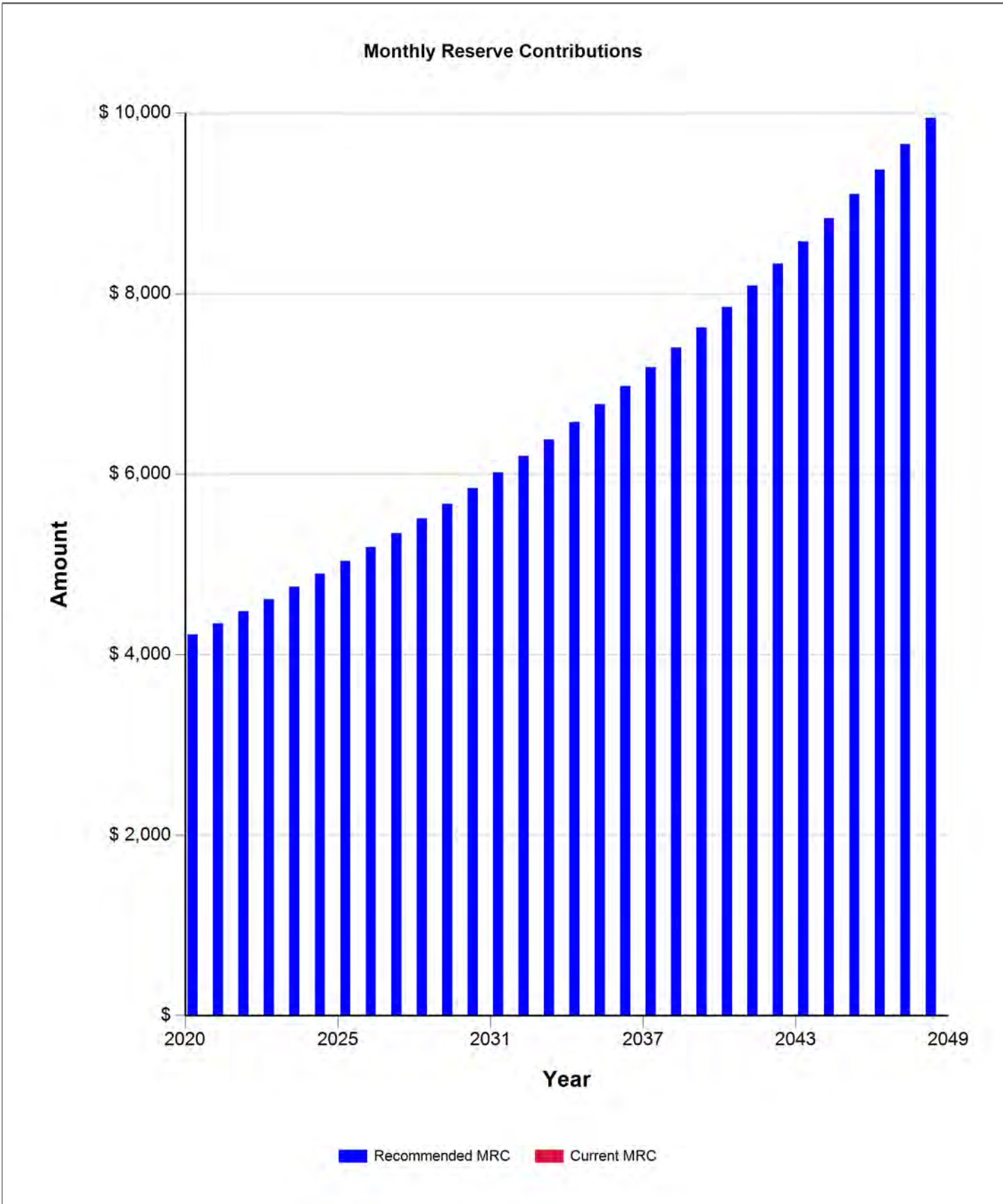
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# Yearly Summary

Year	Beginning Fully Funded Balance	Beginning Reserve Balance	Beginning % Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance
2020	\$337,040	\$91,780	27%	\$50,640	\$415	\$68,775	\$74,060
2021	\$312,295	\$74,060	24%	\$52,159	\$502	\$0	\$126,721
2022	\$358,725	\$126,721	35%	\$53,724	\$760	\$3,713	\$177,492
2023	\$403,836	\$177,492	44%	\$55,336	\$1,023	\$1,967	\$231,884
2024	\$453,243	\$231,884	51%	\$56,996	\$1,297	\$3,320	\$286,856
2025	\$503,918	\$286,856	57%	\$58,706	\$1,347	\$94,800	\$252,109
2026	\$463,105	\$252,109	54%	\$60,467	\$1,410	\$1,791	\$312,195
2027	\$518,118	\$312,195	60%	\$62,281	\$1,721	\$0	\$376,197
2028	\$577,914	\$376,197	65%	\$64,149	\$2,030	\$6,334	\$436,042
2029	\$634,309	\$436,042	69%	\$66,074	\$2,332	\$7,633	\$496,815
2030	\$692,424	\$496,815	72%	\$68,056	\$2,414	\$98,475	\$468,809
2031	\$660,124	\$468,809	71%	\$70,098	\$2,525	\$0	\$541,432
2032	\$729,735	\$541,432	74%	\$72,201	\$2,889	\$2,281	\$614,239
2033	\$800,579	\$614,239	77%	\$74,367	\$3,265	\$0	\$691,871
2034	\$877,437	\$691,871	79%	\$76,598	\$3,635	\$9,605	\$762,498
2035	\$948,292	\$762,498	80%	\$78,895	\$3,711	\$122,729	\$722,376
2036	\$906,388	\$722,376	80%	\$81,262	\$3,824	\$0	\$807,462
2037	\$991,321	\$807,462	81%	\$83,700	\$4,256	\$0	\$895,419
2038	\$1,080,533	\$895,419	83%	\$86,211	\$4,696	\$3,064	\$983,261
2039	\$1,171,049	\$983,261	84%	\$88,798	\$5,144	\$2,367	\$1,074,836
2040	\$1,266,836	\$1,074,836	85%	\$91,461	\$2,761	\$1,139,250	\$29,809
2041	\$196,402	\$29,809	15%	\$94,205	\$385	\$0	\$124,400
2042	\$269,230	\$124,400	46%	\$97,031	\$850	\$6,706	\$215,574
2043	\$339,345	\$215,574	64%	\$99,942	\$1,331	\$0	\$316,848
2044	\$420,538	\$316,848	75%	\$102,941	\$1,816	\$11,892	\$409,713
2045	\$494,049	\$409,713	83%	\$106,029	\$1,929	\$155,515	\$362,155
2046	\$424,028	\$362,155	85%	\$109,210	\$2,080	\$3,235	\$470,211
2047	\$511,015	\$470,211	92%	\$112,486	\$2,638	\$0	\$585,335
2048	\$606,272	\$585,335	97%	\$115,861	\$3,203	\$8,237	\$696,162
2049	\$698,300	\$696,162	100%	\$119,336	\$3,750	\$14,964	\$804,285

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# Reserve Contributions - Graph



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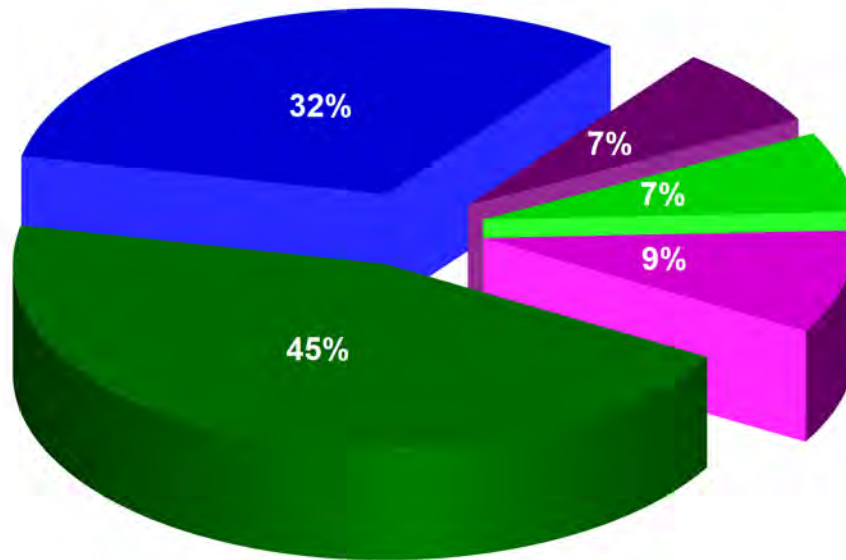
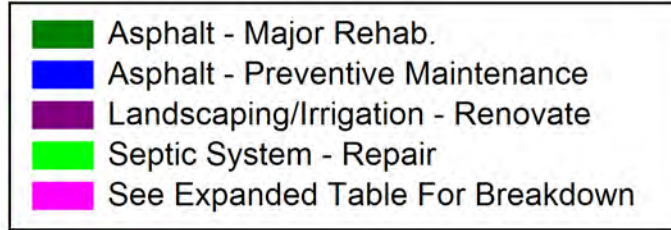
# Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current	Significance: (Curr Cost/UL) AS %	
206	Metal Entry Gates/Fencing - Paint	5	4	\$1,350	\$270	0.7700%
213	Street Sign Poles - Paint (Operating Expense)	Unfunded	0	\$0	\$0	0.0000%
219	Mailboxes - Paint	5	0	\$1,000	\$200	0.5700%
401	Asphalt - Major Rehab.	35	20	\$552,900	\$15,797	45.2200%
402	Asphalt - Preventive Maintenance	5	0	\$55,275	\$11,055	31.6500%
504	Vehicle Gates - Replace	30	15	\$10,000	\$333	0.9500%
505	Vehicle Gate Hinges - Repair/Replace	8	4	\$1,600	\$200	0.5700%
506	Phone Entry Panel - Replace	15	9	\$4,500	\$300	0.8600%
507	Vehicle Gate Operator - Replace (A)	15	14	\$5,000	\$333	0.9500%
508	Vehicle Gate Operator - Replace (B)	15	5	\$5,000	\$333	0.9500%
509	Vehicle Gate Loops - Replace	15	5	\$2,500	\$167	0.4800%
801	Entry Monument - Refurbish	25	8	\$3,000	\$120	0.3400%
803	Mailboxes - Replace	20	5	\$5,500	\$275	0.7900%
808	Street Signs - Replace	20	6	\$1,500	\$75	0.2100%
1090	Stone Façades - Repair	20	2	\$3,500	\$175	0.5000%
1604	Pole Lights - Replace	25	10	\$4,500	\$180	0.5200%
1605	Mushroom Metal Lights - Replace	15	3	\$1,800	\$120	0.3400%
1790	Backflow Device - Replace	20	8	\$2,000	\$100	0.2900%
1812	Landscaping/Irrigation - Renovate	5	0	\$12,500	\$2,500	7.1600%
2001	Septic System - Repair	50	49	\$120,000	\$2,400	6.8700%

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# Significant Components - Graph



ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As \$	As %
401	Asphalt - Major Rehab.	35	20	\$552,900	\$15,797	45%
402	Asphalt - Preventive Maintenance	5	0	\$55,275	\$11,055	32%
1812	Landscaping/Irrigation - Renovate	5	0	\$12,500	\$2,500	7%
2001	Septic System - Repair	50	49	\$120,000	\$2,400	7%
All Other	See Expanded Table For Breakdown				\$31,752	9%

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# Yearly Cash Flow

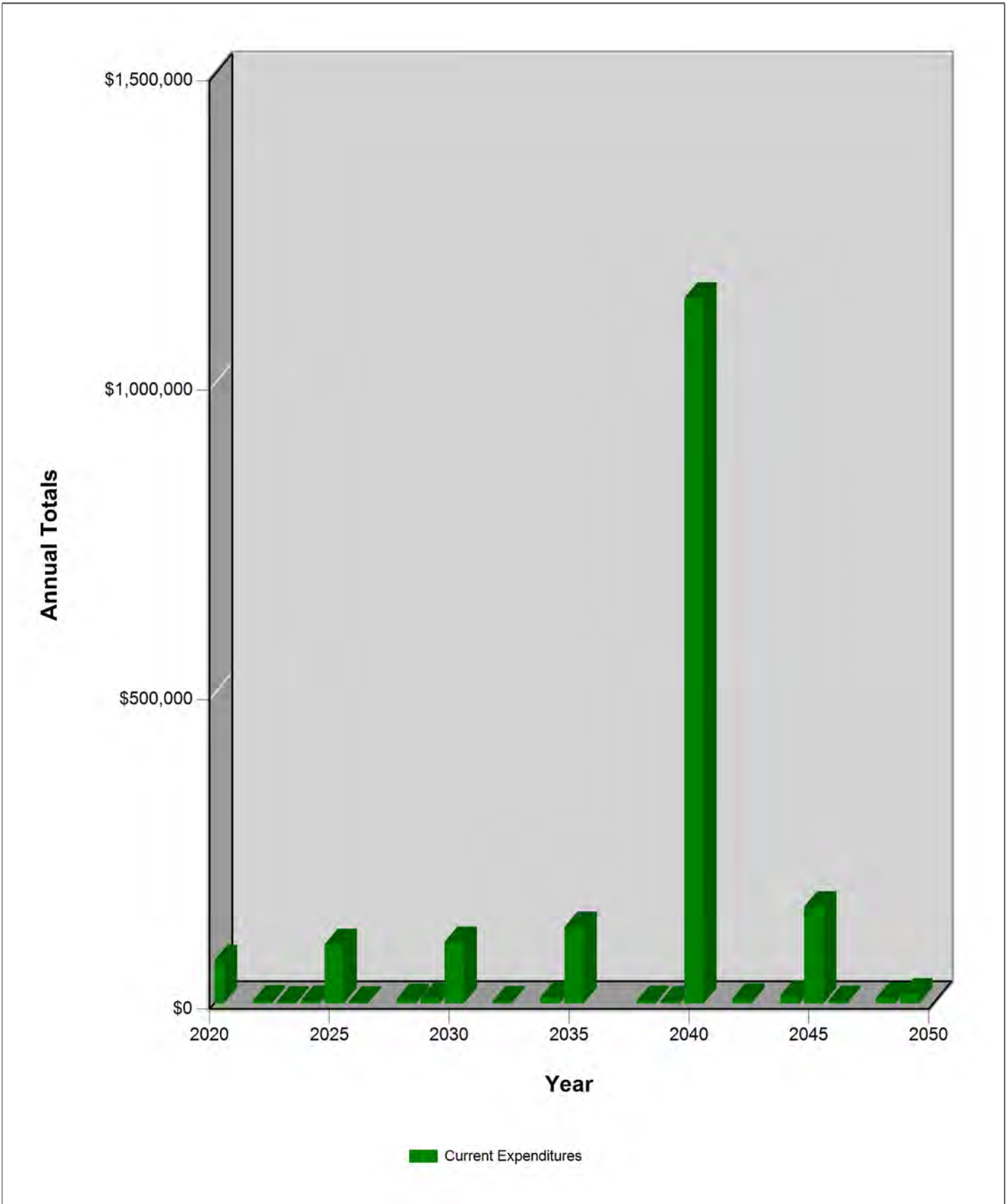
Year	2020	2021	2022	2023	2024
<b>Starting Balance</b>	\$91,780	\$74,060	\$126,721	\$177,492	\$231,884
<i>Reserve Income</i>	\$50,640	\$52,159	\$53,724	\$55,336	\$56,996
<i>Interest Earnings</i>	\$415	\$502	\$760	\$1,023	\$1,297
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$142,835	\$126,721	\$181,205	\$233,851	\$290,176
<b>Reserve Expenditures</b>	\$68,775	\$0	\$3,713	\$1,967	\$3,320
<b>Ending Balance</b>	\$74,060	\$126,721	\$177,492	\$231,884	\$286,856
Year	2025	2026	2027	2028	2029
<b>Starting Balance</b>	\$286,856	\$252,109	\$312,195	\$376,197	\$436,042
<i>Reserve Income</i>	\$58,706	\$60,467	\$62,281	\$64,149	\$66,074
<i>Interest Earnings</i>	\$1,347	\$1,410	\$1,721	\$2,030	\$2,332
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$346,909	\$313,986	\$376,197	\$442,376	\$504,448
<b>Reserve Expenditures</b>	\$94,800	\$1,791	\$0	\$6,334	\$7,633
<b>Ending Balance</b>	\$252,109	\$312,195	\$376,197	\$436,042	\$496,815
Year	2030	2031	2032	2033	2034
<b>Starting Balance</b>	\$496,815	\$468,809	\$541,432	\$614,239	\$691,871
<i>Reserve Income</i>	\$68,056	\$70,098	\$72,201	\$74,367	\$76,598
<i>Interest Earnings</i>	\$2,414	\$2,525	\$2,889	\$3,265	\$3,635
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$567,284	\$541,432	\$616,521	\$691,871	\$772,103
<b>Reserve Expenditures</b>	\$98,475	\$0	\$2,281	\$0	\$9,605
<b>Ending Balance</b>	\$468,809	\$541,432	\$614,239	\$691,871	\$762,498
Year	2035	2036	2037	2038	2039
<b>Starting Balance</b>	\$762,498	\$722,376	\$807,462	\$895,419	\$983,261
<i>Reserve Income</i>	\$78,895	\$81,262	\$83,700	\$86,211	\$88,798
<i>Interest Earnings</i>	\$3,711	\$3,824	\$4,256	\$4,696	\$5,144
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$845,105	\$807,462	\$895,419	\$986,326	\$1,077,203
<b>Reserve Expenditures</b>	\$122,729	\$0	\$0	\$3,064	\$2,367
<b>Ending Balance</b>	\$722,376	\$807,462	\$895,419	\$983,261	\$1,074,836

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<b>Year</b>	<b>2040</b>	<b>2041</b>	<b>2042</b>	<b>2043</b>	<b>2044</b>
<b>Starting Balance</b>	\$1,074,836	\$29,809	\$124,400	\$215,574	\$316,848
<i>Reserve Income</i>	\$91,461	\$94,205	\$97,031	\$99,942	\$102,941
<i>Interest Earnings</i>	\$2,761	\$385	\$850	\$1,331	\$1,816
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$1,169,058	\$124,400	\$222,281	\$316,848	\$421,604
<b>Reserve Expenditures</b>	\$1,139,250	\$0	\$6,706	\$0	\$11,892
<b>Ending Balance</b>	\$29,809	\$124,400	\$215,574	\$316,848	\$409,713
<b>Year</b>	<b>2045</b>	<b>2046</b>	<b>2047</b>	<b>2048</b>	<b>2049</b>
<b>Starting Balance</b>	\$409,713	\$362,155	\$470,211	\$585,335	\$696,162
<i>Reserve Income</i>	\$106,029	\$109,210	\$112,486	\$115,861	\$119,336
<i>Interest Earnings</i>	\$1,929	\$2,080	\$2,638	\$3,203	\$3,750
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$517,671	\$473,446	\$585,335	\$704,399	\$819,249
<b>Reserve Expenditures</b>	\$155,515	\$3,235	\$0	\$8,237	\$14,964
<b>Ending Balance</b>	\$362,155	\$470,211	\$585,335	\$696,162	\$804,285

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# Yearly Reserve Expenditures - Graph



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# Projected Reserve Expenditures by Year

Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2020	219	Mailboxes - Paint	\$1,000	
	402	Asphalt - Preventive Maintenance	\$55,275	
	1812	Landscaping/Irrigation - Renovate	\$12,500	\$68,775
2021		No Expenditures Projected	\$0	\$0
2022	1090	Stone Façades - Repair	\$3,713	\$3,713
2023	1605	Mushroom Metal Lights - Replace	\$1,967	\$1,967
2024	206	Metal Entry Gates/Fencing - Paint	\$1,519	
	505	Vehicle Gate Hinges - Repair/Replace	\$1,801	\$3,320
2025	219	Mailboxes - Paint	\$1,159	
	402	Asphalt - Preventive Maintenance	\$64,079	
	508	Vehicle Gate Operator - Replace (B)	\$5,796	
	509	Vehicle Gate Loops - Replace	\$2,898	
	803	Mailboxes - Replace	\$6,376	
	1812	Landscaping/Irrigation - Renovate	\$14,491	\$94,800
2026	808	Street Signs - Replace	\$1,791	\$1,791
2027		No Expenditures Projected	\$0	\$0
2028	801	Entry Monument - Refurbish	\$3,800	
	1790	Backflow Device - Replace	\$2,534	\$6,334
2029	206	Metal Entry Gates/Fencing - Paint	\$1,761	
	506	Phone Entry Panel - Replace	\$5,871	\$7,633
2030	219	Mailboxes - Paint	\$1,344	
	402	Asphalt - Preventive Maintenance	\$74,285	
	1604	Pole Lights - Replace	\$6,048	
	1812	Landscaping/Irrigation - Renovate	\$16,799	\$98,475
2031		No Expenditures Projected	\$0	\$0
2032	505	Vehicle Gate Hinges - Repair/Replace	\$2,281	\$2,281
2033		No Expenditures Projected	\$0	\$0
2034	206	Metal Entry Gates/Fencing - Paint	\$2,042	

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Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2034	507	Vehicle Gate Operator - Replace (A)	\$7,563	\$9,605
2035	219	Mailboxes - Paint	\$1,558	
	402	Asphalt - Preventive Maintenance	\$86,117	
	504	Vehicle Gates - Replace	\$15,580	
	1812	Landscaping/Irrigation - Renovate	\$19,475	\$122,729
2036		No Expenditures Projected	\$0	\$0
2037		No Expenditures Projected	\$0	\$0
2038	1605	Mushroom Metal Lights - Replace	\$3,064	\$3,064
2039	206	Metal Entry Gates/Fencing - Paint	\$2,367	\$2,367
2040	219	Mailboxes - Paint	\$1,806	
	401	Asphalt - Major Rehab.	\$998,599	
	402	Asphalt - Preventive Maintenance	\$99,833	
	505	Vehicle Gate Hinges - Repair/Replace	\$2,890	
	508	Vehicle Gate Operator - Replace (B)	\$9,031	
	509	Vehicle Gate Loops - Replace	\$4,515	
	1812	Landscaping/Irrigation - Renovate	\$22,576	\$1,139,250
2041		No Expenditures Projected	\$0	\$0
2042	1090	Stone Façades - Repair	\$6,706	\$6,706
2043		No Expenditures Projected	\$0	\$0
2044	206	Metal Entry Gates/Fencing - Paint	\$2,744	
	506	Phone Entry Panel - Replace	\$9,148	\$11,892
2045	219	Mailboxes - Paint	\$2,094	
	402	Asphalt - Preventive Maintenance	\$115,734	
	803	Mailboxes - Replace	\$11,516	
	1812	Landscaping/Irrigation - Renovate	\$26,172	\$155,515
2046	808	Street Signs - Replace	\$3,235	\$3,235
2047		No Expenditures Projected	\$0	\$0
2048	505	Vehicle Gate Hinges - Repair/Replace	\$3,661	
	1790	Backflow Device - Replace	\$4,576	\$8,237

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Year	Comp. Id	Component Name	Projected Cost	Total Per Annum
2049	206	Metal Entry Gates/Fencing - Paint	\$3,181	
	507	Vehicle Gate Operator - Replace (A)	\$11,783	\$14,964
2050	219	Mailboxes - Paint	\$2,427	
	402	Asphalt - Preventive Maintenance	\$134,167	
	1812	Landscaping/Irrigation - Renovate	\$30,341	\$166,935

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# Component Evaluation

Comp # 206 Metal Entry Gates/Fencing - Paint

**Location:** Main entrance to community

**Quantity:** Approx 68 Linear ft.

**Life Expectancy:** 5 **Remaining Life:** 4

**Best Cost:** \$1,000.00  
\$15.00/Linear ft.; Lower estimate to paint

**Worst Cost:** \$1,700.00  
\$25.00/Linear ft.; Higher estimate

Source of Information: In-House Costs Database

## General Notes:

Quantity breakdown:  
(2) 16 Linear ft. gates  
36 Linear ft. adjacent fencing

## Observations:

Metal entry gates/fencing will require regular cycles of paint/sealant to help prevent corrosion. The majority of gate surfaces appeared to have been recently painted. This component has an approximate useful life of 4-6 years. The remaining useful life is based on current condition.



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# Component Evaluation

Comp # 213 Street Sign Poles - Paint (Operating Expense)

---

**Location:** Community streets

**Quantity:** (5) Street sign poles

**Life Expectancy:** N/A **Remaining Life:** 0

**Best Cost:** \$0.00

**Worst Cost:** \$0.00

Source of Information: In-House Costs Database

**Observations:**

Due to moderate amount of sign posts, this component is typically a lower cost item and can be maintained as-needed through the operating/maintenance budget.



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# Component Evaluation

Comp # 219 Mailboxes - Paint

---

**Location:** Mailbox surfaces

**Quantity:** (5) Mailbox clusters

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

**Best Cost:** \$800.00  
Lower estimate to paint

**Worst Cost:** \$1,200.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Exterior metal surfaces will require regular cycles of paint/sealant to help prevent corrosion. The mailboxes were reportedly last painted in 2014 at a cost of \$875. This component has an approximate useful life of 4-6 years. The remaining useful life is based on prior project date.



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# Component Evaluation

Comp # 401 Asphalt - Major Rehab.

**Location:** Community streets

**Quantity:** Approx 184,300 Square ft.

**Life Expectancy:** 35 **Remaining Life:** 20

**Best Cost:** \$368,600.00  
\$2.00/Square ft.; Lower estimate to rehab.

**Worst Cost:** \$737,200.00  
\$4.00/Square ft.; Higher estimate

Source of Information: In-House Costs Database

## General Notes:

Quantity breakdown:  
75,700 Square ft. - Eagle Nest Dr.  
7,225 Square ft. - Red Hawk Ln.  
17,700 Square ft. - Rocky Bluff Dr.  
11,750 Square ft. - Osprey Cir.  
62,825 Square ft. - Lava Rock Dr.  
9,075 Square ft. - Red Hawk

## Observations:

Although there were random areas of deterioration, the majority of asphalt appeared in stable condition. This component typically has an approximate life of 30-40 years, but preventive maintenance (see next component) may prolong typical useful life before major rehabilitation may be needed (resurfacing, overlay, etc.).



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# Component Evaluation

Comp # 402 Asphalt - Preventive Maintenance

**Location:** Community streets

**Quantity:** Approx 184,300 Square ft.

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

**Best Cost:** \$36,850.00  
\$0.20/Square ft.; Lower estimate to maintain

**Worst Cost:** \$73,700.00  
\$0.40/Square ft.; Higher estimate

Source of Information: In-House Costs Database

## General Notes:

Quantity breakdown:  
75,700 Square ft. - Eagle Nest Dr.  
7,225 Square ft. - Red Hawk Ln.  
17,700 Square ft. - Rocky Bluff Dr.  
11,750 Square ft. - Osprey Cir.  
62,825 Square ft. - Lava Rock Dr.  
9,075 Square ft. - Red Hawk

## Observations:

Asphalt was reportedly seal coated last in 2012. Regular cycles of preventive maintenance and asphalt seal coating is key to extending the typical useful life cycle for major rehabilitation projects. This component typically has an approximate life of 4-6 years. The remaining useful life is based on the prior project date and current condition.



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# Component Evaluation

Comp # 504 Vehicle Gates - Replace

---

**Location:** Main entrance gates

**Quantity:** (2) 16 Linear ft. gates

**Life Expectancy:** 30 **Remaining Life:** 15

**Best Cost:** \$8,000.00  
\$4,000/Each, Lower estimate to replace

**Worst Cost:** \$12,000.00  
\$6,000/Each, Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Although long lasting material, metal gates will require eventual replacement. This component has an approximate useful life of 25-35 years. The remaining useful life is based on the assumed age.



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# Component Evaluation

Comp # 505 Vehicle Gate Hinges - Repair/Replace

---

**Location:** Gate to post connection

**Quantity:** (4) Hinges

**Life Expectancy:** 8 **Remaining Life:** 4

**Best Cost:** \$1,200.00  
\$300/Each, Lower estimate to repair/replace

**Worst Cost:** \$2,000.00  
\$500/Each, Higher estimate

Source of Information: In-House Costs Database

## Observations:

Functional condition observed, no problems reported. This component represents ongoing cycles of repair/replacement as gate hinges will wear out faster than other parts of the gate system.



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# Component Evaluation

Comp # 506 Phone Entry Panel - Replace

---

**Location:** Entrance to community

**Quantity:** (1) DKS panel

**Life Expectancy:** 15 **Remaining Life:** 9

**Best Cost:** \$4,000.00  
Lower estimate to replace

**Worst Cost:** \$5,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Functional condition observed, no problems reported. Last replaced in 2014 at a cost of \$3,430. This component has an approximate life of 10-20 years. The remaining useful life is based on the installation date.



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# Component Evaluation

Comp # 507 Vehicle Gate Operator - Replace (A)

---

**Location:** Entry gate

**Quantity:** (1) Maximum Control

**Life Expectancy:** 15 **Remaining Life:** 14

**Best Cost:** \$4,000.00  
Lower estimate to replace

**Worst Cost:** \$6,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

This operator was recently replaced at a cost of \$4,878. This component has an approximate life of 10-20 years. The remaining useful life has been extended based on the installation date.



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# Component Evaluation

Comp # 508 Vehicle Gate Operator - Replace (B)

---

**Location:** Entry gate

**Quantity:** (1) Chamberlain Elite

**Life Expectancy:** 15 **Remaining Life:** 5

**Best Cost:** \$4,000.00  
Lower estimate to replace

**Worst Cost:** \$6,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Functional condition observed, no problems reported. This component has an approximate life of 10-20 years. The remaining useful life has been extended based on the assumed condition.



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# Component Evaluation

Comp # 509 Vehicle Gate Loops - Replace

---

**Location:** Adjacent to entry gates

**Quantity:** (1) Set of loops

**Life Expectancy:** 15 **Remaining Life:** 5

**Best Cost:** \$2,000.00  
Lower allowance to replace

**Worst Cost:** \$3,000.00  
Higher allowance

Source of Information: In-House Costs Database

## Observations:

This component represents a reserve allowance for eventual cycles of replacement of the vehicle gate loops. Monitor life cycle and costs closely and adjust as-needed in reserve study updates.



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# Component Evaluation

Comp # 801 Entry Monument - Refurbish

---

**Location:** Entrance to community

**Quantity:** (1) Monument

**Life Expectancy:** 25 **Remaining Life:** 8

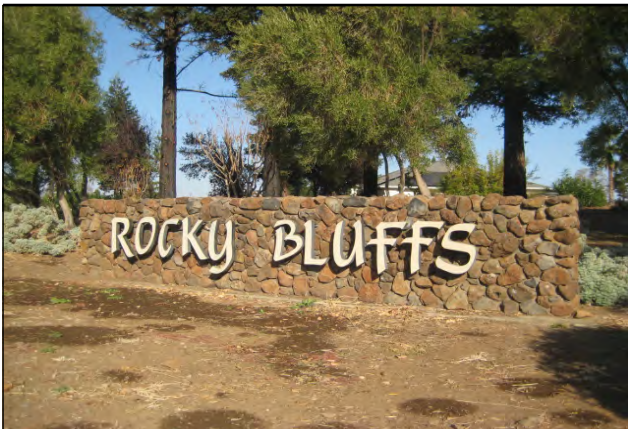
**Best Cost:** \$2,500.00  
Lower estimate to refurbish

**Worst Cost:** \$3,500.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Although there is no expectation to completely replace the monument/sign under normal circumstances, we recommend funding for significant refurbishment approximately every 20 to 30 years. The remaining life is based on the assumed age.



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# Component Evaluation

Comp # 803 Mailboxes - Replace

---

**Location:** Common area

**Quantity:** (3) Mailbox clusters, (4) Parcels

**Life Expectancy:** 20 **Remaining Life:** 5

**Best Cost:** \$5,000.00  
Lower estimate to replace

**Worst Cost:** \$6,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Although long lasting, mailboxes will require eventual replacement. This component typically has an approximate useful life of 15-25 years. The remaining useful life is based on the assumed age.



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# Component Evaluation

Comp # 808 Street Signs - Replace

---

**Location:** Community streets

**Quantity:** (10) Metal signs

**Life Expectancy:** 20 **Remaining Life:** 6

**Best Cost:** \$1,000.00  
\$100/Each, Lower estimate to replace

**Worst Cost:** \$2,000.00  
\$200/Each, Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Majority of signage appeared in fair condition. This component has an approximate life of 15-25 years. Remaining useful life has been extended based on assumed age.



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# Component Evaluation

Comp # 1090 Stone Façades - Repair

---

**Location:** Rocky Bluff Drive

**Quantity:** Moderate Square ft.

**Life Expectancy:** 20 **Remaining Life:** 2

**Best Cost:** \$3,000.00  
Lower estimate to repair

**Worst Cost:** \$4,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

This component represents cycles of repair to the stone façade planters on Rocky Bluff Drive. Monitor expenses closely and adjust as needed in reserve study updates.



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# Component Evaluation

Comp # 1604 Pole Lights - Replace

---

**Location:** Adjacent to main entry area

**Quantity:** (3) Pole lights

**Life Expectancy:** 25 **Remaining Life:** 10

**Best Cost:** \$3,000.00  
\$1,000/Each, Lower estimate to replace

**Worst Cost:** \$6,000.00  
\$2,000/Each, Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Although pole lights and fixtures typically have an extended life, best to plan for eventual replacement. This component has an approximate useful life of 30-40 years. The remaining useful life is based on the assumed age.



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# Component Evaluation

Comp # 1605 Mushroom Metal Lights - Replace

---

**Location:** At planter boxes

**Quantity:** (6) Fixtures

**Life Expectancy:** 15 **Remaining Life:** 3

**Best Cost:** \$1,500.00  
\$250/Each, Lower estimate

**Worst Cost:** \$2,100.00  
\$350/Each, Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Observed during daylight hours, functional condition assumed. This component has an approximate useful life of 10-20 years. The remaining useful life is based on the assumed age.



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# Component Evaluation

Comp # 1790 Backflow Device - Replace

---

**Location:** Main entry area

**Quantity:** (1) Backflow device

**Life Expectancy:** 20 **Remaining Life:** 8

**Best Cost:** \$1,500.00  
Lower estimate to replace

**Worst Cost:** \$2,500.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Functional condition assumed, no problems reported. This component has an approximate useful life of 15-25 years. The remaining useful life is based on the assumed age.



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# Component Evaluation

Comp # 1812 Landscaping/Irrigation - Renovate

---

**Location:** Throughout common landscaping

**Quantity:** Extensive area

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

**Best Cost:** \$10,000.00  
Lower allowance to renovate

**Worst Cost:** \$15,000.00  
Higher allowance

Source of Information: In-House Costs Database

**Observations:**

We were of significant recent landscape upgrades with additional plans for upcoming tree and landscape maintenance. Although difficult to predict timing and scope of work, best to plan for regular cycles of landscape/irrigation upgrades.



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# Component Evaluation

Comp # 2001 Septic System - Repair

---

**Location:** Underground septic system

**Quantity:** Extensive system

**Life Expectancy:** 50 **Remaining Life:** 49

**Best Cost:** \$100,000.00  
Lower estimate to repair

**Worst Cost:** \$140,000.00  
Higher estimate

Source of Information: In-House Costs Database

**Observations:**

Although difficult to predict timing, eventual cycles of significant repair will be needed. This component represents a reserve fund for future cycles of repair to the septic system.



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# Glossary of Commonly Used Words And Phrases

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

**Cash Flow Method** – A method of developing a reserve funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

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

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

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

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

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

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

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

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

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

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

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

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

**Funding Principles** –

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

**GSF** - Gross Square Feet

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

**LF** - Linear Feet

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

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

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

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

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

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

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

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

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

**DRAFT**