

# Sample Community Association

## Level 1 Reserve Study



**Report Period – 1/1/2013 – 12/31/2013**

<b>Client Reference Number</b>	<b>10014</b>
<b>Property Type</b>	<b>Single Family Homes</b>
<b>Number of Units</b>	<b>50</b>
<b>Fiscal Year End</b>	<b>12/31</b>

<b>Date of Property Inspection</b>	<b>9/25/2012</b>
<b>Prepared By</b>	<b>Robert Forney</b>
<b>NV Permit #</b>	<b>RSS: 0000004</b>
<b>Analysis Method</b>	<b>Cash Flow</b>
<b>Funding Goal</b>	<b>Full Funding</b>

**Report prepared on – Friday, November 2<sup>nd</sup>, 2012**



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## Glossary of Commonly used Words and Phrases

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## Executive Summary – Sample Community Association - ID # 10014

Information to complete this Reserve Study was gathered by performing an on-site inspection of the common area elements. In addition, we also 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. Financial information regarding reserve fund balance, reserve contribution, etc. was provided by the client and was not verified or audited.

<b>Projected Starting Balance as of 1/1/2013</b>	<b>\$105,000</b>
<b>Ideal Reserve Balance as of 1/1/2013</b>	<b>\$180,085</b>
<b>Percent Funded as of 1/1/2013</b>	<b>58%</b>
<b>Recommended Reserve Contribution (per month)</b>	<b>\$3,850</b>
<b>Minimum Reserve Contribution (per month)</b>	<b>\$3,500</b>
<b>Recommended Special Assessment</b>	<b>\$0</b>

Sample Community Association is a 50-unit condominium community. The property offers the security of an entry system as well as a pool area as amenities. Construction on the community was completed in 2000.

### Currently Programmed Projects

Projects programmed to occur this fiscal year (FY 2013) include repainting the front doors (Comp# 204), repainting the wrought iron fencing (Comp# 207), and sealing the asphalt (Comp# 402). We have programmed an estimated \$33,863 in reserve expenditures toward the completion of these projects. (See page 15)

### Major Reserve Expenditures

The first major reserve expenditure is programmed to occur in fiscal year 2018. Projects programmed to occur in fiscal year 2018 include repainting the buildings (Comp# 204, 217), repainting the wrought iron fencing (Comp# 207), sealing the asphalt (Comp# 402), replacing the phone entry system (Comp# 506), replacing the gate operators (Comp# 507), and replacing the pool heater (Comp# 1104). We have programmed approximately \$146,199 in reserve funds or approximately 47% of fiscal year 2018's recommended starting balance towards the completion of these projects (see page 10).

### Significant Reserve Projects

The association's significant reserve projects include replacing the tile roofs (Comp# 106), repainting the stucco building surfaces (Comp# 217), repainting the wrought iron fencing (Comp# 207), and overlaying the asphalt (Comp# 401). The fiscal significance of these components is approximately 26%, 19%, 12%, and 11% respectively (see page 8). 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.

### Reserve Funding

In comparing the projected starting reserve balance of \$105,000 versus the ideal reserve balance of \$180,085 we find the association's reserve fund to be approximately 58% funded. This indicates a fair reserve fund position. In order to continue to strengthen the account fund, we suggest adopting a monthly reserve contribution of \$3,850 (\$77.00/unit) per month. We have also included a minimum reserve contribution of \$3,500 (\$70.00/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.

# Introduction

## Reserve Study Purpose

The purpose of this Reserve Study is to provide an educated estimate of the necessary reserve balance and allocation. 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

After working for a notable national reserve study provider Mr. Forney started Complex Solutions Ltd. in 2001. Complex Solutions provides reserve study consulting services to clients primarily in California, Nevada and Utah.

- Nevada permit number RSS.0000004
- Holds the APRA "Professional Reserve Analyst" designation
- Personally has prepared over 1,000 reserve studies.
- Created the proprietary software and databases used to prepare Complex Solutions' reserve studies. This proprietary software gives Complex Solutions the freedom and ability to create reports tailored to the individual clients needs. This software is also used under license by Aspen Reserve Specialties, an affiliate in Denver, CO.
- 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, even an aero park (small airport).
- Active member of three local chapters of CAI (Nevada, Utah, and Channel Islands, CA).
- Gold Sponsor of the Nevada chapter of CAI, Platinum Sponsor of the Utah chapter of CAI.
- Guest speaker at two CAI events
- (3) Articles published in Community Interests.
- Member of the Las Vegas High-rise and Condominiums Association
- Member of CAMEO (Community Association Management Executive Offices)

## Budget Breakdown

Every association conducts their business within a budget. There are typically two main parts to this budget, operating and reserves. The operating budget includes all expenses that occur on an annual basis. These would include management fees, maintenance expenses, utilities, etc. The reserves is 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.

## General Information and Frequently Asked Questions

### **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 budget in order to run the daily and long term operations of your association. 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 understand. 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 inaccuracies, please inform us immediately so we may revise the report.

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.

The Reserve Study should be readily available for real estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of reserves becomes more of a household term, people are requesting homeowners associations reveal the strength of the reserve fund prior to purchasing a condominium, town home, or any property that belongs to an association.

### **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 reviewed 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 content of the Reserve Study. Therefore, this analysis should be reviewed annually, and a property inspection 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 (for Reserve purposes less than 30 years), 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 as well as general repairs and maintenance.

### **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, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a reserve component.

### **What happens during the Site Visit?**

The Site Visit was conducted of the common areas as reported by client. 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.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the inspection. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the inspection. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property. 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.

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

We projected the starting balance by taking the most recent balance statement, adding expected reserve contributions for the rest of the fiscal year, and subtracting any pending projects that will be paid for before the end of the current fiscal year. We compared this number to the ideal reserve balance and arrived at the percent funded level.

### **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 special assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken 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 has the exact amount of funds in the reserve account.

### **Disclosures:**

We will identify only those major components with a useful life of 30-years or less that generally meet industry standards for reserve funding.

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 the full and expected useful lives.

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. An on-site inspection 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 the 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.

**Level II (Update) Reserve 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.

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

**Actual or Perceived Conflicts of Interest:** 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.

# Funding Summary

## Beginning Assumptions

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# of units	50
Fiscal Year End	31-Dec
Budgeted Monthly Reserve Allocation	\$2,500
Projected Starting Reserve Balance	\$105,000
Ideal Starting Reserve Balance	\$180,085

## Economic Assumptions

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Projected Inflation Rate	3.00%
Reported After-Tax Interest Rate	1.00%

## Current Reserve Status

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Current Balance as a % of Ideal Balance	58%
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## Recommendations

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Recommended Monthly Reserve Allocation	\$3,850
Per Unit	\$77.00
Future Annual Increases	3.00%
For number of years:	13
Increases thereafter:	2.25%
Minimum Recommended Monthly Reserve Allocation	\$3,500
Per Unit	\$70.00
Future Annual Increases	3.00%
For number of years:	13
Increases thereafter:	2.25%

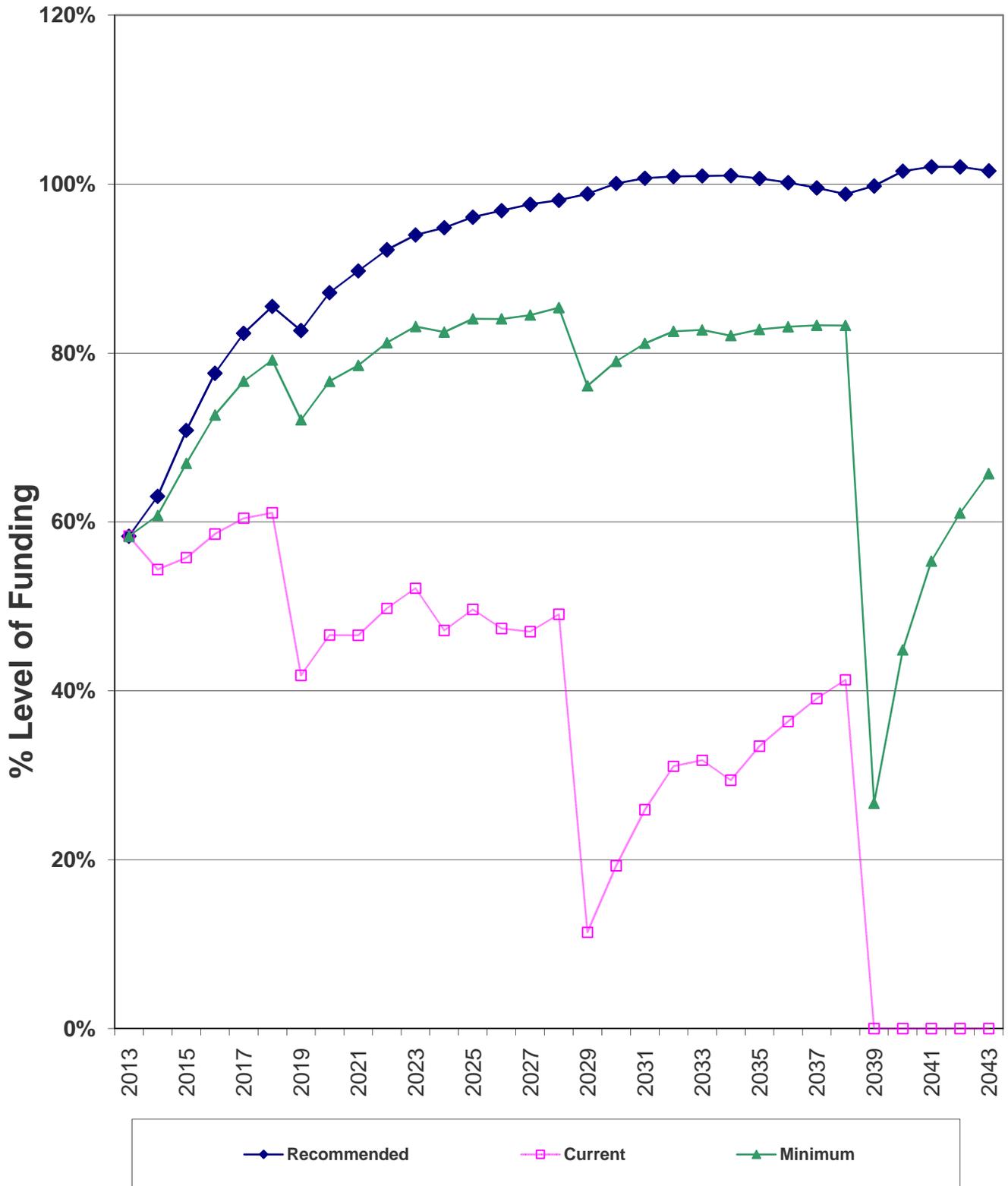
## Changes From Prior Year

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Recommended Increase to Reserve Allocation as Percentage	\$1,350 54%
Minimum Recommended Increase to Reserve Allocation as Percentage	\$1,000 40%



# Percent Funded - Graph



## Component Inventory

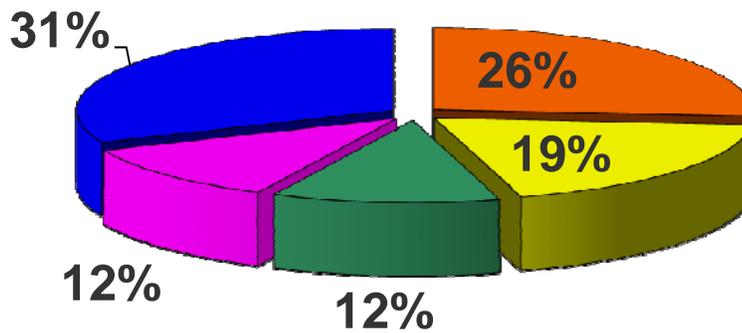
Category	ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Best Cost	Worst Cost
Roofing	106	Pitched Roof - Tile - Replace	30	25	\$264,000	\$308,000
Painted Surfaces	204	Front Doors - Repaint	5	0	\$3,575	\$4,550
	207	Iron Fencing - Repaint	5	0	\$18,900	\$23,100
	217	Stucco Building Surfaces - Repaint	12	7	\$46,750	\$55,000
Drive Materials	401	Asphalt - Overlay	20	15	\$41,250	\$46,875
	402	Asphalt - Slurry Seal	5	0	\$5,650	\$7,500
	403	Concrete - Repair/Replace	N/A		\$0	\$0
Prop. Identification	803	Mailboxes - Replace	18	13	\$2,975	\$3,825
	806	Unit Entry Hardware - Replace	15	10	\$3,250	\$4,250
Life / Safety	905	Phone Entry System - Replace	12	5	\$2,000	\$2,500
	906	Vehicle Gate Operators - Replace	10	5	\$7,200	\$8,000
Pool/Spa	1101	Pool - Resurface	12	7	\$8,000	\$10,000
	1102	Spa - Resurface	6	1	\$2,250	\$2,750
	1104	Pool Heater - Replace	12	7	\$3,000	\$3,500
	1105	Spa Heater - Replace	12	7	\$2,500	\$3,000
	1110	Pool/Spa Pumps - Replace	3	1	\$600	\$900
	1120	Pool Furniture - Replace	6	1	\$4,000	\$6,000
Light Fixtures	1604	Pole Lights - Replace	18	12	\$26,300	\$35,000
Irrig. System	1703	Irrigation Time Clocks - Partial Replace	3	1	\$1,500	\$1,900



## Significant Components

ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As \$	As %
106	Pitched Roof - Tile - Replace	30	25	\$286,000	\$9,533	26.2830%
204	Front Doors - Repaint	5	0	\$4,550	\$910	2.5088%
207	Iron Fencing - Repaint	5	0	\$21,000	\$4,200	11.5792%
217	Stucco Building Surfaces - Repaint	10	5	\$70,000	\$7,000	19.2987%
401	Asphalt - Overlay	20	15	\$83,125	\$4,156	11.4586%
402	Asphalt - Slurry Seal	5	0	\$8,313	\$1,663	4.5834%
506	Phone Entry System - Replace	10	5	\$4,500	\$450	1.2406%
507	Vehicle Gate Operators - Replace	10	5	\$14,000	\$1,400	3.8597%
803	Mailboxes - Replace	18	13	\$9,300	\$517	1.4244%
806	Unit Entry Hardware - Replace	15	10	\$15,000	\$1,000	2.7570%
1101	Pool - Resurface	12	7	\$9,000	\$750	2.0677%
1102	Spa - Resurface	6	1	\$3,250	\$542	1.4934%
1104	Pool Heater - Replace	10	5	\$3,750	\$375	1.0339%
1105	Spa Heater - Replace	8	4	\$3,000	\$375	1.0339%
1110	Pool/Spa Pumps - Partial Replace	3	1	\$900	\$300	0.8271%
1120	Pool Furniture - Replace	6	1	\$5,000	\$833	2.2975%
1604	Pole Lights - Replace	18	12	\$30,625	\$1,701	4.6907%
1703	Irrigation Time Clocks - Partial Replace	3	1	\$1,700	\$567	1.5623%

## Significant Components - Graph



ID #	Component Name	Useful Life (yrs.)	Remaining Useful Life (yrs.)	Average Current Cost	Significance: (Curr Cost/UL)	
					As \$	As %
106	Pitched Roof - Tile - Replace	30	25	\$286,000	\$9,533	26%
217	Stucco Building Surfaces - Repaint	10	5	\$70,000	\$7,000	19%
207	Iron Fencing - Repaint	5	0	\$21,000	\$4,200	12%
401	Asphalt - Overlay	20	15	\$83,125	\$4,156	11%
All Other	See Expanded Table For Breakdown				\$11,382	31%

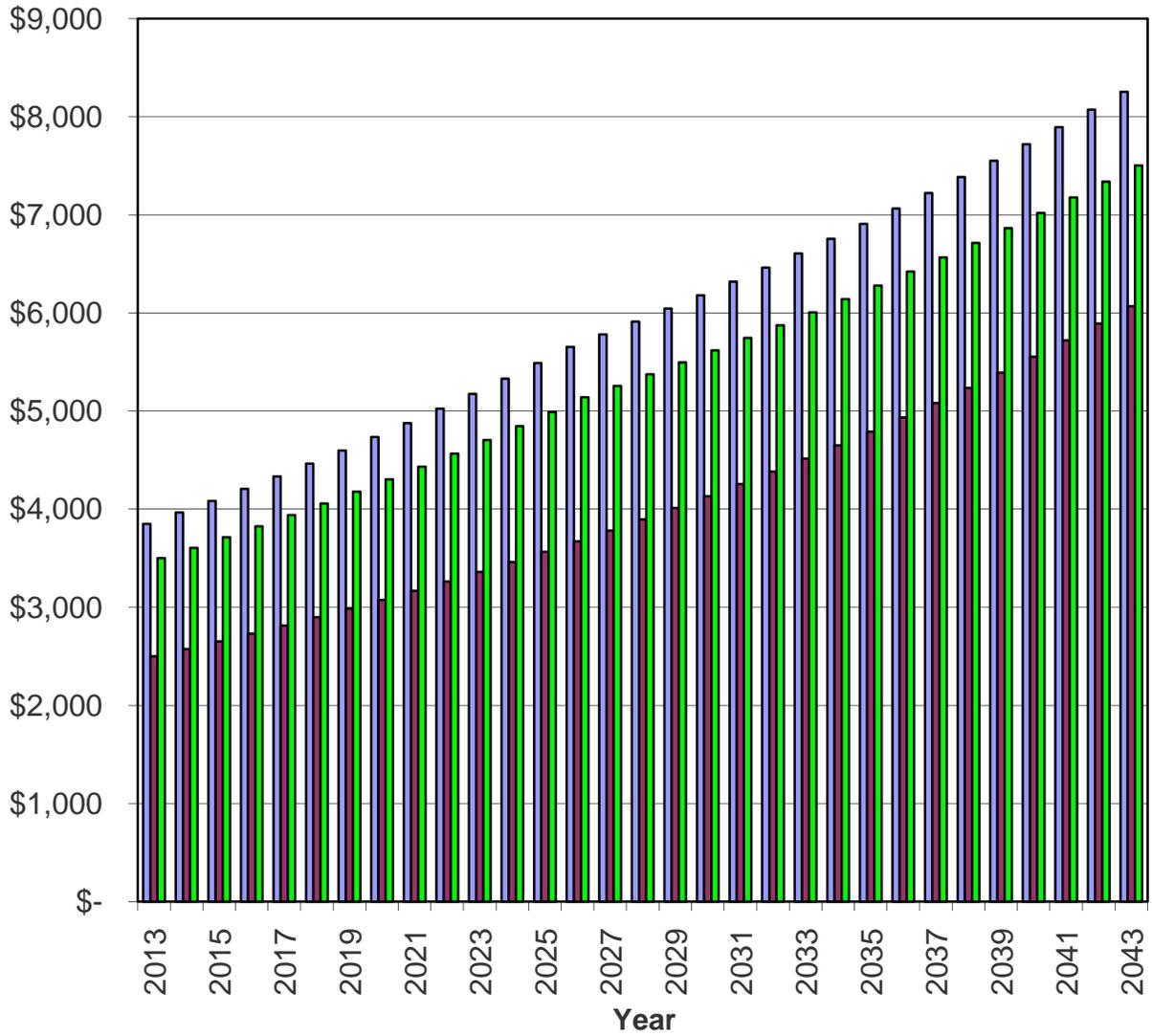
## Yearly Summary

Year	Fully Funded Balance	Starting Reserve Balance	% Funded	Reserve Contributions	Interest Income	Reserve Expenses	Ending Reserve Balance
2013	\$180,085	\$105,000	58%	\$46,200	\$1,117	\$33,863	\$118,454
2014	\$187,970	\$118,454	63%	\$47,586	\$1,373	\$11,176	\$156,238
2015	\$220,579	\$156,238	71%	\$49,014	\$1,816	\$0	\$207,067
2016	\$266,831	\$207,067	78%	\$50,484	\$2,334	\$0	\$259,885
2017	\$315,660	\$259,885	82%	\$51,999	\$2,840	\$6,303	\$308,421
2018	\$360,687	\$308,421	86%	\$53,558	\$2,633	\$146,199	\$218,413
2019	\$264,233	\$218,413	83%	\$55,165	\$2,471	\$0	\$276,050
2020	\$316,770	\$276,050	87%	\$56,820	\$2,936	\$24,413	\$311,393
2021	\$347,076	\$311,393	90%	\$58,525	\$3,422	\$0	\$373,340
2022	\$404,815	\$373,340	92%	\$60,281	\$4,053	\$0	\$437,674
2023	\$465,705	\$437,674	94%	\$62,089	\$4,361	\$69,161	\$434,963
2024	\$458,649	\$434,963	95%	\$63,952	\$4,691	\$0	\$503,605
2025	\$524,123	\$503,605	96%	\$65,870	\$5,149	\$47,941	\$526,683
2026	\$543,734	\$526,683	97%	\$67,846	\$5,483	\$29,591	\$570,422
2027	\$584,432	\$570,422	98%	\$69,373	\$6,079	\$0	\$645,874
2028	\$658,475	\$645,874	98%	\$70,934	\$5,207	\$325,985	\$396,029
2029	\$400,670	\$396,029	99%	\$72,530	\$4,322	\$4,172	\$468,709
2030	\$468,344	\$468,709	100%	\$74,162	\$5,081	\$0	\$547,951
2031	\$544,145	\$547,951	101%	\$75,830	\$5,886	\$0	\$629,667
2032	\$624,072	\$629,667	101%	\$77,536	\$6,540	\$34,807	\$678,937
2033	\$672,454	\$678,937	101%	\$79,281	\$6,884	\$66,578	\$698,524
2034	\$691,529	\$698,524	101%	\$81,065	\$7,425	\$0	\$787,014
2035	\$781,775	\$787,014	101%	\$82,889	\$8,298	\$4,982	\$873,218
2036	\$871,683	\$873,218	100%	\$84,754	\$9,198	\$0	\$967,170
2037	\$971,566	\$967,170	100%	\$86,661	\$10,151	\$0	\$1,063,982
2038	\$1,076,658	\$1,063,982	99%	\$88,611	\$6,528	\$916,996	\$242,125
2039	\$242,676	\$242,125	100%	\$90,604	\$2,887	\$0	\$335,616
2040	\$330,526	\$335,616	102%	\$92,643	\$3,837	\$0	\$432,096
2041	\$423,429	\$432,096	102%	\$94,727	\$4,752	\$12,812	\$518,763
2042	\$508,412	\$518,763	102%	\$96,859	\$5,698	\$0	\$621,320



# Reserve Contributions - Graph

## Monthly Reserve Contributions



## Component Funding Information

ID	Component Name	UL	RUL	Quantity	Average Current Cost	Ideal Balance	Current Fund Balance	Monthly
106	Pitched Roof - Tile - Replace	30	25	(880) Squares	\$286,000	\$47,667	\$0	\$1,011.90
204	Front Doors - Repaint	5	0	(65) Doors	\$4,550	\$4,550	\$4,550	\$96.59
207	Iron Fencing - Repaint	5	0	Approx 2,100 Linear ft.	\$21,000	\$21,000	\$21,000	\$445.80
217	Stucco Building Surfaces - Repaint	10	5	(50) Units	\$70,000	\$35,000	\$35,000	\$743.00
401	Asphalt - Overlay	20	15	Approx 47,500 Sq.ft.	\$83,125	\$20,781	\$0	\$441.16
402	Asphalt - Slurry Seal	5	0	Approx 47,500 Sq.ft.	\$8,313	\$8,313	\$8,313	\$176.46
506	Phone Entry System - Replace	10	5	(1) Scroll type system	\$4,500	\$2,250	\$2,250	\$47.76
507	Vehicle Gate Operators - Replace	10	5	(4) Gate operators	\$14,000	\$7,000	\$7,000	\$148.60
803	Mailboxes - Replace	18	13	(6) Clusters	\$9,300	\$2,583	\$0	\$54.84
806	Unit Entry Hardware - Replace	15	10	(50) Units	\$15,000	\$5,000	\$5,000	\$106.14
1101	Pool - Resurface	12	7	(1) Pool	\$9,000	\$3,750	\$3,750	\$79.61
1102	Spa - Resurface	6	1	(1) Spa	\$3,250	\$2,708	\$2,708	\$57.49
1104	Pool Heater - Replace	10	5	(1) Pool Heater	\$3,750	\$1,875	\$1,875	\$39.80
1105	Spa Heater - Replace	8	4	(1) Spa heater	\$3,000	\$1,500	\$1,500	\$39.80
1110	Pool/Spa Pumps - Partial Replace	3	1	(3) Pool and spa pumps	\$900	\$600	\$600	\$31.84
1120	Pool Furniture - Replace	6	1	(23) Various pieces	\$5,000	\$4,167	\$4,167	\$88.45
1604	Pole Lights - Replace	18	12	(35) Lights	\$30,625	\$10,208	\$6,154	\$180.59
1703	Irrigation Time Clocks - Partial Replace	3	1	(8) 12 station timers	\$1,700	\$1,133	\$1,133	\$60.15
					\$573,013	\$180,085	\$105,000	\$3,850

Current Fund Balance as a percentage of Ideal Balance:

58%



## Yearly Cash Flow

Year	2013	2014	2015	2016	2017
<b>Starting Balance</b>	\$105,000	\$118,454	\$156,238	\$207,067	\$259,885
<i>Reserve Income</i>	\$46,200	\$47,586	\$49,014	\$50,484	\$51,999
<i>Interest Earnings</i>	\$1,117	\$1,373	\$1,816	\$2,334	\$2,840
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$152,317	\$167,413	\$207,067	\$259,885	\$314,724
<b>Reserve Expenditures</b>	\$33,863	\$11,176	\$0	\$0	\$6,303
<b>Ending Balance</b>	\$118,454	\$156,238	\$207,067	\$259,885	\$308,421

Year	2018	2019	2020	2021	2022
<b>Starting Balance</b>	\$308,421	\$218,413	\$276,050	\$311,393	\$373,340
<i>Reserve Income</i>	\$53,558	\$55,165	\$56,820	\$58,525	\$60,281
<i>Interest Earnings</i>	\$2,633	\$2,471	\$2,936	\$3,422	\$4,053
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$364,612	\$276,050	\$335,806	\$373,340	\$437,674
<b>Reserve Expenditures</b>	\$146,199	\$0	\$24,413	\$0	\$0
<b>Ending Balance</b>	\$218,413	\$276,050	\$311,393	\$373,340	\$437,674

Year	2023	2024	2025	2026	2027
<b>Starting Balance</b>	\$437,674	\$434,963	\$503,605	\$526,683	\$570,422
<i>Reserve Income</i>	\$62,089	\$63,952	\$65,870	\$67,846	\$69,373
<i>Interest Earnings</i>	\$4,361	\$4,691	\$5,149	\$5,483	\$6,079
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$504,124	\$503,605	\$574,625	\$600,013	\$645,874
<b>Reserve Expenditures</b>	\$69,161	\$0	\$47,941	\$29,591	\$0
<b>Ending Balance</b>	\$434,963	\$503,605	\$526,683	\$570,422	\$645,874

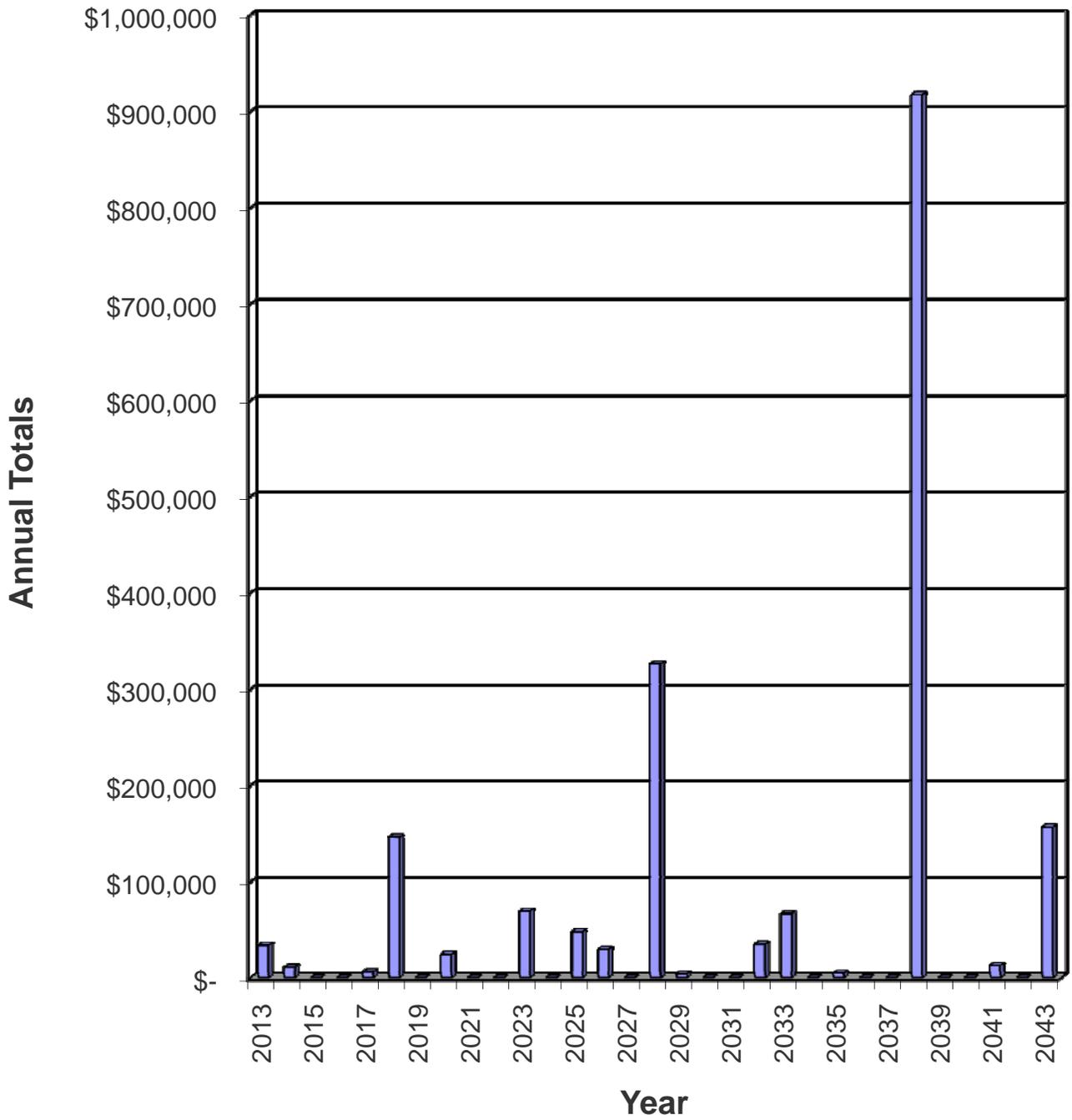
Year	2028	2029	2030	2031	2032
<b>Starting Balance</b>	\$645,874	\$396,029	\$468,709	\$547,951	\$629,667
<i>Reserve Income</i>	\$70,934	\$72,530	\$74,162	\$75,830	\$77,536
<i>Interest Earnings</i>	\$5,207	\$4,322	\$5,081	\$5,886	\$6,540
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$722,015	\$472,881	\$547,951	\$629,667	\$713,744
<b>Reserve Expenditures</b>	\$325,985	\$4,172	\$0	\$0	\$34,807
<b>Ending Balance</b>	\$396,029	\$468,709	\$547,951	\$629,667	\$678,937

Year	2033	2034	2035	2036	2037
<b>Starting Balance</b>	\$678,937	\$698,524	\$787,014	\$873,218	\$967,170
<i>Reserve Income</i>	\$79,281	\$81,065	\$82,889	\$84,754	\$86,661
<i>Interest Earnings</i>	\$6,884	\$7,425	\$8,298	\$9,198	\$10,151
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$765,102	\$787,014	\$878,200	\$967,170	\$1,063,982
<b>Reserve Expenditures</b>	\$66,578	\$0	\$4,982	\$0	\$0
<b>Ending Balance</b>	\$698,524	\$787,014	\$873,218	\$967,170	\$1,063,982

Year	2038	2039	2040	2041	2042
<b>Starting Balance</b>	\$1,063,982	\$242,125	\$335,616	\$432,096	\$518,763
<i>Reserve Income</i>	\$88,611	\$90,604	\$92,643	\$94,727	\$96,859
<i>Interest Earnings</i>	\$6,528	\$2,887	\$3,837	\$4,752	\$5,698
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
<b>Funds Available</b>	\$1,159,121	\$335,616	\$432,096	\$531,576	\$621,320
<b>Reserve Expenditures</b>	\$916,996	\$0	\$0	\$12,812	\$0
<b>Ending Balance</b>	\$242,125	\$335,616	\$432,096	\$518,763	\$621,320



## Yearly Reserve Expenditures - Graph



## Projected Reserve Expenditures by Year

Year	ID #	Component Name	Projected Cost	Total Per Annum
2013	204	Front Doors - Repaint	\$4,550	
	207	Iron Fencing - Repaint	\$21,000	
	402	Asphalt - Slurry Seal	\$8,313	\$33,863
2014	1102	Spa - Resurface	\$3,348	
	1110	Pool/Spa Pumps - Partial Replace	\$927	
	1120	Pool Furniture - Replace	\$5,150	
	1703	Irrigation Time Clocks - Partial Replace	\$1,751	\$11,176
2015		No Expenditures Projected		\$0
2016		No Expenditures Projected		\$0
2017	1105	Spa Heater - Replace	\$3,377	
	1110	Pool/Spa Pumps - Partial Replace	\$1,013	
	1703	Irrigation Time Clocks - Partial Replace	\$1,913	\$6,303
2018	204	Front Doors - Repaint	\$5,275	
	207	Iron Fencing - Repaint	\$24,345	
	217	Stucco Building Surfaces - Repaint	\$81,149	
	402	Asphalt - Slurry Seal	\$9,636	
	506	Phone Entry System - Replace	\$5,217	
	507	Vehicle Gate Operators - Replace	\$16,230	
	1104	Pool Heater - Replace	\$4,347	\$146,199
2019		No Expenditures Projected		\$0
2020	1101	Pool - Resurface	\$11,069	
	1102	Spa - Resurface	\$3,997	
	1110	Pool/Spa Pumps - Partial Replace	\$1,107	
	1120	Pool Furniture - Replace	\$6,149	
	1703	Irrigation Time Clocks - Partial Replace	\$2,091	\$24,413
2021		No Expenditures Projected		\$0
2022		No Expenditures Projected		\$0
2023	204	Front Doors - Repaint	\$6,115	
	207	Iron Fencing - Repaint	\$28,222	
	402	Asphalt - Slurry Seal	\$11,171	
	806	Unit Entry Hardware - Replace	\$20,159	
	1110	Pool/Spa Pumps - Partial Replace	\$1,210	
	1703	Irrigation Time Clocks - Partial Replace	\$2,285	\$69,161
2024		No Expenditures Projected		\$0
2025	1105	Spa Heater - Replace	\$4,277	
	1604	Pole Lights - Replace	\$43,664	\$47,941
2026	803	Mailboxes - Replace	\$13,657	
	1102	Spa - Resurface	\$4,773	
	1110	Pool/Spa Pumps - Partial Replace	\$1,322	
	1120	Pool Furniture - Replace	\$7,343	
	1703	Irrigation Time Clocks - Partial Replace	\$2,497	\$29,591
2027		No Expenditures Projected		\$0
2028	204	Front Doors - Repaint	\$7,089	
	207	Iron Fencing - Repaint	\$32,717	
	217	Stucco Building Surfaces - Repaint	\$109,058	

Year	Comp ID	Component Name	Projected Cost	Total Per Annum
	401	Asphalt - Overlay	\$129,506	
	402	Asphalt - Slurry Seal	\$12,951	
	506	Phone Entry System - Replace	\$7,011	
	507	Vehicle Gate Operators - Replace	\$21,812	
	1104	Pool Heater - Replace	\$5,842	\$325,985
2029	1110	Pool/Spa Pumps - Partial Replace	\$1,444	
	1703	Irrigation Time Clocks - Partial Replace	\$2,728	\$4,172
2030		No Expenditures Projected		\$0
2031		No Expenditures Projected		\$0
2032	1101	Pool - Resurface	\$15,782	
	1102	Spa - Resurface	\$5,699	
	1110	Pool/Spa Pumps - Partial Replace	\$1,578	
	1120	Pool Furniture - Replace	\$8,768	
	1703	Irrigation Time Clocks - Partial Replace	\$2,981	\$34,807
2033	204	Front Doors - Repaint	\$8,218	
	207	Iron Fencing - Repaint	\$37,928	
	402	Asphalt - Slurry Seal	\$15,013	
	1105	Spa Heater - Replace	\$5,418	\$66,578
2034		No Expenditures Projected		\$0
2035	1110	Pool/Spa Pumps - Partial Replace	\$1,724	
	1703	Irrigation Time Clocks - Partial Replace	\$3,257	\$4,982
2036		No Expenditures Projected		\$0
2037		No Expenditures Projected		\$0
2038	106	Pitched Roof - Tile - Replace	\$598,820	
	204	Front Doors - Repaint	\$9,527	
	207	Iron Fencing - Repaint	\$43,969	
	217	Stucco Building Surfaces - Repaint	\$146,564	
	402	Asphalt - Slurry Seal	\$17,405	
	506	Phone Entry System - Replace	\$9,422	
	507	Vehicle Gate Operators - Replace	\$29,313	
	806	Unit Entry Hardware - Replace	\$31,407	
	1102	Spa - Resurface	\$6,805	
	1104	Pool Heater - Replace	\$7,852	
	1110	Pool/Spa Pumps - Partial Replace	\$1,884	
	1120	Pool Furniture - Replace	\$10,469	
	1703	Irrigation Time Clocks - Partial Replace	\$3,559	\$916,996
2039		No Expenditures Projected		\$0
2040		No Expenditures Projected		\$0
2041	1105	Spa Heater - Replace	\$6,864	
	1110	Pool/Spa Pumps - Partial Replace	\$2,059	
	1703	Irrigation Time Clocks - Partial Replace	\$3,889	\$12,812
2042		No Expenditures Projected		\$0
2043	204	Front Doors - Repaint	\$11,044	
	207	Iron Fencing - Repaint	\$50,973	
	402	Asphalt - Slurry Seal	\$20,177	
	1604	Pole Lights - Replace	\$74,335	\$156,528

# Component Evaluation

Comp #: 106 Pitched Roof - Tile - Replace



*Location:* Rooftops of buildings

*Quantity:* (880) Squares

*Life Expectancy:* 30 *Remaining Life:* 25

*Best Cost:* \$264,000

\$300/Square; Estimate to remove and replace felt material

*Worst Cost:* \$308,000

\$350/Square; Higher estimate for more labor

*Source of Information:* Research with vendor

*Observations:*

No problems noted or reported. Tile roofs have a typical life expectancy of approximately 25 to 30 years before underlayment deterioration causes significant leaks. Remaining life based on current age.

*General Notes:*

**Quantity Breakdown:**

Building #1 - 140 Squares

Building #2 - 145 Squares

Building #3 - 205 Squares

Building #4 - 205 Squares

Building #5 - 185 Squares

**Total - 880 Squares**

Comp #: 204 Front Doors - Repaint



*Location:* **Unit entries, utility doors**

*Quantity:* **(65) Doors**

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

*Best Cost:* **\$3,900**

\$60/Door; Estimate to repaint doors

*Worst Cost:* **\$5,200**

\$80/Door; Higher estimate for more prep work

*Source of Information:* CSL Costs Database

*Observations:*

Significant scuffing and marking noted on doors. Due to age and current condition, repaint doors this fiscal year to improve appearance and protect wood surfaces. Expect to repaint doors every 5 to 6 years to maintain appearance and protect wood.

*General Notes:*

<b>Quantity Breakdown:</b>  (55) Front Doors (10) Utility Doors  (65) Doors
--

Comp #: 207 Iron Fencing - Repaint



*Location:* **Property and pool perimeters**

*Quantity:* **Approx 2,100 Linear ft.**

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

*Best Cost:* **\$18,900**

\$9.00/Linear ft.; Estimate to repaint iron fence

*Worst Cost:* **\$23,100**

\$11.00/Linear ft; Higher estimate for additional prep work

*Source of Information:* Research with vendor

*Observations:*

Minor rusting noted in local areas. No significant deterioration or broken welds noted. Touch-up problem areas immediately as an operating issue and repaint all fencing approximately every 5 years to ensure full useful life from this component. Remaining life based on current condition.

*General Notes:*

<b>Quantity Breakdown:</b> 1,500 Linear ft. - Perimeter fence 50 Linear ft. - 8 Unit Building Handrails 250 Linear ft. - 11 Unit "A" Building 300 Linear ft. - 11 Unit "B" Building  2,100 Linear ft. - Total
---

Comp #: 217 Stucco Building Surfaces - Repaint



*Location:* **Building exteriors**

*Quantity:* **(50) Units**

*Life Expectancy:* **10** *Remaining Life:* **5**

*Best Cost:* **\$60,000**

\$1,200/Unit; Estimate to repaint succo surfaces

*Worst Cost:* **\$80,000**

\$1,600/Unit; Higher estimate for more prep work

*Source of Information:* Research with vendor

*Observations:*

Minor staining in local areas. Generally, painted surfaces are in good condition, assume surfaces will reach a full useful life of approximately 10-12 years. Remaining life based on current age and condition.

*General Notes:*

<p><b>Quantity Breakdown:</b></p> <p><b>Building # 1 - 10,960 Sq.ft.</b> <b>Building # 2 - 11,750 Sq.ft.</b> <b>Building # 3 - 16,450 Sq.ft.</b> <b>Building # 4 - 16,450 Sq.ft.</b> <b>Building # 5 - 11,750 Sq.ft.</b></p> <p><b>Total - 67,360 Sq.ft.</b></p>
--

Comp #: 401 Asphalt - Overlay



*Location:* **Asphalt streets and drives**

*Quantity:* **Approx 47,500 Sq.ft.**

*Life Expectancy:* **20 Remaining Life: 15**

*Best Cost:* **\$71,250**  
\$1.50/Sq.ft.; Estimate for overlay

*Worst Cost:* **\$95,000**  
\$2.00/Sq.ft.; Higher estimate for local repairs

*Source of Information:* Research with vendor

*Observations:*

Asphalt surface is in good condition. No potholes or other damage to surface noted. With proper maintenance, expect a useful life of 20 to 25 years from this component. Seal regularly to protect asphalt surface.

*General Notes:*

<b>Quantity Breakdown:</b> 23,750 Sq.ft. - Webster Ave 4,625 Sq.ft. - Copper 4,785 Sq.ft. - Blackridge 4,340 Sq.ft. - Augusta  37,500 Sq.ft. - Total
--

Comp #: 402 Asphalt - Seal



*Location:* **Asphalt streets and drives**

*Quantity:* **Approx 47,500 Sq.ft.**

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

*Best Cost:* **\$7,125**

\$0.15/Sq.ft.; Estimate for seal coat only

*Worst Cost:* **\$9,500**

\$0.20/Sq.ft.; Higher estimate for local repairs

*Source of Information:* Research with vendor

*Observations:*

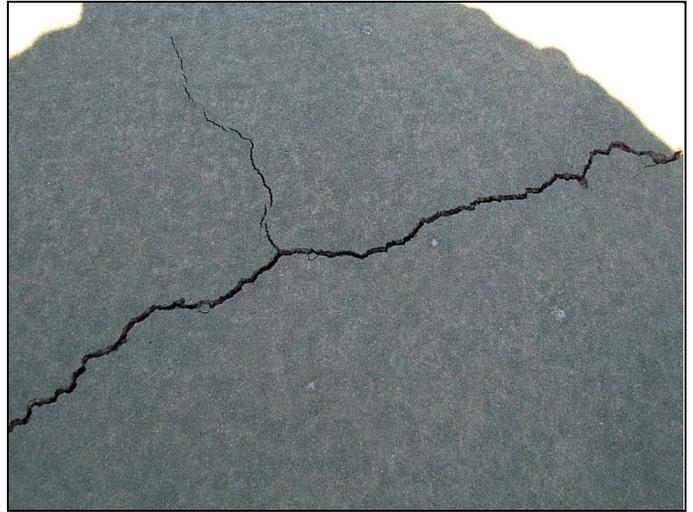
Asphalt seal coat is in fair to poor condition. Minor deterioration and loss of seal noted in local areas throughout. Asphalt surfaces should be sealed approximately every 5 years to prevent damage to asphalt surface and ensure full asphalt life. Seal asphalt surfaces this year based on age and current condition.

*General Notes:*

<b>Quantity Breakdown:</b> 23,750 Sq.ft. - Webster Ave 4,625 Sq.ft. - Copper 4,785 Sq.ft. - Blackridge 4,340 Sq.ft. - Augusta  37,500 Sq.ft. - Total
--



Comp #: 403 Concrete - Repair/Replace



*Location:* **Walkways throughout property**

*Quantity:* **Extensive GSF**

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

*Best Cost:* **\$0**

*Worst Cost:* **\$0**

*Source of Information:*

*Observations:*

No significant problems noted at the time of inspection. Some minor cracking noted in local areas, no significant lifting or settling observed. Concrete surfaces typically have an indefinite useful life, no expectation to completely replace these surfaces at one time. Make local repairs as necessary as an operating issue. No reserve funding necessary.

*General Notes:*

Comp #: 506 Phone Entry System - Replace



Picture Unavailable

*Location:* **Community entrance**

*Quantity:* **(1) Scroll type system**

*Life Expectancy:* **10** *Remaining Life:* **5**

*Best Cost:* **\$4,000**

Estimate to replace

*Worst Cost:* **\$5,000**

Higher estimate for more installation costs

*Source of Information:* Research with vendor

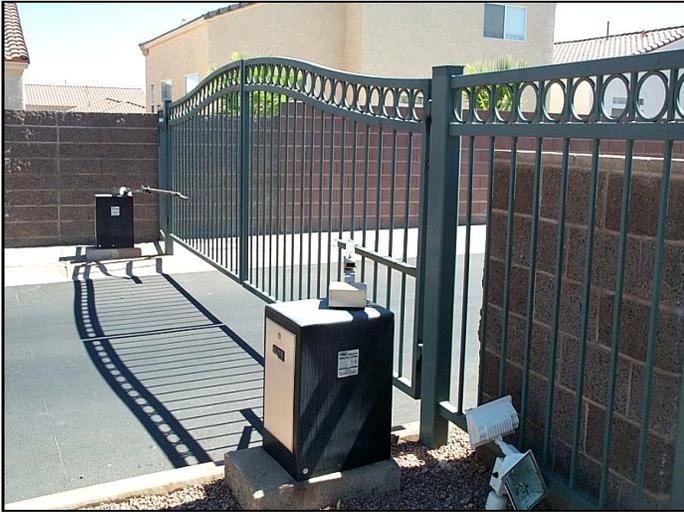
*Observations:*

Unit was observed to be in good condition and functioning normally at the time of inspection. This type of intercom typically has a useful life of 10-15 years assuming normal use and wear.

*General Notes:*

Empty box for general notes.

Comp #: 507 Vehicle Gate Operators - Replace



*Location:* **Community entrance**

*Quantity:* **(4) Gate operators**

*Life Expectancy:* **10 Remaining Life: 5**

*Best Cost:* **\$13,000**  
\$3,250/Operator; Estimate to replace operators

*Worst Cost:* **\$15,000**  
\$3,750/Operator; Higher estimate for more installaton cost

*Source of Information:* Research with vendor

*Observations:*

Gate operators are in good condition with no reports of problems. Expect a typical useful life of approximately ten years from this component.

*General Notes:*

**Component Specifications:**  
**(4) Elite Swing Operators**  
**Model CSW-200-UL**  
**1/2 HP, 125lbs Pull Rating**  
**Serial #s: 06309851051**  
**06309851051**  
**06309851051**  
**06309851051**

Comp #: 803 Mailboxes - Replace



*Location:* **Adjacent to front entry**

*Quantity:* **(6) Clusters**

*Life Expectancy:* **18** *Remaining Life:* **13**

*Best Cost:* **\$8,700**

\$1,450/Cluster; Estimate to replace mailbox clusters

*Worst Cost:* **\$9,900**

\$1,650/Cluster; Higher estimate for more installation costs

*Source of Information:* CSL Costs Database

*Observations:*

Mailboxes are generally in good condition. No rust or deterioration noted, no broken doors or hinges observed. Boxes are covered and well protected from the elements. Expect these mailboxes to reach a full useful life of approximately 18 to 20 years.

*General Notes:*

**Quantity Breakdown:**

**(70) Small Boxes**

**(10) Medium Boxes**

**(5) Package Boxes**

**(85) Total boxes**

Comp #: 806 Unit Entry Hardware - Replace



*Location:* **Entry to each unit**

*Quantity:* **(50) Units**

*Life Expectancy:* **15** *Remaining Life:* **10**

*Best Cost:* **\$12,500**

\$125/Unit; Estimate to replace entry equipment

*Worst Cost:* **\$17,500**

\$175/Unit; Higher estimate for better quality replacements

*Source of Information:* Research with vendor

*Observations:*

Entry to each unit includes (1) decorative lamp and (1) unit number sign. Lamps and signs are currently in good condition. Expect a useful life of approximately 15 to 18 years from this component.

*General Notes:*

Comp #: 1101 Pool - Resurface



*Location:* **Pool/Spa area**

*Quantity:* **(1) Pool**

*Life Expectancy:* **12** *Remaining Life:* **7**

*Best Cost:* **\$8,000**

Estimate to replaster pool

*Worst Cost:* **\$10,000**

Higher estimate for minor repairs

*Source of Information:* Research with vendor

*Observations:*

Pool is generally in good to fair condition. Pool is approximately five years old. No significant cracking or surface loss noted. Pool plaster has a typical useful life of approximately 10 to 12 years assuming regular maintenance and normal wear.

*General Notes:*

Comp #: 1102 Spa - Resurface



Picture Unavailable

*Location:* Pool/Spa area

*Quantity:* (1) Spa

*Life Expectancy:* 6 *Remaining Life:* 1

*Best Cost:* \$3,000

Estimate to resurface spa

*Worst Cost:* \$3,500

Higher estimate for more prep work

*Source of Information:* Research with vendor

*Observations:*

Spa surface is in fair condition and is generally nearing the end of its useful life. Some discoloration and surface loss noted in local areas. Expect to resurface spa in approximately one year based on current age and condition.

*General Notes:*

Empty box for general notes.

Comp #: 1104 Pool Heater - Replace



Picture Unavailable

*Location:* **Pool equipment area**

*Quantity:* **(1) Pool Heater**

*Life Expectancy:* **10** *Remaining Life:* **5**

*Best Cost:* **\$3,500**

Estimate to replace pool heater

*Worst Cost:* **\$4,000**

Higher estimate for more installation costs

*Source of Information:* CSL Costs Database

*Observations:*

Heater is in good condition. No problems noted or reported. Pool heaters have a life expectancy of approximately 12 years. Remaining life based on current age and condition.

*General Notes:*

**Component Specifications:**

**(1) Teledyne Laars Lite Pool Heater**  
**Serial # 12118764**  
**400,000 BTU**

Comp #: 1105 Spa Heater - Replace



Picture Unavailable

*Location:* **Pool equipment area**

*Quantity:* **(1) Spa heater**

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

*Best Cost:* **\$2,750**

Estimate to replace spa heater

*Worst Cost:* **\$3,250**

Higher estimate for more installation costs

*Source of Information:* CSL Costs Database

*Observations:*

Spa heater is in good condition. No problems noted at the time of inspection. Because spa heaters have to maintain a higher water temperature they typically have a shorter life expectancy. We recommend funding to replace this heater approximately every 8 years.

*General Notes:*

**Component Specifications:**

**(1) Raypak Heater  
250,000 BTU  
Serial # 9411119392**

Comp #: 1110 Pool/Spa Pumps - Partial Replace



Picture Unavailable

*Location:* **Pool equipment area**

*Quantity:* **(3) Pool and spa pumps**

*Life Expectancy:* **3** *Remaining Life:* **1**

*Best Cost:* **\$800**

Estimate to replace one pump every three years

*Worst Cost:* **\$1,000**

Higher estimate for more installation costs

*Source of Information:* CSL Costs Database

*Observations:*

Pumps are in good condition. No expectation to replace all pumps at one time. We recommend funding to replace one pump approximately every three years. Replace motors as necessary as an operating expense.

*General Notes:*

**Quantity Breakdown:**

**(2) 1 HP pumps**

**(1) 1.5 HP pump**

**(3) Total pumps**

Comp #: 1120 Pool Furniture - Replace



Picture Unavailable

*Location:* **Pool area**

*Quantity:* **(23) Various pieces**

*Life Expectancy:* **6** *Remaining Life:* **1**

*Best Cost:* **\$4,000**

Estimate to replace pool furniture

*Worst Cost:* **\$6,000**

Higher estimate for better quality replacements

*Source of Information:* CSL Costs Database

*Observations:*

Pool furniture is in fair condition. Noted minor sun damage but no broken straps observed. We recommend funding to replace this furniture approximately every 6 years. Remaining life based on current condition.

*General Notes:*

**Quantity Breakdown:**

- (8) Chaise Lounges**
- (5) Chairs**
- (3) Glass-Top Tables**
- (3) Umbrellas**
- (4) Drink Tables**
  
- (23) Pieces**

Comp #: 1604 Pole Lights - Replace



*Location:* **Throughout property**

*Quantity:* **(35) Lights**

*Life Expectancy:* **18** *Remaining Life:* **12**

*Best Cost:* **\$26,250**  
\$750/Fixture; Estimate to replace light fixtures

*Worst Cost:* **\$35,000**  
\$1,000/Fixture; Higher estimate for more installation costs

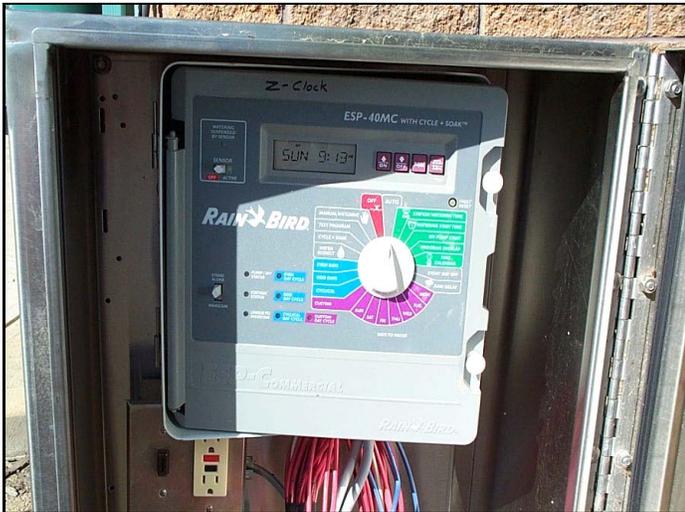
*Source of Information:* Research with manufacturer

*Observations:*

Light poles have an indefinite useful life, no expectation to replace light poles. Expect to replace heads every 15 to 20 years. Repaint heads and poles regularly as an operating issue to protect metal surfaces and maintain appearance.

*General Notes:*

Comp #: 1703 Irrigation Time Clocks - Partial Replace



*Location:* **Exterior building locations**

*Quantity:* **(8) 12 station timers**

*Life Expectancy:* **3**    *Remaining Life:* **1**

*Best Cost:* **\$1,500**  
\$750/Clock; Estimate to replace (2) clocks every 3 years

*Worst Cost:* **\$1,900**  
\$950/Clock; Higher estimate for more installation costs

*Source of Information:* Research with vendor

*General Notes:*

*Observations:*  
No expectation to replace all clocks at one time. We recommend funding to replace two clocks approximately every three years.

## 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**

**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.

