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“Full” Reserve Study



21st & Thomas Medical Plaza **Phoenix, Arizona**

Report #: 17038-0
For Period Beginning: May 1, 2009
Ending: December 31, 2009

Date Prepared: April 28, 2008

Hello, and welcome to your Reserve Study!

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

With respect to Reserves, this Report will tell you “where you are”, and “where to go from here”.

In this Report, you will find...

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

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

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3- Minute Executive Summary

Association: 21st & Thomas Medical Plaza **Assoc. #:** 17038-0
Location: Phoenix, Arizona
of Units: 5
Report Period: May 1, 2009 through December 31, 2009

Results

Projected Starting Reserve Balance:	\$0
Fully Funded Reserve Balance:	\$1,523
Average Reserve Deficit (Surplus) Per Unit:	\$305
Percent Funded:	0.0%
Recommended 2009 Monthly Reserve Contribution:	\$1,000
Recommended 2008 Unit Closing Contributions:	\$5,000

Most Recent Reserve Contribution Rate:..... **\$0**

Economic Assumptions:

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

- **21st & Thomas Medical Plaza is a new development under construction. Construction will be finished during 2009.**
- **The information in this Reserve Study is based on provided construction plans. Since the project does not currently exist, there was No Site Visit performed.**
- **Because this is a new development, there is no established Reserve Fund. Therefore, your Reserves are 0.0% Funded.**
- **To help establish and fund Reserves, we recommend collecting a one-time Reserve contribution of \$1,000 at the close of each unit. This analysis assumes all closings will occur during 2009.**
- **Based on this starting point and your anticipated future expenses, our recommendation is to budget Reserve contributions at \$1,000/month from May 1st through December 31st of the 2009 Fiscal Year.**

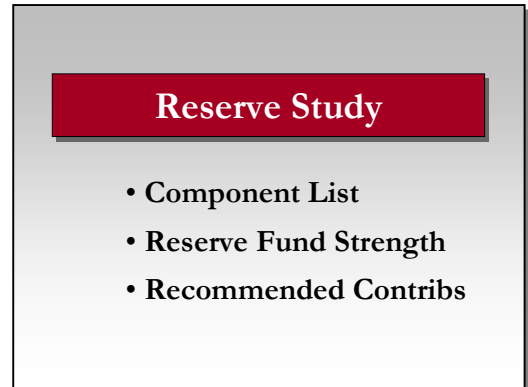
# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
201 Parking Lot - Resurface	20	20	\$29,650	\$53,551
202 Parking Lot - Seal/Repair	4	1	\$2,030	\$2,091
300 Carports - Repair	10	10	\$2,060	\$2,768
310 Trash Gates - Replace	18	18	\$1,800	\$3,064
320 Pole Lights - Replace	30	30	\$4,600	\$11,165
602 Water Feature Pumps - Replace	10	10	\$1,250	\$1,680
710 Monument - Refurbish	15	15	\$6,000	\$9,348
723 Irrigation Controller - Replace	12	12	\$600	\$855
725 Landscape Granite - Replenish	5	5	\$1,400	\$1,623
970 Elevator Cab - Remodel	12	12	\$10,500	\$14,970
972 Elevator - Modernize	24	24	\$64,000	\$130,099
980 Fire Alarm Panel - Replace	12	12	\$2,000	\$2,852
1102 Stairways - Repaint	8	8	\$4,075	\$5,162
1107 Metal Rails - Repaint	4	4	\$1,095	\$1,232
1113 Carports - Repaint	8	8	\$1,600	\$2,027
1115 Stucco - Repaint	8	8	\$9,315	\$11,800
1301 Flat Roof - Replace	15	15	\$2,045	\$3,186
1305 Metal Roof - Replace	30	30	\$71,500	\$173,549
1320 HVAC Condenser - Replace	12	12	\$1,250	\$1,782
1321 HVAC Air Handler - Replace	20	20	\$1,550	\$2,799
20 Total Funded Components				

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

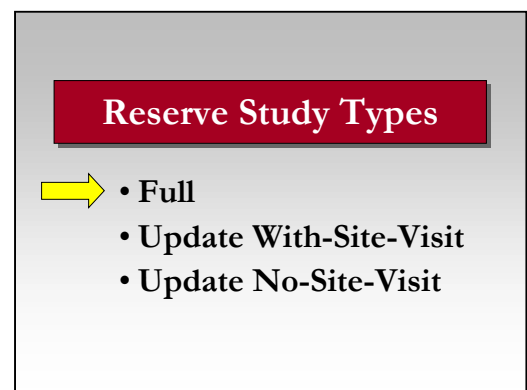
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.



As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Full" Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs. Reserves), and research into any well-established association precedents. We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List "from scratch".



Which Physical Assets are Covered by Reserves?

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a “surprise” which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve

Reserve Components

- Common Area
- Limited Useful Life
- Predictable Life Limit
- Cost must be Significant

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

How are Useful Life and Remaining Useful Life established?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

In this order...

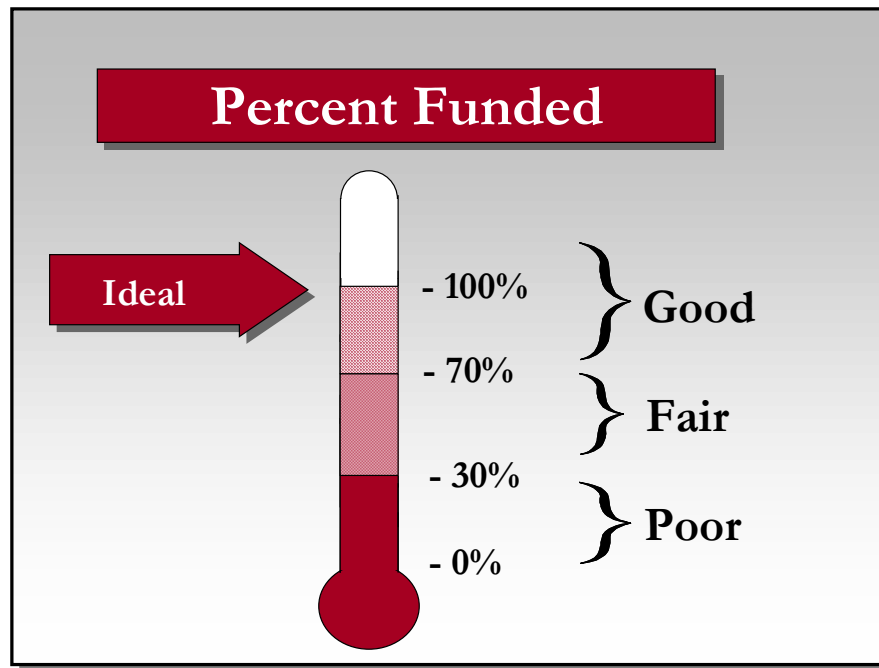
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered “strong” because in this range cash flow problems are rare.

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

How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Board members to recommend to their association.

Funding Principles

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible


What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Funding Goals



- Full Funding
- Threshold Funding
- Baseline Funding

Site Inspection Notes

As mentioned in the Executive Summary, there was No Site Visit performed for this study since the project is in the beginning stages of development. Data contained in this analysis is based on construction plans. The association will be responsible to maintain the exterior shell of the building, one elevator, and the grounds around the building.

This analysis reflects all components as a 2009 install. As such, the Reserve obligation during 2009 is minimal. We do show a small Fully Funded Balance at the start of this report, because the schedule for seal coating the parking lot asphalt has been accelerated to occur during 2010. The new asphalt being installed during 2009 should be sealed at some point during 2010, then every 4-years thereafter, to keep the surface protected and properly maintained.

Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

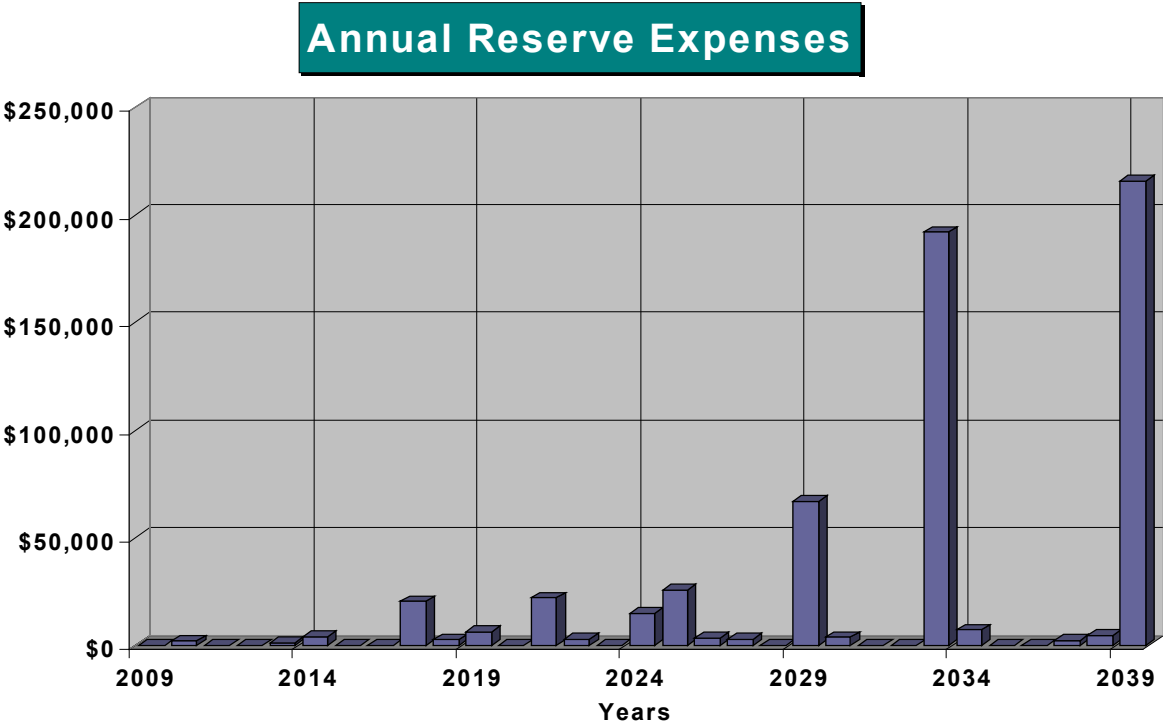


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

Because this is a new development with no established Reserve, the starting point for our financial analysis is projected to be \$0 as-of May 1, 2009. As of May 1, 2009 your Fully Funded Balance is computed to be \$1,523 (see Table 3). This figure represents the deteriorated value of your common area components. Per the information provided on the Site Inspection notes section of this report, page 5, this deteriorated value is due to the accelerated asphalt seal coating project scheduled for 2010. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 0% Funded. This will quickly improve once the association is established and begins collecting Reserve contributions.

Recommended Funding Plan

To help establish and fund Reserves, we recommend collecting a one-time Reserve contribution of \$1,000 at the close of each unit. This analysis assumes all closings will occur during 2009. Based on your current Percent Funded and projected cash flow requirements, we also recommend budgeting Reserve contributions at \$1,000/month for the partial 2009 Fiscal Year. This represents the first year of a 30-year Funding Plan. Our recommended multi-year Funding Plan is shown below. This same information is shown numerically in both Table 4 and Table 5.

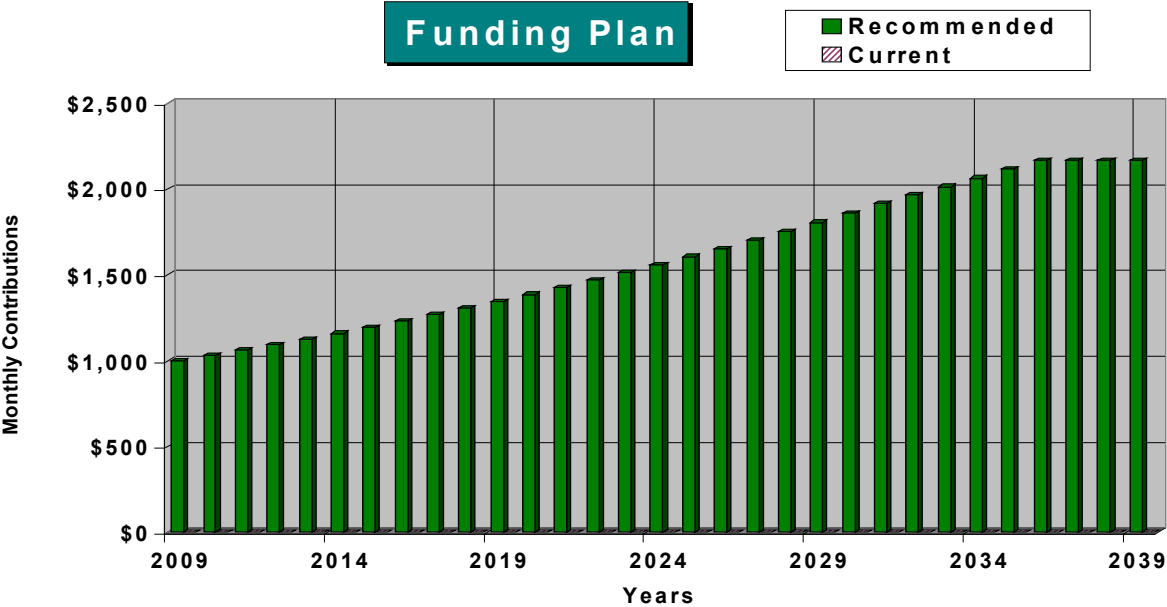


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

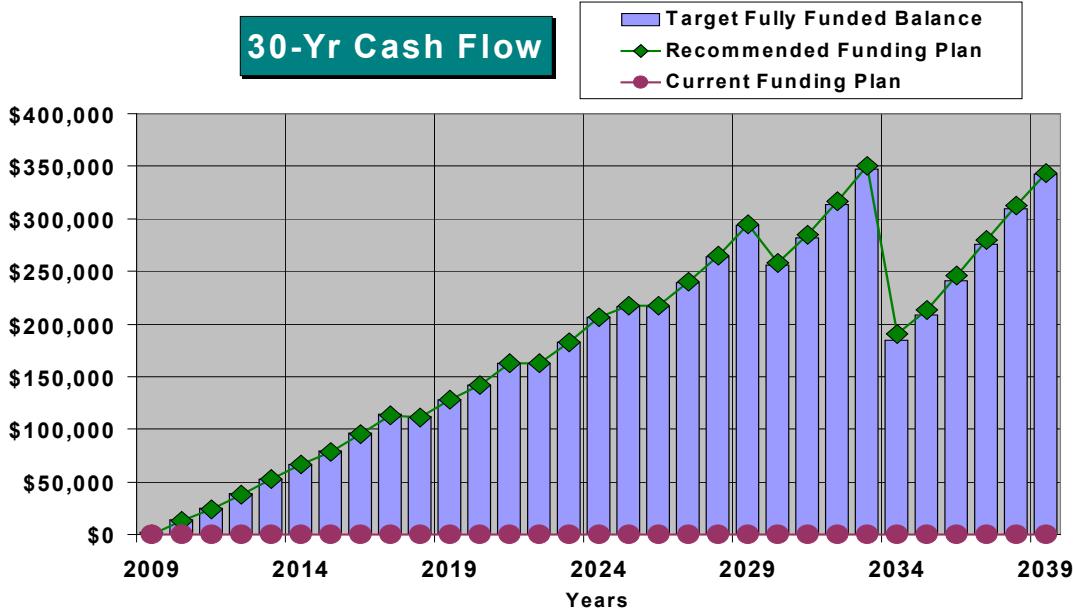


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

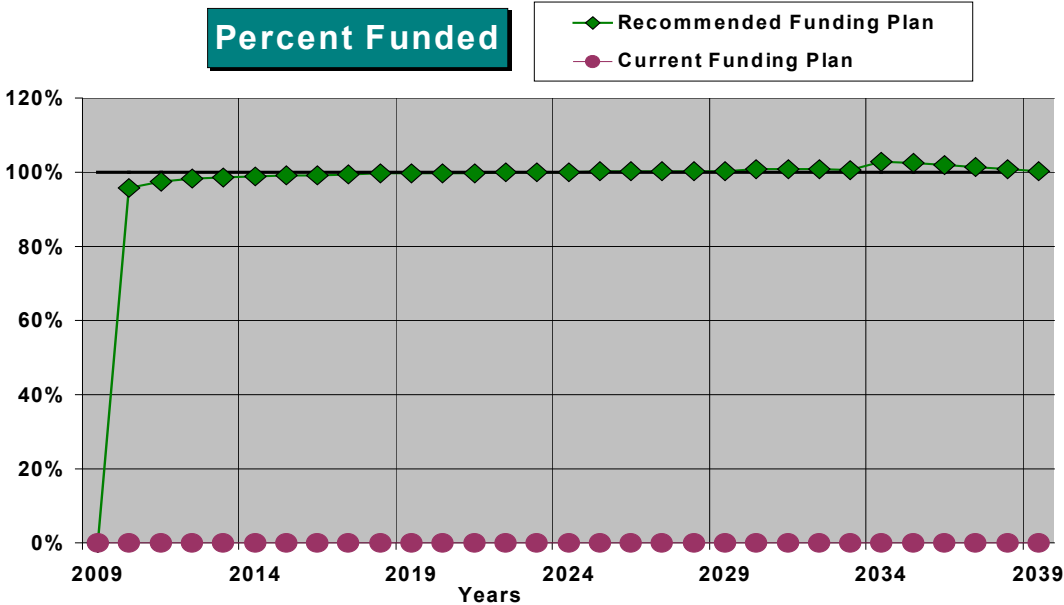


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail**17038-0**

# Component	Quantity	Useful	Rem.	Best	Current
		Life	Useful	Cost	Worst
		Life	Life	Cost	Cost
201 Parking Lot - Resurface	Approx 16,940 Sq Ft	20	20	\$25,400	\$33,900
202 Parking Lot - Seal/Repair	Approx 16,940 Sq Ft	4	1	\$1,860	\$2,200
300 Carports - Repair	Approx 1,830 Sq Ft	10	10	\$1,830	\$2,290
310 Trash Gates - Replace	(2) Gates	18	18	\$1,600	\$2,000
320 Pole Lights - Replace	(2) Pole Lights	30	30	\$4,000	\$5,200
602 Water Feature Pumps - Replace	(2) Pumps	10	10	\$1,100	\$1,400
710 Monument - Refurbish	(1) Monument	15	15	\$5,300	\$6,700
723 Irrigation Controller - Replace	(1) MC-8 Plus	12	12	\$500	\$700
725 Landscape Granite - Replenish	Numerous Sq Ft	5	5	\$1,200	\$1,600
970 Elevator Cab - Remodel	(1) Standard Cab	12	12	\$9,000	\$12,000
972 Elevator - Modernize	(1) 3-Stop Elevator	24	24	\$58,000	\$70,000
980 Fire Alarm Panel - Replace	(1) Panel	12	12	\$1,700	\$2,300
1102 Stairways - Repaint	Approx 7,100 Sq Ft	8	8	\$3,550	\$4,600
1107 Metal Rails - Repaint	Approx 175 LF	4	4	\$960	\$1,230
1113 Carports - Repaint	Approx 3,200 Sq Ft	8	8	\$1,440	\$1,760
1115 Stucco - Repaint	Approx 10,350 Sq Ft	8	8	\$8,280	\$10,350
1301 Flat Roof - Replace	Approx 510 Sq Ft	15	15	\$1,790	\$2,300
1305 Metal Roof - Replace	Approx 7,525 Sq Ft	30	30	\$64,000	\$79,000
1320 HVAC Condenser - Replace	(1) Trane 1.5-Ton	12	12	\$1,100	\$1,400
1321 HVAC Air Handler - Replace	(1) Trane 1.5-Ton	20	20	\$1,400	\$1,700
<hr/>					
20 Total Funded Components					

Table 3: Contribution and Fund Breakdown**17038-0**

# Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
201 Parking Lot - Resurface	20	20	\$29,650	\$0	\$0.00	\$0.00
202 Parking Lot - Seal/Repair	4	1	\$2,030	\$1,523	\$0.00	\$1,000.00
300 Carports - Repair	10	10	\$2,060	\$0	\$0.00	\$0.00
310 Trash Gates - Replace	18	18	\$1,800	\$0	\$0.00	\$0.00
320 Pole Lights - Replace	30	30	\$4,600	\$0	\$0.00	\$0.00
602 Water Feature Pumps - Replace	10	10	\$1,250	\$0	\$0.00	\$0.00
710 Monument - Refurbish	15	15	\$6,000	\$0	\$0.00	\$0.00
723 Irrigation Controller - Replace	12	12	\$600	\$0	\$0.00	\$0.00
725 Landscape Granite - Replenish	5	5	\$1,400	\$0	\$0.00	\$0.00
970 Elevator Cab - Remodel	12	12	\$10,500	\$0	\$0.00	\$0.00
972 Elevator - Modernize	24	24	\$64,000	\$0	\$0.00	\$0.00
980 Fire Alarm Panel - Replace	12	12	\$2,000	\$0	\$0.00	\$0.00
1102 Stairways - Repaint	8	8	\$4,075	\$0	\$0.00	\$0.00
1107 Metal Rails - Repaint	4	4	\$1,095	\$0	\$0.00	\$0.00
1113 Carports - Repaint	8	8	\$1,600	\$0	\$0.00	\$0.00
1115 Stucco - Repaint	8	8	\$9,315	\$0	\$0.00	\$0.00
1301 Flat Roof - Replace	15	15	\$2,045	\$0	\$0.00	\$0.00
1305 Metal Roof - Replace	30	30	\$71,500	\$0	\$0.00	\$0.00
1320 HVAC Condenser - Replace	12	12	\$1,250	\$0	\$0.00	\$0.00
1321 HVAC Air Handler - Replace	20	20	\$1,550	\$0	\$0.00	\$0.00
20 Total Funded Components				\$1,523	\$0	\$1,000

Table 4: 30-Year Reserve Plan Summary**17038-0****Fiscal Year Beginning: 05/01/09****Interest: 3.0%****Inflation: 3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Contribs, Loans, and Spec. Assmts	Interest Income	Projected Reserve Expenses	Ending Reserve Balance
2009	\$0	\$1,523	0.0%	Weak	\$13,000	\$198	\$0	\$13,198
2010	\$13,198	\$13,786	95.7%	Strong	\$12,360	\$558	\$2,091	\$24,024
2011	\$24,024	\$24,629	97.5%	Strong	\$12,731	\$924	\$0	\$37,680
2012	\$37,680	\$38,330	98.3%	Strong	\$13,113	\$1,345	\$0	\$52,138
2013	\$52,138	\$52,830	98.7%	Strong	\$13,506	\$1,772	\$1,232	\$66,184
2014	\$66,184	\$66,896	98.9%	Strong	\$13,911	\$2,164	\$3,976	\$78,283
2015	\$78,283	\$78,970	99.1%	Strong	\$14,329	\$2,599	\$0	\$95,211
2016	\$95,211	\$95,928	99.3%	Strong	\$14,758	\$3,120	\$0	\$113,089
2017	\$113,089	\$113,831	99.3%	Strong	\$15,201	\$3,361	\$20,376	\$111,276
2018	\$111,276	\$111,736	99.6%	Strong	\$15,657	\$3,582	\$2,649	\$127,867
2019	\$127,867	\$128,300	99.7%	Strong	\$16,127	\$4,038	\$6,330	\$141,702
2020	\$141,702	\$142,049	99.8%	Strong	\$16,611	\$4,563	\$0	\$162,875
2021	\$162,875	\$163,222	99.8%	Strong	\$17,109	\$4,879	\$22,021	\$162,843
2022	\$162,843	\$162,856	100.0%	Strong	\$17,622	\$5,176	\$2,981	\$182,660
2023	\$182,660	\$182,613	100.0%	Strong	\$18,151	\$5,832	\$0	\$206,643
2024	\$206,643	\$206,571	100.0%	Strong	\$18,696	\$6,346	\$14,715	\$216,969
2025	\$216,969	\$216,646	100.1%	Strong	\$19,256	\$6,500	\$25,812	\$216,914
2026	\$216,914	\$216,164	100.3%	Strong	\$19,834	\$6,848	\$3,355	\$240,241
2027	\$240,241	\$239,387	100.4%	Strong	\$20,429	\$7,571	\$3,064	\$265,177
2028	\$265,177	\$264,211	100.4%	Strong	\$21,042	\$8,386	\$0	\$294,605
2029	\$294,605	\$293,561	100.4%	Strong	\$21,673	\$8,274	\$66,835	\$257,717
2030	\$257,717	\$255,593	100.8%	Strong	\$22,324	\$8,121	\$3,776	\$284,385
2031	\$284,385	\$282,099	100.8%	Strong	\$22,993	\$9,000	\$0	\$316,377
2032	\$316,377	\$313,972	100.8%	Strong	\$23,568	\$9,981	\$0	\$349,927
2033	\$349,927	\$347,503	100.7%	Strong	\$24,157	\$8,091	\$191,967	\$190,208
2034	\$190,208	\$185,038	102.8%	Strong	\$24,761	\$6,053	\$7,182	\$213,841
2035	\$213,841	\$208,772	102.4%	Strong	\$25,380	\$6,890	\$0	\$246,111
2036	\$246,111	\$241,383	102.0%	Strong	\$26,015	\$7,881	\$0	\$280,007
2037	\$280,007	\$275,763	101.5%	Strong	\$26,015	\$8,874	\$2,505	\$312,391
2038	\$312,391	\$309,408	101.0%	Strong	\$26,015	\$9,825	\$4,784	\$343,446

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)**17038-0**

Fiscal Year	2009	2010	2011	2012	2013
Starting Reserve Balance	\$0	\$13,198	\$24,024	\$37,680	\$52,138
Annual Reserve Contribution	\$8,000	\$12,360	\$12,731	\$13,113	\$13,506
Planned Special Assessments	\$5,000	\$0	\$0	\$0	\$0
Interest Earnings	\$198	\$558	\$924	\$1,345	\$1,772
Subtotal	\$13,198	\$26,115	\$37,680	\$52,138	\$67,416
# Component					
201 Parking Lot - Resurface	\$0	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$0	\$2,091	\$0	\$0	\$0
300 Carports - Repair	\$0	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$0	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$0	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$0	\$0	\$0
725 Landscape Granite - Replenish	\$0	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$0	\$0	\$0
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$0
980 Fire Alarm Panel - Replace	\$0	\$0	\$0	\$0	\$0
1102 Stairways - Repaint	\$0	\$0	\$0	\$0	\$0
1107 Metal Rails - Repaint	\$0	\$0	\$0	\$0	\$1,232
1113 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$0	\$0	\$0
1321 HVAC Air Handler - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$2,091	\$0	\$0	\$1,232
Ending Reserve Balance:	\$13,198	\$24,024	\$37,680	\$52,138	\$66,184

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**17038-0**

Fiscal Year	2014	2015	2016	2017	2018
Starting Reserve Balance	\$66,184	\$78,283	\$95,211	\$113,089	\$111,276
Annual Reserve Contribution	\$13,911	\$14,329	\$14,758	\$15,201	\$15,657
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,164	\$2,599	\$3,120	\$3,361	\$3,582
Subtotal	\$82,259	\$95,211	\$113,089	\$131,652	\$130,515
# Component					
201 Parking Lot - Resurface	\$0	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$2,353	\$0	\$0	\$0	\$2,649
300 Carports - Repair	\$0	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$0	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$0	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$0	\$0	\$0
725 Landscape Granite - Replenish	\$1,623	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$0	\$0	\$0
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$0
980 Fire Alarm Panel - Replace	\$0	\$0	\$0	\$0	\$0
1102 Stairways - Repaint	\$0	\$0	\$0	\$5,162	\$0
1107 Metal Rails - Repaint	\$0	\$0	\$0	\$1,387	\$0
1113 Carports - Repaint	\$0	\$0	\$0	\$2,027	\$0
1115 Stucco - Repaint	\$0	\$0	\$0	\$11,800	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$0	\$0	\$0
1321 HVAC Air Handler - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$3,976	\$0	\$0	\$20,376	\$2,649
Ending Reserve Balance:	\$78,283	\$95,211	\$113,089	\$111,276	\$127,867

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14) 17038-0

Fiscal Year	2019	2020	2021	2022	2023
Starting Reserve Balance	\$127,867	\$141,702	\$162,875	\$162,843	\$182,660
Annual Reserve Contribution	\$16,127	\$16,611	\$17,109	\$17,622	\$18,151
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,038	\$4,563	\$4,879	\$5,176	\$5,832
Subtotal	\$148,032	\$162,875	\$184,864	\$185,641	\$206,643
# Component					
201 Parking Lot - Resurface	\$0	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$0	\$0	\$0	\$2,981	\$0
300 Carports - Repair	\$2,768	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$1,680	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$0	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$855	\$0	\$0
725 Landscape Granite - Replenish	\$1,881	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$14,970	\$0	\$0
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$0
980 Fire Alarm Panel - Replace	\$0	\$0	\$2,852	\$0	\$0
1102 Stairways - Repaint	\$0	\$0	\$0	\$0	\$0
1107 Metal Rails - Repaint	\$0	\$0	\$1,561	\$0	\$0
1113 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$1,782	\$0	\$0
1321 HVAC Air Handler - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$6,330	\$0	\$22,021	\$2,981	\$0
Ending Reserve Balance:	\$141,702	\$162,875	\$162,843	\$182,660	\$206,643

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19) 17038-0

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$206,643	\$216,969	\$216,914	\$240,241	\$265,177
Annual Reserve Contribution	\$18,696	\$19,256	\$19,834	\$20,429	\$21,042
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,346	\$6,500	\$6,848	\$7,571	\$8,386
Subtotal	\$231,684	\$242,725	\$243,596	\$268,241	\$294,605
# Component					
201 Parking Lot - Resurface	\$0	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$0	\$0	\$3,355	\$0	\$0
300 Carports - Repair	\$0	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$3,064	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$0	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$9,348	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$0	\$0	\$0
725 Landscape Granite - Replenish	\$2,181	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$0	\$0	\$0
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$0
980 Fire Alarm Panel - Replace	\$0	\$0	\$0	\$0	\$0
1102 Stairways - Repaint	\$0	\$6,539	\$0	\$0	\$0
1107 Metal Rails - Repaint	\$0	\$1,757	\$0	\$0	\$0
1113 Carports - Repaint	\$0	\$2,568	\$0	\$0	\$0
1115 Stucco - Repaint	\$0	\$14,948	\$0	\$0	\$0
1301 Flat Roof - Replace	\$3,186	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$0	\$0	\$0
1321 HVAC Air Handler - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$14,715	\$25,812	\$3,355	\$3,064	\$0
Ending Reserve Balance:	\$216,969	\$216,914	\$240,241	\$265,177	\$294,605

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**17038-0**

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$294,605	\$257,717	\$284,385	\$316,377	\$349,927
Annual Reserve Contribution	\$21,673	\$22,324	\$22,993	\$23,568	\$24,157
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$8,274	\$8,121	\$9,000	\$9,981	\$8,091
Subtotal	\$324,552	\$288,161	\$316,377	\$349,927	\$382,175
# Component					
201 Parking Lot - Resurface	\$53,551	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$0	\$3,776	\$0	\$0	\$0
300 Carports - Repair	\$3,721	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$2,258	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$0	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$0	\$0	\$1,220
725 Landscape Granite - Replenish	\$2,529	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$0	\$0	\$21,344
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$130,099
980 Fire Alarm Panel - Replace	\$0	\$0	\$0	\$0	\$4,066
1102 Stairways - Repaint	\$0	\$0	\$0	\$0	\$8,284
1107 Metal Rails - Repaint	\$1,978	\$0	\$0	\$0	\$2,226
1113 Carports - Repaint	\$0	\$0	\$0	\$0	\$3,252
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$18,935
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$0	\$0	\$2,541
1321 HVAC Air Handler - Replace	\$2,799	\$0	\$0	\$0	\$0
Subtotal	\$66,835	\$3,776	\$0	\$0	\$191,967
Ending Reserve Balance:	\$257,717	\$284,385	\$316,377	\$349,927	\$190,208

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**17038-0**

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$190,208	\$213,841	\$246,111	\$280,007	\$312,391
Annual Reserve Contribution	\$24,761	\$25,380	\$26,015	\$26,015	\$26,015
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,053	\$6,890	\$7,881	\$8,874	\$9,825
Subtotal	\$221,022	\$246,111	\$280,007	\$314,896	\$348,230
# Component					
201 Parking Lot - Resurface	\$0	\$0	\$0	\$0	\$0
202 Parking Lot - Seal/Repair	\$4,250	\$0	\$0	\$0	\$4,784
300 Carports - Repair	\$0	\$0	\$0	\$0	\$0
310 Trash Gates - Replace	\$0	\$0	\$0	\$0	\$0
320 Pole Lights - Replace	\$0	\$0	\$0	\$0	\$0
602 Water Feature Pumps - Replace	\$0	\$0	\$0	\$0	\$0
710 Monument - Refurbish	\$0	\$0	\$0	\$0	\$0
723 Irrigation Controller - Replace	\$0	\$0	\$0	\$0	\$0
725 Landscape Granite - Replenish	\$2,931	\$0	\$0	\$0	\$0
970 Elevator Cab - Remodel	\$0	\$0	\$0	\$0	\$0
972 Elevator - Modernize	\$0	\$0	\$0	\$0	\$0
980 Fire Alarm Panel - Replace	\$0	\$0	\$0	\$0	\$0
1102 Stairways - Repaint	\$0	\$0	\$0	\$0	\$0
1107 Metal Rails - Repaint	\$0	\$0	\$0	\$2,505	\$0
1113 Carports - Repaint	\$0	\$0	\$0	\$0	\$0
1115 Stucco - Repaint	\$0	\$0	\$0	\$0	\$0
1301 Flat Roof - Replace	\$0	\$0	\$0	\$0	\$0
1305 Metal Roof - Replace	\$0	\$0	\$0	\$0	\$0
1320 HVAC Condenser - Replace	\$0	\$0	\$0	\$0	\$0
1321 HVAC Air Handler - Replace	\$0	\$0	\$0	\$0	\$0
Subtotal	\$7,182	\$0	\$0	\$2,505	\$4,784
Ending Reserve Balance:	\$213,841	\$246,111	\$280,007	\$312,391	\$343,446

Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves – Arizona, LLC, and its employees have no ownership, management, or other business relationships with the client beyond this Reserve Study engagement. D.J. Vlaming, R.S., company president, is a credentialed Reserve Specialist. All work done by Association Reserves – Arizona, LLC is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our “Site Inspection Notes” comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area)
GSY	Gross Square Yards (area)
HP	Horsepower
LF	Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

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 Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.