ABC Condo Association
123 Hometown Parkway
Yourtown, CO. 80000

Level 1, Premium Reserve Analysis
Report Period – 01/01/19 – 12/31/19

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APRA

Client Reference Number - 0000
Property Type – Condominiums

FINAL Version

Fiscal Year End –	**December 31**
Number of units-	**32**
Date of Property Observation -	**June 14, 2018**
Project Manager -	**G. Michael Kelsen, Rs, PRA**
Main Contact Person -	**Property Manager**
Report was prepared on -	**Wednesday, August 29, 2018**

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Table of Contents

Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that 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/Valuation Estimates will most likely vary from year to year. You can find this information in the ***Component Inventory Section*** (Section 2) of this Reserve Analysis. The ***Financial Analysis Section*** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide a calculated estimate as to what the Reserve Allocation needs to be. 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 timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This 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.

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 time of the observation. 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 not been investigated in the preparation of 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 Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

General Information and Answers to 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 dues. 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 operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

Now that we have "it", 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 Analysis very easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (asset 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 significant portion of the total monthly dues 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 normal maintenance and replacement 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 from owners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review "it"?

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 Analysis should be reviewed *each year* <u>before</u> 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. Aging 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 Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study be completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think $50,000 is a lot of money and they are in good shape. What they don't know is the roof will need to be replaced within 5 years, and the cost of the roof is going to exceed $75,000. So while $50,000 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.

What makes an asset a "Reserve" item versus an "Operating" item?

A "Reserve" asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. 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.

The GREY area 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.

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

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

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the 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 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 – The majority of associations are considered to be in this "fair" financial position. 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 – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of ABC Condo Association - Assoc ID # - 0000

Projected Starting Balance as of January 1, 2019 -	**$51,572**
Ideal Reserve Balance as of January 1, 2019 -	**$169,153**
Percent Funded as of January 1, 2019 -	**30%**
Recommended Reserve Allocation (per month) -	**$3,550**
Minimum Reserve Allocation (per month) -	**$3,375**
Recommended Special Assessments -	**$0**

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on June 14th, 2018. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representative. To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This property contains 32 condominium units within 16 similar buildings that were originally constructed in 2003. Common area amenities the association is responsible to maintain include the building exterior surfaces, roofs and gutters, irrigation system and some landscaping. Please refer to the *Projected Reserve Expenditures* table of the Financial Analysis section for a list of when components are scheduled to be addressed.

In comparing the projected balance of $51,572 versus the ideal Reserve Balance of $169,153, we find the association Reserve fund to be in a poor financial position at this point in time (approximately 30% funded of ideal). Associations in this position are typically susceptible to Special Assessments, as well as deferred maintenance which will lead to lower property values. However, this can be avoided as long as our recommendation is followed. As a result of the information contained in this report, we find the current budgeted Reserve allocation ($943 per month) to be less than adequate in improving the strength of the Reserve fund to prepare for future projects. Therefore, we are recommending a substantial increase of the Reserve contribution to $3,550 (representing an increase of $81.47 per unit) per month starting in 2019, with nominal annual increases of 3.5% for 20 years, followed by secondary annual increases of 4.00% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see we have also provided a “minimum Reserve contribution” of $3,375 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where additional Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the “threshold” theory of Reserve funding where the ”percent funded” status is not allowed to dip below 30% funded at any point during the thirty-year period.

This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately $5.47 per unit per month in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 105 Comp Shingle Roof - Replace

Observations:

- It appears this roof material is rated as a 30 - 40 year product. Despite this rating, a life expectancy of 1[illegible] - 20 years is expected in this environment.
- Due to the potentially harsh winters, extensive freeze/thaw cycle, and likelihood of hail events over the useful life of the roof, we typically see associations replacing roofs sooner than the manufacturer's suggested useful life.
- Remaining life is based on age of roof and observed conditions.

Location: ***Unit Building Roofs***

Quantity: ***Approx. 546 Square***

Life Expectancy: ***20*** *Remaining Life:* ***13***

Best Cost: ***$204.7[illegible]***

$375/square; Estimate to remove and replace

Worst Cost: ***$245,700***

$450/square; Higher estimate for better quality

Source of Information: Cost Database

General Notes:

Type A: 36 Squares x 6 = Approx. 216 Squares
2038, 1726, 1721
1820, 1650
1821

Type B: 33 Squares x 10 = Approx. 330 Squares

- 2045, 1945, 1944, 2003, 2002, 1720, 1727
1902
1903, 1651

Project History:
- 2012: Replaced - No cost provided

Comp #: 120 Gutters/Downspouts - Replace

Observations:

- Although it is typical to replace gutters and downspouts at the same time as the roof materials, it does not appear these were replaced with the roofs.
- Therefore, the remaining life reflects the age of the gutters and downspouts.
- We recommend cleaning debris out of lines at least once a year to prevent clogging and moisture retention that can lead to advanced deterioration.

Location: ***Condominium Exteriors***

Quantity: ***Approx. 3,250 LF***

Life Expectancy: ***25*** *Remaining Life:* ***9***

Best Cost: ***$21,95***
$6.75/LF; Estimate to replace

Worst Cost: ***$26,825***
$8.25/LF: Higher estimate for larger lines

Source of Information: Cost Database

General Notes:

Type A: 250 LF x 6 = Approx. 1,500 LF
2038, 1726, 1721
1820, 1650
1821

Type B: 175 LF x 10 = Approx. 1,750 LF

- 2045, 1945, 1944, 2003, 2002, 1720, 1727
1902
1903, 1651

Comp #: 204 Building Ext Surfaces - Repaint (1)

Observations:

- In this climate, it is recommended that exterior surfaces are painted every 4 - 6 years.
- The exact timeframe depends on the color chosen and the level of exposure to elements, as well as the quality of past paint jobs.
- The remaining life is based on the observed conditions.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Unit***

Life Expectancy: ***6*** *Remaining Life:* ***3***

Best Cost: ***$17,20***

$2,150/unit; Estimate to repaint buildings

Worst Cost: ***$19,600***

$2,450/unit; Higher estimate for more labor

Source of Information: Cost database

General Notes:

2002
2003
2038
2045

Project History:
- 2012: $10,173.75
- 2016: $14,800

Comp #: 205 Building Ext Surfaces - Repaint (2)

Observations:

- In this climate, it is recommended that exterior surfaces are painted every 4 - 6 years.
- The exact timeframe depends on the color chosen and the level of exposure to elements, as well as the quality of past paint jobs.
- The remaining life is based on the observed conditions.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Unit***

Life Expectancy: ***6*** *Remaining Life:* ***0***

Best Cost: ***$17,20***

$2,150/unit; Estimate to repaint buildings

Worst Cost: ***$19,600***

$2,450/unit; Higher estimate for more labor

Source of Information: Cost database

General Notes:

1944
1945
1902
1903

Project History:
- 2013: $10,173.75

Comp #: 206 Building Ext Surfaces - Repaint (3)

Observations:

- In this climate, it is recommended that exterior surfaces are painted every 4 - 6 years.
- The exact timeframe depends on the color chosen and the level of exposure to elements, as well as the quality of past paint jobs.
- The remaining life is based on the observed conditions.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Unit***

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

Best Cost: ***$17,20***

$2,150/unit; Estimate to repaint buildings

Worst Cost: ***$19,600***

$2,450/unit; Higher estimate for more labor

Source of Information: Cost database

General Notes:

1726
1727
1820
1821

Project History:
- 2014: $10,173.75

Comp #: 207 Building Ext Surfaces - Repaint (4)

Observations:

- In this climate, it is recommended that exterior surfaces are painted every 4 - 6 years.
- The exact timeframe depends on the color chosen and the level of exposure to elements, as well as the quality of past paint jobs.
- The remaining life is based on the observed conditions.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Unit***

Life Expectancy: ***6*** *Remaining Life:* ***2***

Best Cost: ***$17,20***

$2,150/unit; Estimate to repaint buildings

Worst Cost: ***$19,600***

$2,450/unit; Higher estimate for more labor

Source of Information: Cost database

General Notes:

1650
1651
1720
1721

Project History:
- 2015: $10,173.75

Comp #: 304 Fiber Cement Siding - Major Repairs (1)

Observations:

- As the property ages, this type of material has been known to start delaminating if not painted and caulked on a proper cycle.
- We suggest establishing Reserve funds for major repairs every other painting cycle.
- The remaining life is based on the observed conditions at the time of our site evaluation and the timing of the next paint job.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Units***

Life Expectancy: ***12*** *Remaining Life:* ***9***

Best Cost: ***$2,800***

$350/Unit; Allowance for major repairs

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

$500/Unit; Higher allowance for more repairs

Source of Information: Cost database

General Notes:

Type A: 3,645 GSF
- - 2038

Type B:3,725 GSF x 3 = Approx. 11,175 GSF
- - 2002, 2003, 2045

Comp #: 305 Fiber Cement Siding - Major Repairs (2)

Observations:

- As the property ages, this type of material has been known to start delaminating if not painted and caulked on a proper cycle.
- We suggest establishing Reserve funds for major repairs every other painting cycle.
- The remaining life is based on the observed conditions at the time of our site evaluation and the timing of the next paint job.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Unit***

Life Expectancy: ***12*** *Remaining Life:* ***6***

Best Cost: ***$2,800***

$350/Unit; Allowance for major repairs

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

$500/Unit; Higher allowance for more repairs

Source of Information: Cost database

General Notes:

Type B: 3,725 GSF x 4 = Approx. 14,900 GSF
- - 1944, 1945,
- - 1902
- - 1903

Comp #: 306 Fiber Cement Siding - Major Repairs (3)

Observations:

- As the property ages, this type of material has been known to start delaminating if not painted and caulked on a proper cycle.
- We suggest establishing Reserve funds for major repairs every other painting cycle.
- The remaining life is based on the observed conditions at the time of our site evaluation and the timing of the next paint job.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Units***

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

Best Cost: ***$2,800***

$350/Unit; Allowance for major repairs

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

$500/Unit; Higher allowance for more repairs

Source of Information: Cost database

General Notes:

Type A: 3,645 GSF x 3 = Approx. 10,935 GSF
- - 1726
- - 1820
- - 1821

Type B: 3,725 GSF
- - 1727

Comp #: 307 Fiber Cement Siding - Major Repairs (4)

Observations:

- As the property ages, this type of material has been known to start delaminating if not painted and caulked on a proper cycle.
- We suggest establishing Reserve funds for major repairs every other painting cycle.
- The remaining life is based on the observed conditions at the time of our site evaluation and the timing of the next paint job.

Location: ***Unit Building Exteriors***

Quantity: ***(8) Units***

Life Expectancy: ***12*** *Remaining Life:* ***8***

Best Cost: ***$2,800***

$350/Unit; Allowance for major repairs

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

$500/Unit; Higher allowance for more repairs

Source of Information: Cost database

General Notes:

Type A: 3,645 GSF x 2 = Approx. 7,290 GSF
- - 1650
- - 1721

Type B: 3,725 GSF x 2 = Approx. 7,450 GSF
- - 1651
- - 1720

Comp #: 308 Brick - Replace

Observations:

- Typically, this material has an extended life expectancy and complete replacement is unlikely.
- There are times where minor repairs may become necessary, but this is unpredictable when and how much would occur.
- Repairs should be handled as a maintenance issue on an as needed basis.
- Reserve funding is not required for this component at this time.
- If it later turns out that frequent repairs are necessary, then funding should be added in future Reserve Study updates.

Location: ***Condominium Exteriors***

Quantity: ***Approx. 1,700 GSF***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Type A: 6 Bldgs x 75 GSF = Approx. 450 GSF

Type B: 10 Bldgs x 125 GSF = Approx. 1,250 GSF

Comp #: 403 Concrete Driveways - Repair/Replace

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, driveways are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Driveways***

Quantity: ***Approx. 12,300 GSF***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 501 Front Doors - Replace

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, doors are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Exteriors***

Quantity: ***(32) Front Doors***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 502 Garage Doors - Replace

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, garage doors are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Exteriors***

Quantity: ***(32) Garage Doors***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

(22) 16x7
(10) 8X7

Comp #: 601 Concrete Sidewalks/Porches - Repair

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, sidewalks and porches are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Exteriors***

Quantity: ***Approx. 1,380 GSF***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 609 Composite Rails - Replace

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, the rails are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Front Porches***

Quantity: ***Approx. 525 LF***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1602 Exterior Wall Mount - Replace

Observations:

- Per the instructions given to us by the client, we have used the Responsibility for Payment column of the Maintenance Responsibility Chart to determine whether the association is responsible.
- According to that document, all exterior lights are the responsibility of the home owner.
- No Reserve funding is required.

Location: ***Condominium Exteriors***

Quantity: ***Approx. (96) Lights***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1701 Irrigation System - Major Repairs

Observations:

- This line item is for repairs and replacement that lies outside the scope of routine maintenance; bulk sprinkler head replacement, bulk valve replacement, rerouting lateral lines, rewiring, etc.
- This line item can be used to fund the shut off valve project that has been discussed.
- In order to ensure the funds are available for major repairs, we recommend reserving funds for these projects every 4 - 6 years.
- The funding on this line item is for major repairs and is not to be interpreted as complete irrigation system replacement.

Location: ***Condominium Front Yards***

Quantity: ***Moderate***

Life Expectancy: ***6*** *Remaining Life:* ***0***

Best Cost: ***$12,000***

Allowance for major repairs

Worst Cost: ***$14,000***

Higher allowance for more repairs

Source of Information: Research with contractor

General Notes:

Comp #: 1703 Irrigation Timeclocks - Replace

Observations:

- Due to the low individual replacement cost and the varying ages of these controllers, Reserving funding is not necessary.
- We recommend replacing these controllers as needed with operating funds.

Location: ***Inside Each Unit***

Quantity: ***(32) Irrigation Clocks***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1706 Backflow Devices - Replace

Observations:

- Devices can be rebuilt and repaired when needed as a maintenance issue.
- It is very seldom that a complete system would need to be replaced due to normal wear and tear.
- Replacement would be as a result of freezing conditions if system is not winterized properly or in a timely manner.
- No Reserve funding is required due to difficulty of predicting a life expectancy and the fact that systems can be rebuilt an a minimal cost, as opposed to being replaced.

Location: ***Condominium Exteriors***

Quantity: ***(32) Backflow Devices***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1801 Groundcover - Replenish

Observations:

- This line item, similar to irrigation repairs, is for projects that lie outside the scope of routine maintenance.
- In order to preserve an attractive curb appeal and to maintain the health of the plants and shrubs, we recommend reserving for refurbishment projects every 2 - 3 years.
- This line item is for cyclical refurbishment and should not be considered as complete landscaping replacement.

Location: ***Throughout Property***

Quantity: ***Moderate***

Life Expectancy: ***3*** *Remaining Life:* ***2***

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

Allowance for major replenishment

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

Higher allowance for more material

Source of Information: Cost Database

General Notes:

Comp #: 1804 Tree - Replacement/Major Maintenance

Observations:

- It is very difficult to predict a replacement cycle for trees as there are several factors such as disease, infestation of insects, heavy snow storms, etc. can all attribute to eventual tree replacement.
- Since it is difficult to predict when the replacement will be necessary, Reserve funding is typically not a factor.
- Therefore, unless requested by the association, Reserve funding will not be included as part of the study for this component.

Location: ***Unit Front Yards***

Quantity: ***Numerous***

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

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Funding Summary For ABC Condo Association

Beginning Assumptions	
Financial Information Source	Research With Client
# of units	32
Fiscal Year End	December 31, 2019
Monthly Dues from 2018 budget	$5,120.00
Monthly Reserve Allocation from 2018 Budget	$943.00
Projected Starting Reserve Balance (as of 1/1/2019)	$51,572
Reserve Balance: Average Per Unit	$1,612
Ideal Starting Reserve Balance (as of 1/1/2019)	$169,153
Ideal Reserve Balance: Average Per Unit	$5,286

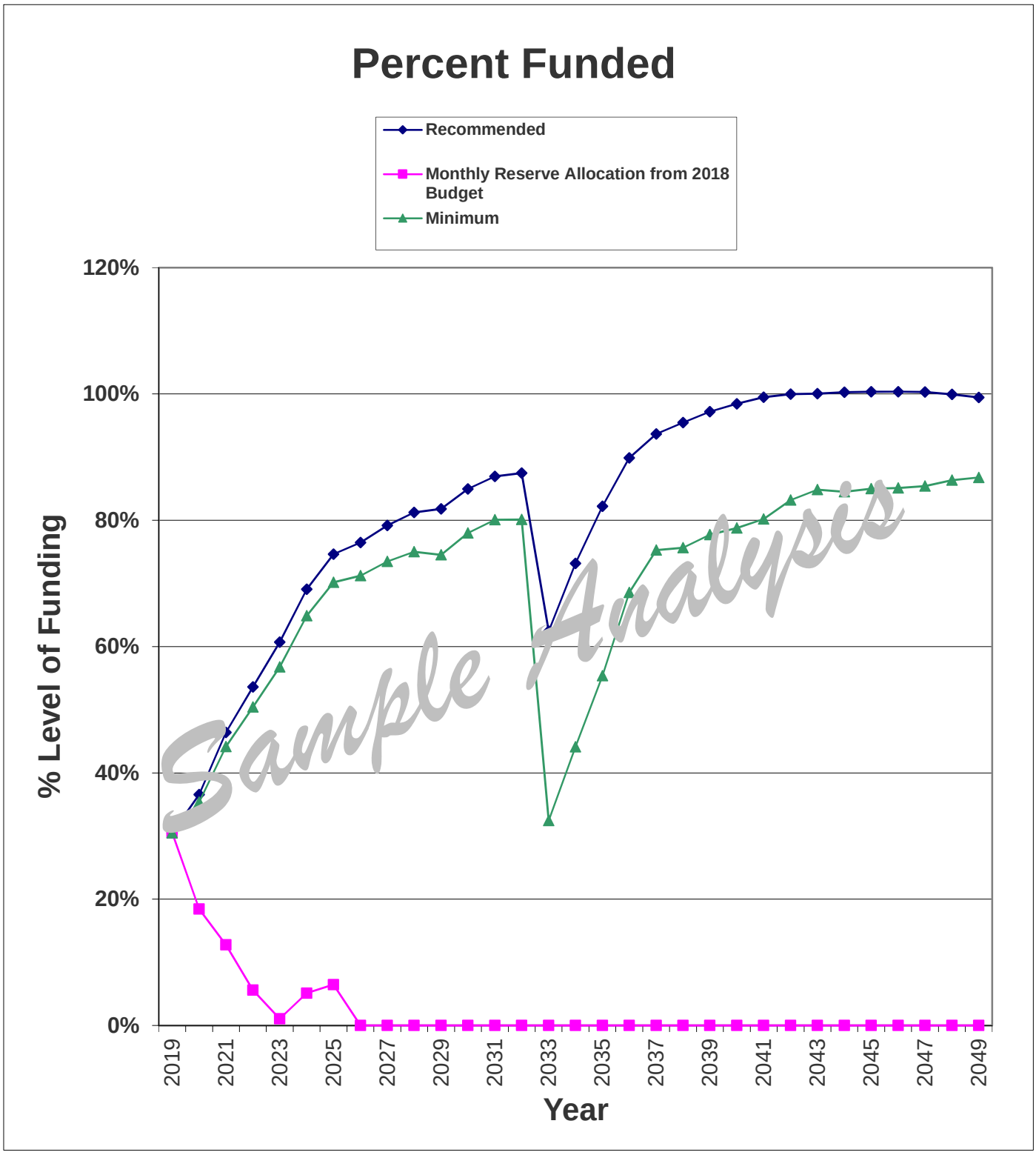
Economic Factors	
Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Current Average Interest Rate	1.00%

Current Reserve Status	
Current Balance as a % of Ideal Balance	30%

Recommendations for 2019 Fiscal Year	
Monthly Reserve Allocation	$3,550
Per Unit	$110.94
Minimum Monthly Reserve Allocation	$3,375
Per Unit	$105.47
Primary Annual Increases	2.75%
# of Years	20
Secondary Annual Increases	4.00%
# of Years	10
Special Assessment	$0
Per Unit	$0

Changes From Prior Year (2018 to 2019)	
Increase/Decrease to Reserve Allocation	$2,607
as Percentage	276%
Average Per Unit	$81.47

Percent Funded Graph For ABC Condo Association



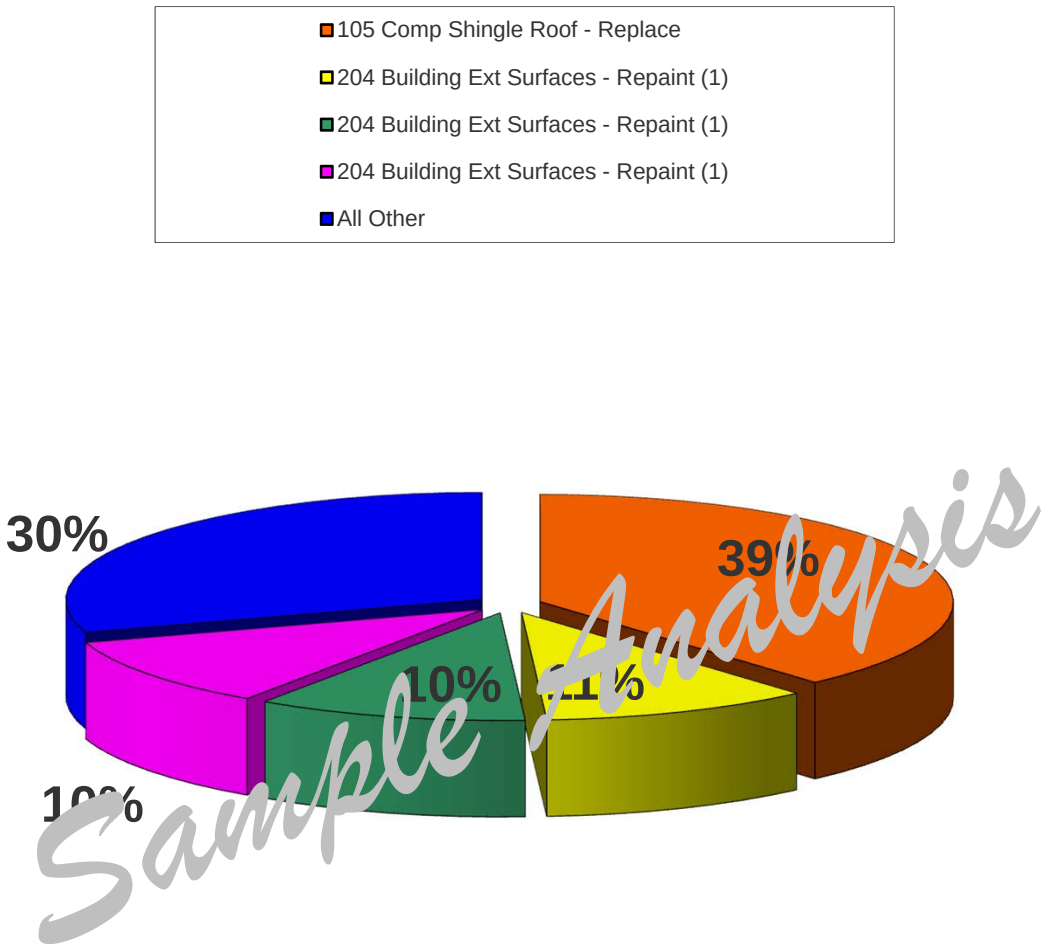
Component Inventory for ABC Condo Association

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	105	Comp Shingle Roof - Replace	20	13	$204,750	$245,700
	120	Gutters/Downspouts - Replace	25	9	$21,950	$26,825
Painted Surfaces	204	Building Ext Surfaces - Repaint (1)	6	3	$17,200	$19,600
	205	Building Ext Surfaces - Repaint (2)	6	0	$17,200	$19,600
	206	Building Ext Surfaces - Repaint (3)	6	1	$17,200	$19,600
	207	Building Ext Surfaces - Repaint (4)	6	2	$17,200	$19,600
Siding Materials	304	Fiber Cement Siding - Major Repairs (1)	12	9	$2,800	$4,000
	305	Fiber Cement Siding - Major Repairs (2)	12	6	$2,800	$4,000
	306	Fiber Cement Siding - Major Repairs (3)	12	7	$2,800	$4,000
	307	Fiber Cement Siding - Major Repairs (4)	12	8	$2,800	$4,000
	308	Brick - Replace	N/A		$0	$0
Drive Materials	403	Concrete Driveways - Repair/Replace	N/A		$0	$0
Property Access	501	Front Doors - Replace	N/A		$0	$0
	502	Garage Doors - Replace	N/A		$0	$0
Walking Surfaces	601	Concrete Sidewalks/Porches - Repair	N/A		$0	$0
	609	Composite Rails - Replace	N/A		$0	$0
Light Fixtures	1602	Exterior Wall Mount - Replace	N/A		$0	$0
Irrig. System	1701	Irrigation System - Major Repairs	6	0	$12,000	$14,000
	1703	Irrigation Timeclocks - Replace	N/A		$0	$0
	1706	Backflow Devices - Replace	N/A		$0	$0
Landscaping	1801	Groundcover - Replenish	3	2	$3,500	$5,000
	1804	Tree - Replacement/Major Maintenance	N/A		$0	$0

Significant Components For ABC Condo Association

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL) As $	As %
105	Comp Shingle Roof - Replace	20	13	$225,225	$11,261	38.5394%
120	Gutters/Downspouts - Replace	25	9	$24,388	$976	3.3385%
204	Building Ext Surfaces - Repaint (1)	6	3	$18,400	$3,067	10.4951%
205	Building Ext Surfaces - Repaint (2)	6	0	$18,400	$3,067	10.4951%
206	Building Ext Surfaces - Repaint (3)	6	1	$18,400	$3,067	10.4951%
207	Building Ext Surfaces - Repaint (4)	6	2	$18,400	$3,067	10.4951%
304	Fiber Cement Siding - Major Repairs (1)	12	9	$3,400	$283	0.9697%
305	Fiber Cement Siding - Major Repairs (2)	12	6	$3,400	$283	0.9697%
306	Fiber Cement Siding - Major Repairs (3)	12	7	$3,400	$283	0.9697%
307	Fiber Cement Siding - Major Repairs (4)	12	8	$3,400	$283	0.9697%
1701	Irrigation System - Major Repairs	6	0	$13,000	$2,167	7.4150%
1801	Groundcover - Replenish	3	2	$4,250	$1,417	4.8483%

Significant Components Graph For ABC Condo Association

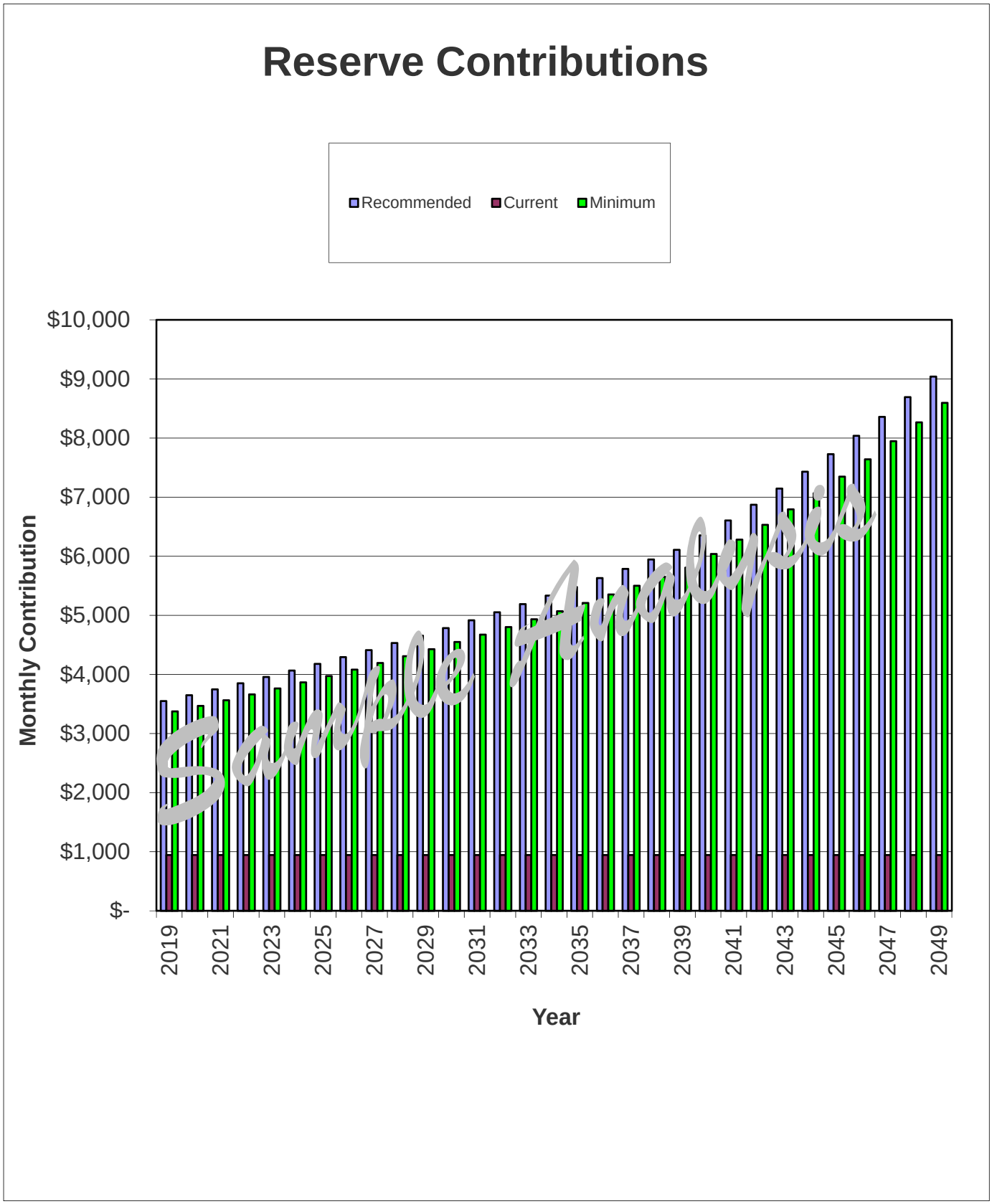


Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL) As $	As %
105	Comp Shingle Roof - Replace	20	13	$225,225	$11,261	39%
204	Building Ext Surfaces - Repaint (1)	6	3	$18,400	$3,067	10%
204	Building Ext Surfaces - Repaint (1)	6	3	$18,400	$3,067	10%
204	Building Ext Surfaces - Repaint (1)	6	3	$18,400	$3,067	10%
All Other	See Expanded Table on Page 4 For Additional Breakdown				$8,759	30%

Yearly Summary For ABC Condo Association

Fiscal Year Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2019	$169,153	$51,572	30%	$42,600	$0	$574	$31,400
2020	$173,235	$63,347	37%	$43,772	$0	$760	$19,090
2021	$191,378	$88,789	46%	$44,975	$0	$995	$24,381
2022	$205,892	$110,379	54%	$46,212	$0	$1,238	$20,549
2023	$226,150	$137,280	61%	$47,483	$0	$1,618	$0
2024	$269,756	$186,380	69%	$48,789	$0	$2,092	$5,109
2025	$311,014	$232,152	75%	$50,130	$0	$2,366	$43,402
2026	$315,457	$241,246	76%	$51,509	$0	$2,541	$28,208
2027	$337,248	$267,088	79%	$52,925	$0	$2,773	$34,971
2028	$354,310	$287,815	81%	$54,381	$0	$2,841	$64,331
2029	$343,078	$280,707	82%	$55,876	$0	$3,101	$0
2030	$399,751	$339,684	85%	$57,413	$0	$3,669	$6,372
2031	$453,581	$394,394	87%	$58,992	$0	$4,013	$48,841
2032	$467,073	$408,557	87%	$60,614	$0	$2,434	$393,158
2033	$125,610	$78,447	62%	$62,281	$0	$910	$37,923
2034	$141,733	$103,716	73%	$63,994	$0	$1,203	$31,962
2035	$166,548	$136,950	82%	$65,754	$0	$1,706	$0
2036	$227,430	$204,409	90%	$67,562	$0	$2,353	$7,947
2037	$284,398	$266,377	94%	$69,420	$0	$2,686	$67,510
2038	$283,833	$270,973	95%	$71,329	$0	$2,8[illegible]	$43,876
2039	$309,971	$301,286	97%	$73,290	$0	$3,12[illegible]	$54,396
2040	$328,462	$323,301	98%	$76,22[illegible]	$0	$3,39[illegible]	$47,229
2041	$357,458	$355,688	100%	$79,27[illegible]	$[illegible]	$3,971	$0
2042	$439,003	$438,930	100%	$82,44[illegible]	$[illegible]	$4,774	$9,911
2043	$515,880	$516,234	100%	$[illegible],73[illegible]	$0	$5,235	$75,970
2044	$529,753	$531,238	100%	$89,169	$0	$5,553	$46,187
2045	$577,798	$579,773	100%	$92,736	$0	$5,994	$58,987
2046	$617,217	$619,515	100%	$96,445	$0	$6,458	$49,716
2047	$670,[illegible]	$67[illegible],782	100%	$100,303	$0	$7,262	$0
2048	$7[illegible],829	$7[illegible],266	100%	$104,315	$0	$8,300	$12,361

Reserve Contributions For ABC Condo Association



Component Funding Information For ABC Condo Association

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
105	Comp Shingle Roof - Replace	$225,225	$78,829	$0	$1,368.15
120	Gutters/Downspouts - Replace	$24,388	$15,608	$0	$118.52
204	Building Ext Surfaces - Repaint (1)	$18,400	$9,200	$0	$372.57
205	Building Ext Surfaces - Repaint (2)	$18,400	$18,400	$18,400	$372.57
206	Building Ext Surfaces - Repaint (3)	$18,400	$15,333	$15,333	$372.57
207	Building Ext Surfaces - Repaint (4)	$18,400	$12,267	$4,839	$372.57
304	Fiber Cement Siding - Major Repairs (1)	$3,400	$850	$0	$34.42
305	Fiber Cement Siding - Major Repairs (2)	$3,400	$1,700	$0	$34.42
306	Fiber Cement Siding - Major Repairs (3)	$3,400	$1,417	$0	$34.42
307	Fiber Cement Siding - Major Repairs (4)	$3,400	$1,133	$0	$34.42
1701	Irrigation System - Major Repairs	$13,000	$13,000	$13,000	$263.23
1801	Groundcover - Replenish	$4,250	$1,417	$0	$172.11

Yearly Cash Flow For ABC Condo Association

Year	2019	2020	2021	2022	2023
Starting Balance	$51,572	$63,347	$88,789	$110,379	$137,280
Reserve Income	$42,600	$43,772	$44,975	$46,212	$47,483
Interest Earnings	$574	$760	$995	$1,238	$1,618
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$94,747	$107,879	$134,759	$157,828	$186,380
Reserve Expenditures	$31,400	$19,090	$24,381	$20,549	$0
Ending Balance	$63,347	$88,789	$110,379	$137,280	$186,380

Year	2024	2025	2026	2027	2028
Starting Balance	$186,380	$232,152	$241,246	$267,088	$287,815
Reserve Income	$48,789	$50,130	$51,509	$52,925	$54,381
Interest Earnings	$2,092	$2,366	$2,541	$2,773	$2,841
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$237,261	$284,648	$295,296	$322,786	$345,037
Reserve Expenditures	$5,109	$43,402	$28,208	$34,971	$64,331
Ending Balance	$232,152	$241,246	$267,088	$287,815	$280,707

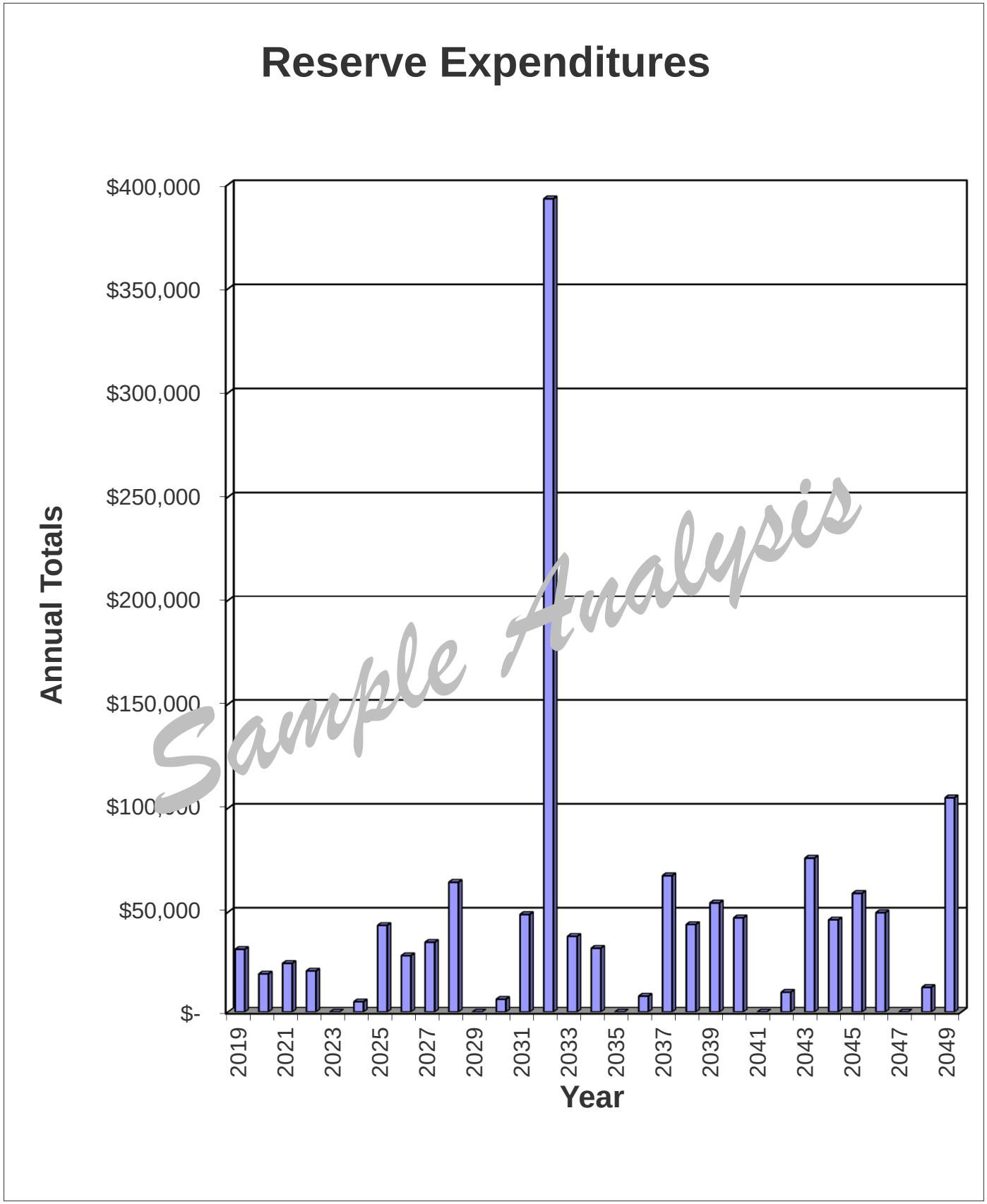
Year	2029	2030	2031	2032	2033
Starting Balance	$280,707	$339,684	$394,394	$408,557	$78,447
Reserve Income	$55,876	$57,413	$58,992	$60,614	$62,281
Interest Earnings	$3,101	$3,669	$4,013	$2,134	$910
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$339,684	$400,765	$457,399	$471,305	$141,639
Reserve Expenditures	$0	$6,372	$48,842	$393,158	$37,923
Ending Balance	$339,684	$394,394	$408,557	$78,447	$103,716

Year	2034	2035	2036	2037	2038
Starting Balance	$103,716	$136,950	$204,409	$266,377	$270,973
Reserve Income	$63,994	$65,754	$67,562	$69,420	$71,329
Interest Earnings	$1,243	$1,706	$2,353	$2,686	$2,860
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$168,912	$204,409	$274,324	$338,483	$345,162
Reserve Expenditures	$31,962	$0	$7,947	$67,510	$43,876
Ending Balance	$136,950	$204,409	$266,377	$270,973	$301,286

Year	2039	2040	2041	2042	2043
Starting Balance	$301,286	$323,301	$355,688	$438,930	$516,234
Reserve Income	$73,290	$76,222	$79,271	$82,442	$85,739
Interest Earnings	$3,122	$3,394	$3,971	$4,774	$5,235
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$377,697	$402,916	$438,930	$526,145	$607,209
Reserve Expenditures	$54,396	$47,229	$0	$9,911	$75,970
Ending Balance	$323,301	$355,688	$438,930	$516,234	$531,238

Year	2044	2045	2046	2047	2048
Starting Balance	$531,238	$579,773	$619,515	$672,702	$780,266
Reserve Income	$89,169	$92,736	$96,445	$100,303	$104,315
Interest Earnings	$5,553	$5,994	$6,458	$7,262	$8,300
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$625,960	$678,502	$722,418	$780,266	$892,882
Reserve Expenditures	$46,187	$58,987	$49,716	$0	$12,361
Ending Balance	$579,773	$619,515	$672,702	$780,266	$880,521

Yearly Expenditures Graph For ABC Condo Association



Projected Reserve Expenditures For ABC Condo Association

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2019	205	Building Ext Surfaces - Repaint (2)	$18,400	
	1701	Irrigation System - Major Repairs	$13,000	$31,400
2020	206	Building Ext Surfaces - Repaint (3)	$19,090	$19,090
2021	207	Building Ext Surfaces - Repaint (4)	$19,806	
	1801	Groundcover - Replenish	$4,575	$24,381
2022	204	Building Ext Surfaces - Repaint (1)	$20,549	$20,549
2023		No Expenditures Projected		$0
2024	1801	Groundcover - Replenish	$5,109	$5,109
2025	205	Building Ext Surfaces - Repaint (2)	$22,948	
	305	Fiber Cement Siding - Major Repairs (2)	$4,240	
	1701	Irrigation System - Major Repairs	$16,213	$43,402
2026	206	Building Ext Surfaces - Repaint (3)	$23,809	
	306	Fiber Cement Siding - Major Repairs (3)	$4,399	$28,208
2027	207	Building Ext Surfaces - Repaint (4)	$24,701	
	307	Fiber Cement Siding - Major Repairs (4)	$4,564	
	1801	Groundcover - Replenish	$5,706	$34,971
2028	120	Gutters/Downspouts - Replace	$33,967	
	204	Building Ext Surfaces - Repaint (1)	$25,628	
	304	Fiber Cement Siding - Major Repairs (1)	$4,736	$64,331
2029		No Expenditures Projected		$0
2030	1801	Groundcover - Replenish	$6,372	$6,372
2031	205	Building Ext Surfaces - Repaint (2)	$28,620	
	1701	Irrigation System - Major Repairs	$20,221	$48,841
2032	105	Comp Shingle Roof - Replace	$363,764	
	206	Building Ext Surfaces - Repaint (3)	$29,394	$393,158
2033	207	Building Ext Surfaces - Repaint (4)	$30,807	
	1801	Groundcover - Replenish	$7,116	$37,923
2034	204	Building Ext Surfaces - Repaint (1)	$31,962	$31,962
2035		No Expenditures Projected		$0
2036	1801	Groundcover - Replenish	$7,947	$7,947
2037	205	Building Ext Surfaces - Repaint (2)	$35,695	
	305	Fiber Cement Siding - Major Repairs (2)	$6,596	
	1701	Irrigation System - Major Repairs	$25,219	$67,510
2038	206	Building Ext Surfaces - Repaint (3)	$37,033	
	306	Fiber Cement Siding - Major Repairs (3)	$6,843	$43,876
2039	207	Building Ext Surfaces - Repaint (4)	$38,422	
	307	Fiber Cement Siding - Major Repairs (4)	$7,100	
	1801	Groundcover - Replenish	$8,875	$54,396
2040	204	Building Ext Surfaces - Repaint (1)	$39,863	
	304	Fiber Cement Siding - Major Repairs (1)	$7,366	$47,229
2041		No Expenditures Projected		$0
2042	1801	Groundcover - Replenish	$9,911	$9,911
2043	205	Building Ext Surfaces - Repaint (2)	$44,518	
	1701	Irrigation System - Major Repairs	$31,453	$75,970
2044	206	Building Ext Surfaces - Repaint (3)	$46,187	$46,187
2045	207	Building Ext Surfaces - Repaint (4)	$47,919	
	1801	Groundcover - Replenish	$11,068	$58,987
2046	204	Building Ext Surfaces - Repaint (1)	$49,716	$49,716
2047		No Expenditures Projected		$0
2048	1801	Groundcover - Replenish	$12,361	$12,361
2049	205	Building Ext Surfaces - Repaint (2)	$55,521	
	305	Fiber Cement Siding - Major Repairs (2)	$10,259	
	1701	Irrigation System - Major Repairs	$39,227	$105,008

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – 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.

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 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. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

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 expense over time is presented. The Financial Analysis is one of the two parts of the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Funded Balance (aka – Ideal Balance) – An indicator against which Actual (or projected) Reserve Balances 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. This number is calculated for each component, and then summed together for an association total.

FFB = Replacement Cost X Effective Age / Useful Life

Fund Status – The status of the Reserve Fund as compared to an established benchmark, such as percent funding.

Funding Goals – Independent of 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. Depending on the threshold, this may be more or less conservative than the "Component Fully Funding" method.

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 Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

Life and Valuation Estimates – The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

Percent Funded – The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual* (or *projected*) Reserve Balance to the accrued *Fund Balance*, expressed as a percentage.

Physical Analysis – The portion of the Reserve Study where the Component Inventory, 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 initial year have "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 in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as ***Aspen Reserve Specialties.***

Reserve Study – A budget-planning tool that 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. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater that the Fully Funded Balance.

Useful Life (UL) – Also known as "Life Expectancy", or "Depreciable Life". 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 or installation.