

Wednesday, October 23, 2019

Level 3 Reserve Analysis

Reserve Study without property observation

Shady Hollow Townhouse Assoc. Shady Hollow West Boulder, CO 80304



Final Version

Report Period – 01/01/20 – 12/31/20

Client Reference Number – 8978-19

Property Type – Townhomes

Fiscal Year End – 12/31/2020

Number of Units – 60

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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 typically in the **Asset Inventory Section** of the original Reserve Analysis. It should be noted there is not an **Asset Inventory Section** in this report due to the Level of Service requested by the client. 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 2 of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated 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 homeowners 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 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. 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 \$200,000 is a lot of money and they are in good shape. What they don't know is a major component will need to be replaced within 5 years, and the cost of the project is going to exceed \$300,000. So while \$200,000 sounds like a lot of money, in reality it won't even cover the cost of a major project, 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 component for damage caused by high winds or other weather elements would be considered an “operating” expense. However, if the entire component 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 –

A Property Observation was not conducted for this report per the contract agreement.

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 Shady Hollow Townhouse Association - Assoc. #08978

Projected Starting Balance as of January 1, 2020 -	\$114,455
Ideal Reserve Balance as of January 1, 2020 -	\$1,230,563
Percent Funded as of January 1, 2020 -	9%
Recommended Reserve Allocation (per month) -	\$10,575
Minimum Reserve Allocation (per month) -	\$9,850
Recommended Special Assessment -	\$600,000 (\$10,000 per unit)

This report is an update to an existing Reserve Study Report that was prepared five years ago for the 2015 fiscal period. A property site observation was not conducted per the request of the association. While we commend the Board of Directors in making a decision to update the previous Reserve Study, we recommend having a trained professional inspect the property at least every 3 – 4 years to verify conditions, useful life, and remaining life of components. As a result, there may be conflicting information in this report that we cannot be held responsible for. Therefore, we recommend an updated Reserve Study with site observation in the near future. It is possible that some philosophical changes have occurred since the last Reserve Study and some components will be added to the list in future Reserve Study updates. To update the figures in the report, we obtained information by contacting the property representative and vendors that are familiar with the property. 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 60 townhome units within 8 buildings that were originally constructed in the mid 1970's. Common area amenities the association is responsible to maintain include building exterior surfaces, private drives, carports, a pool and spa, an irrigation system and landscaping. Please refer the *Projected Reserve Expenditures* table of the financial section of the report for a detailed list of components that will need to be addressed in the near future.

In comparing the projected balance of \$114,455 versus the ideal Reserve Balance of \$1,230,563, we find the association Reserve fund to be in a poor financial position at this point in time (approximately 9% funded of ideal). Associations in this position are often susceptible to Special Assessments and deferred maintenance, which can lead to lower property values. In order to be able to address the projects scheduled for this year, a Special Assessment or alternative funding of \$600,000 (\$10,000 per unit) will need to be approved. In addition, in order to strengthen the Reserve account to fund future Reserve project considerations, a substantial increase will be necessary starting in 2020. If you refer to page 1 of the Financial Analysis section, you will see we are recommending an increase of the Reserve contribution to \$10,575 (representing a Reserve contribution increase of approximately \$136.25 per unit) per month starting January 2020. This should be followed by nominal annual increases of 3.75% thereafter to help offset the effects of inflation. By following the recommendation, the plan will increase the Reserve account to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see that we have also suggested a minimum Reserve contribution of \$9,850 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where 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 7% 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 extremely minimal, and based on the risk involved, we strongly suggest the recommended Reserve Allocation is followed.

Funding Summary For Shady Hollow Townhouse Assoc.

Beginning Assumptions

Financial Information Source	Research With Client
# of units	60
Fiscal Year End	December 31, 2020
Monthly Dues from 2019 budget	\$17,400.00
Monthly Reserve Allocation from 2019 Budget	\$2,400.00
Projected Starting Reserve Balance (as of 1/1/2020)	\$114,455
Reserve Balance: Average Per Unit	\$1,908
Ideal Starting Reserve Balance (as of 1/1/2020)	\$1,230,563
Ideal Reserve Balance: Average Per Unit	\$20,509

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	9%
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Recommendations for 2020 Fiscal Year

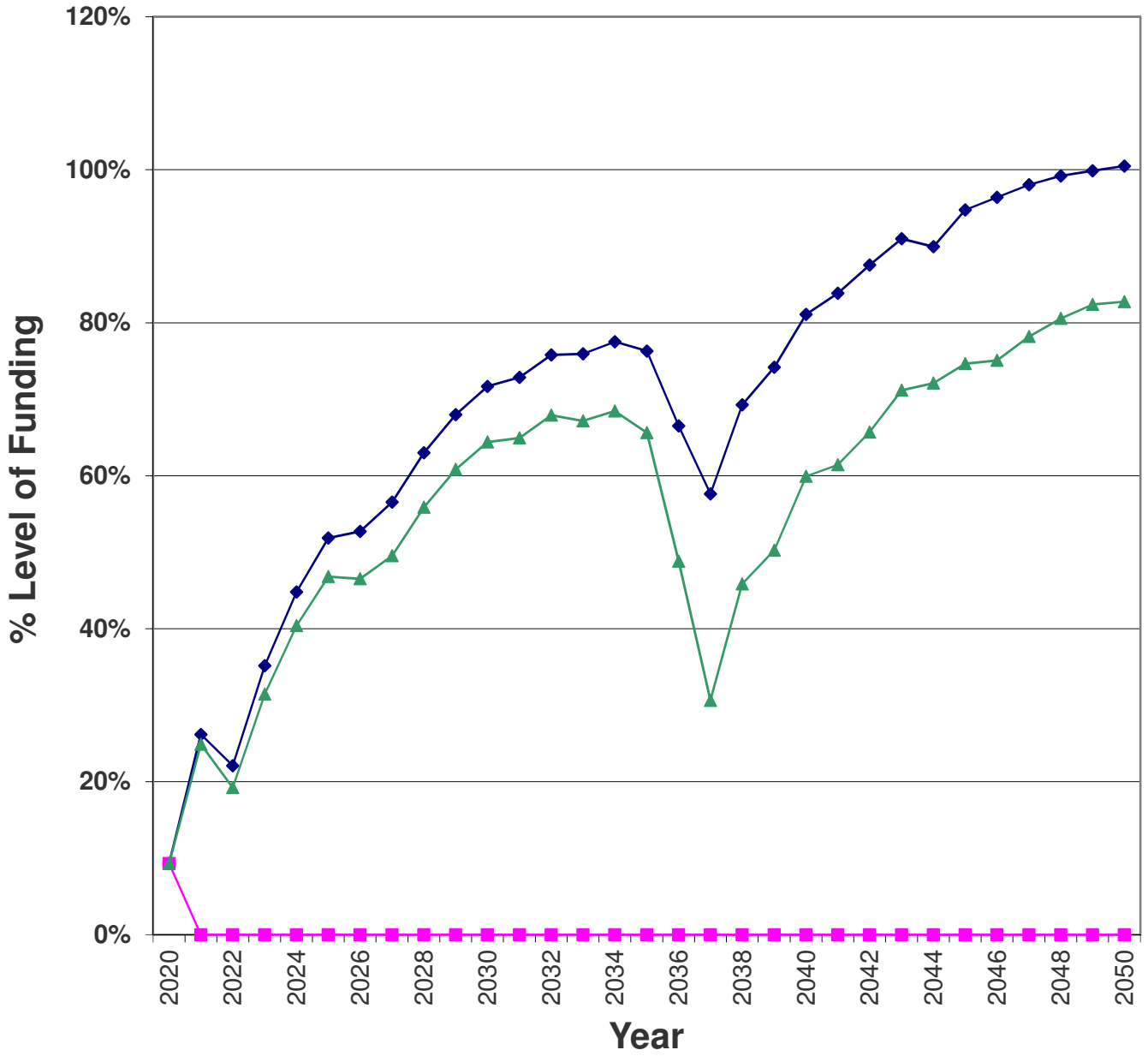
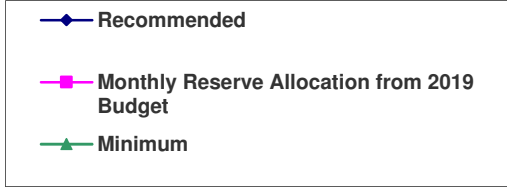
Monthly Reserve Allocation	\$10,575
Per Unit	\$176.25
Minimum Monthly Reserve Allocation	\$9,850
Per Unit	\$164.17
Primary Annual Increases	3.75%
# of Years	30
Special Assessment	\$600,000
Per Unit	\$10,000

Changes From Prior Year (2019 to 2020)

Increase/Decrease to Reserve Allocation	\$8,175
as Percentage	341%
Average Per Unit	\$136.25

Percent Funded Graph For Shady Hollow Townhouse Assoc.

Percent Funded



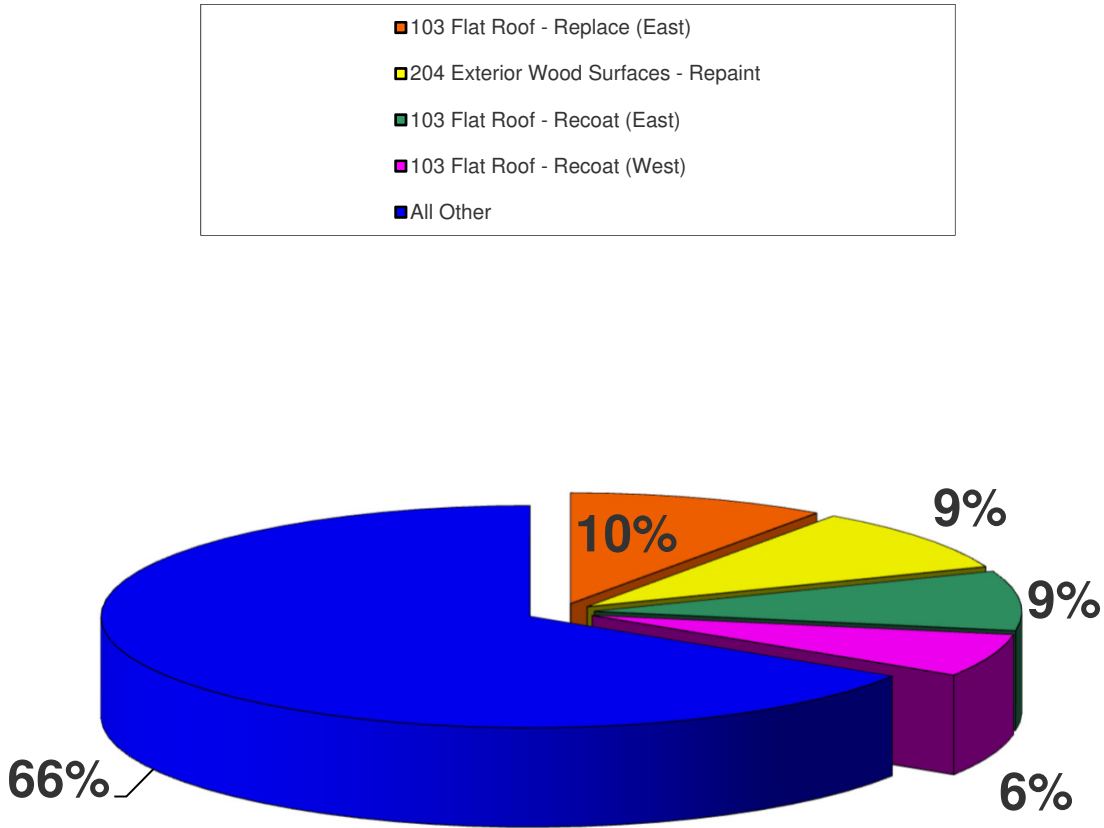
Component Inventory for Shady Hollow Townhomes

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	103	Flat Roof - Replace (East)	30	15	\$256,450	\$289,900
	103	Flat Roof - Recoat (2900-2936)	15	14	\$48,600	\$49,375
	103	Flat Roof - Replace (West)	30	16	\$154,100	\$174,200
	103	Flat Roof - Recoat (West)	15	1	\$86,450	\$88,450
	103	Flat Roof - Replace (2900-2936)	30	14	\$90,850	\$102,700
	103	Flat Roof - Recoat (East)	15	0	\$120,425	\$122,650
	104	Flat Roof - Replace (West carports)	20	20	\$19,950	\$23,100
	104	Flat Roof - Replace (East carports)	20	10	\$18,050	\$20,900
	106	Tile Roof - Replace	40	5	\$50,325	\$54,900
	120	Gutters/Downspouts - Replace	20	5	\$24,100	\$27,000
Painted Surfaces	201	Stucco Surfaces - Repaint (West)	12	1	\$40,500	\$47,250
	201	Stucco Surfaces - Repaint (East)	12	0	\$40,500	\$47,250
	204	Exterior Wood Surfaces - Repaint	6	0	\$48,000	\$57,000
	209	Perimeter Fencing - Restain	N/A		\$0	\$0
	209	Unit Fencing - Restain	4	2	\$4,800	\$5,200
	217	Unit Decks - Restain	5	3	\$6,000	\$6,750
Drive Materials	401	Asphalt - Major Overlay (West)	25	4	\$29,500	\$33,950
	401	Asphalt - Major Overlay (East)	25	14	\$34,000	\$39,150
	402	Asphalt - Surface Application	5	0	\$5,775	\$6,925
	403	Concrete - Repair/Replace	5	0	\$10,450	\$11,500
Property Access	503	Doors - Replace	N/A		\$0	\$0
	508	Carports - Replace (West)	99	0	\$120,000	\$135,000
Walking Surfaces	601	Concrete Sidewalks/Decks - Repair	5	0	\$15,600	\$17,825
	607	Wood Deck - Major Repairs	5	0	\$8,500	\$10,000
	611	Balconies - Major Repairs	10	0	\$22,000	\$25,000
Prop. Identification	801	Monuments - Rebuild	20	1	\$18,500	\$20,000
	803	Mailboxes - Replace	20	10	\$4,250	\$5,000
	804	Mail Box Kiosks - Replace	N/A		\$0	\$0
Fencing/Walls	1001	Unit Wood Fencing - Partial Replace	12	2	\$11,000	\$12,650
	1001	Perimeter Fencing - Replace	20	0	\$15,350	\$17,700
	1002	Pool Fence - Major Repairs	6	5	\$4,750	\$5,250
	1010	Trash Enclosures - Replace	6	0	\$2,650	\$2,900
Pool/Spa	1101	Pool - Recoat	7	0	\$6,000	\$7,250
	1102	Spa - Replace	20	13	\$9,500	\$11,000
	1105	Pool Heater - Replace	12	11	\$4,200	\$4,725
	1108	Pool Filter - Replace	20	0	\$1,600	\$2,000
	1111	Pool Pump - Replace	12	0	\$2,000	\$2,400
	1113	Pool Cover - Replace	12	1	\$2,300	\$2,525
	1121	Pool Furniture - Replace	N/A		\$0	\$0
Recreation Equip.	1309	Bike Loops - Replace	N/A		\$0	\$0
Light Fixtures	1602	Exterior Wall Mount - Replace	16	0	\$34,000	\$42,500
	1604	Pole Lights - Replace	20	1	\$12,675	\$14,625
	1608	Misc. Lighting - Replace	N/A		\$0	\$0
Irrig. System	1701	Irrigation System - Rebuild	30	0	\$140,000	\$160,000
	1703	Irrigation Controllers - Replace	12	0	\$17,500	\$20,000
	1706	Backflow Devices - Replace	N/A		\$0	\$0
Landscaping	1801	Landscaping - Refurbish	3	0	\$14,500	\$16,000
	1813	Breeze Paths - Replenish	N/A		\$0	\$0
Maintenance Equip.	1904	Storage Shed - Replace	25	0	\$2,750	\$3,500

Significant Components For Shady Hollow Townhouse Assoc.

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance:	
					(Curr Cost/UL) As \$	As %
103	Flat Roof - Recoat (2900-2936)	15	14	\$48,988	\$3,266	3.4958%
103	Flat Roof - Recoat (East)	15	0	\$121,538	\$8,103	8.6730%
103	Flat Roof - Recoat (West)	15	1	\$87,450	\$5,830	6.2405%
103	Flat Roof - Replace (2900-2936)	30	14	\$96,775	\$3,226	3.4530%
103	Flat Roof - Replace (East)	30	15	\$273,175	\$9,106	9.7470%
103	Flat Roof - Replace (West)	30	16	\$164,150	\$5,472	5.8569%
104	Flat Roof - Replace (East carports)	20	10	\$19,475	\$974	1.0423%
104	Flat Roof - Replace (West carports)	20	20	\$21,525	\$1,076	1.1520%
106	Tile Roof - Replace	40	5	\$52,613	\$1,315	1.4079%
120	Gutters/Downspouts - Replace	20	5	\$25,550	\$1,278	1.3675%
201	Stucco Surfaces - Repaint (East)	12	0	\$43,875	\$3,656	3.9137%
201	Stucco Surfaces - Repaint (West)	12	1	\$43,875	\$3,656	3.9137%
204	Exterior Wood Surfaces - Repaint	6	0	\$52,500	\$8,750	9.3661%
209	Unit Fencing - Restain	4	2	\$5,000	\$1,250	1.3380%
217	Unit Decks - Restain	5	3	\$6,375	\$1,275	1.3648%
401	Asphalt - Major Overlay (East)	25	14	\$36,575	\$1,463	1.5660%
401	Asphalt - Major Overlay (West)	25	4	\$31,725	\$1,269	1.3584%
402	Asphalt - Surface Application	5	0	\$6,350	\$1,270	1.3594%
403	Concrete - Repair/Replace	5	0	\$10,975	\$2,195	2.3496%
508	Carports - Replace (West)	99	0	\$127,500	\$0	0.0000%
601	Concrete Sidewalks/Decks - Repair	5	0	\$16,713	\$3,343	3.5779%
607	Wood Deck - Major Repairs	5	0	\$9,250	\$1,850	1.9803%
611	Balconies - Major Repairs	10	0	\$23,500	\$2,350	2.5155%
801	Monuments - Rebuild	20	1	\$19,250	\$963	1.0303%
803	Mailboxes - Replace	20	10	\$4,625	\$231	0.2475%
1001	Perimeter Fencing - Replace	20	0	\$16,525	\$826	0.8844%
1001	Unit Wood Fencing - Partial Replace	12	2	\$11,825	\$985	1.0548%
1002	Pool Fence - Major Repairs	6	5	\$5,000	\$833	0.8920%
1010	Trash Enclosures - Replace	6	0	\$2,775	\$463	0.4951%
1101	Pool - Recoat	7	0	\$6,625	\$946	1.0131%
1102	Spa - Replace	20	13	\$10,250	\$513	0.5486%
1105	Pool Heater - Replace	12	11	\$4,463	\$372	0.3981%
1108	Pool Filter - Replace	20	0	\$1,800	\$90	0.0963%
1111	Pool Pump - Replace	12	0	\$2,200	\$183	0.1962%
1113	Pool Cover - Replace	12	1	\$2,413	\$201	0.2152%
1602	Exterior Wall Mount - Replace	16	0	\$38,250	\$2,391	2.5590%
1604	Pole Lights - Replace	20	1	\$13,650	\$683	0.7306%
1701	Irrigation System - Rebuild	30	0	\$150,000	\$5,000	5.3521%
1703	Irrigation Controllers - Replace	12	0	\$18,750	\$1,563	1.6725%
1801	Landscaping - Refurbish	3	0	\$15,250	\$5,083	5.4413%
1904	Storage Shed - Replace	25	0	\$3,125	\$125	0.1338%

Significant Components Graph For Shady Hollow Townhouse Assoc.



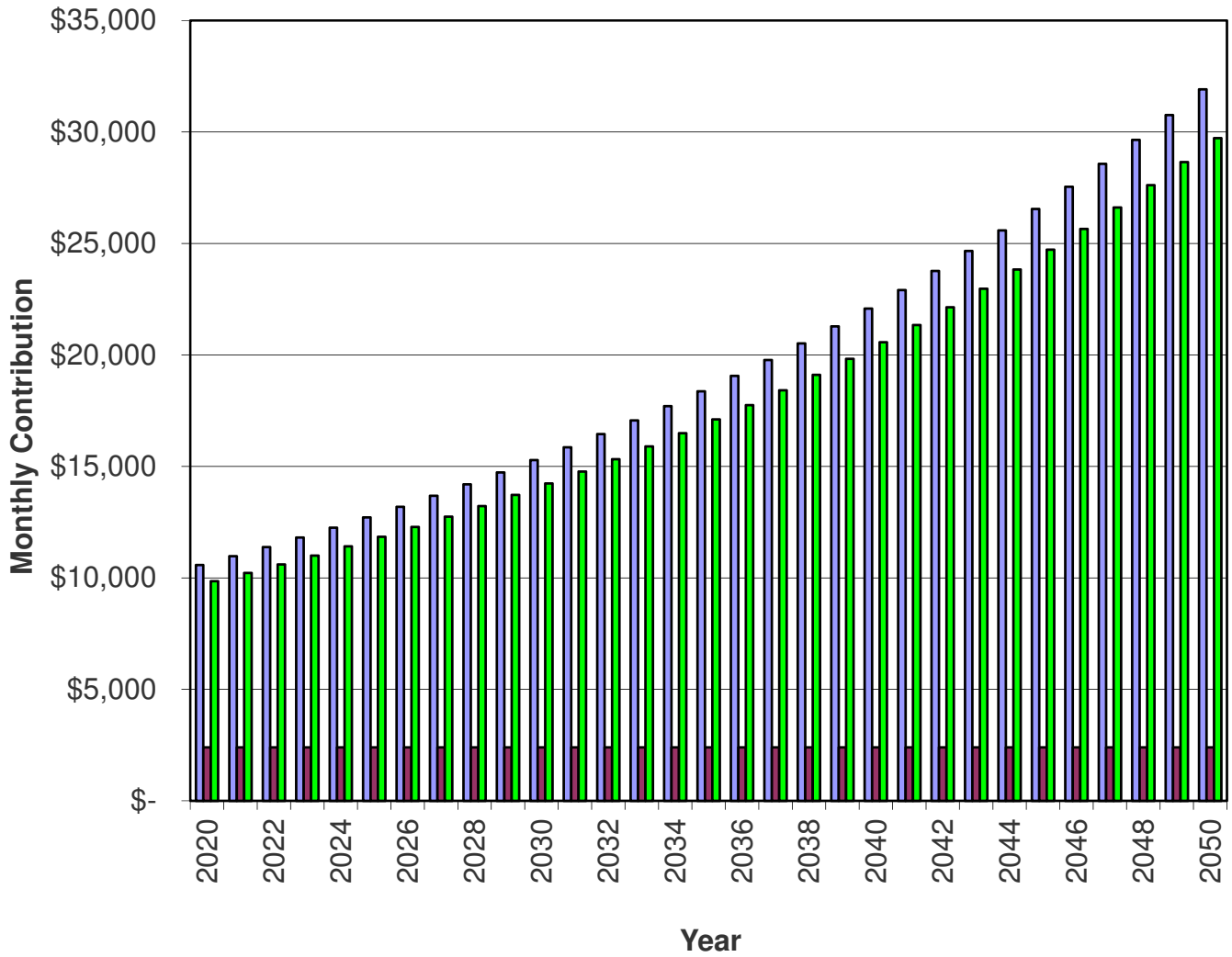
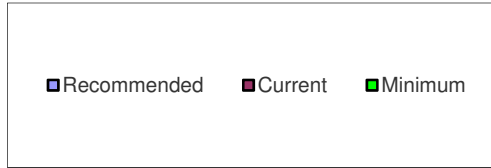
Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL)	
					As \$	As %
103	Flat Roof - Replace (East)	30	15	\$273,175	\$9,106	10%
204	Exterior Wood Surfaces - Repaint	6	0	\$52,500	\$8,750	9%
103	Flat Roof - Recoat (East)	15	0	\$121,538	\$8,103	9%
103	Flat Roof - Recoat (West)	15	1	\$87,450	\$5,830	6%
All Other	See Expanded Table on Page 4 For Additional Breakdown				\$61,634	66%

Yearly Summary For Shady Hollow Townhouse Assoc.

Fiscal Year	Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2020		\$1,230,563	\$114,455	9%	\$126,900	\$600,000	\$4,462	\$667,500
2021		\$681,103	\$178,317	26%	\$131,659	\$0	\$1,584	\$172,886
2022		\$627,834	\$138,674	22%	\$136,596	\$0	\$1,988	\$18,111
2023		\$736,919	\$259,147	35%	\$141,718	\$0	\$3,194	\$24,150
2024		\$847,741	\$379,909	45%	\$147,033	\$0	\$4,370	\$36,758
2025		\$953,697	\$494,554	52%	\$152,546	\$0	\$4,971	\$152,006
2026		\$948,269	\$500,066	53%	\$158,267	\$0	\$5,345	\$94,193
2027		\$1,006,986	\$569,486	57%	\$164,202	\$0	\$6,503	\$8,572
2028		\$1,161,271	\$731,618	63%	\$170,360	\$0	\$8,163	\$8,558
2029		\$1,326,058	\$901,582	68%	\$176,748	\$0	\$9,838	\$21,240
2030		\$1,488,747	\$1,066,928	72%	\$183,376	\$0	\$10,943	\$138,562
2031		\$1,540,879	\$1,122,686	73%	\$190,253	\$0	\$12,163	\$14,186
2032		\$1,729,257	\$1,310,915	76%	\$197,387	\$0	\$13,103	\$210,531
2033		\$1,726,441	\$1,310,874	76%	\$204,789	\$0	\$13,688	\$101,527
2034		\$1,842,264	\$1,427,824	78%	\$212,469	\$0	\$13,680	\$344,550
2035		\$1,716,160	\$1,309,423	76%	\$220,436	\$0	\$10,307	\$787,335
2036		\$1,132,024	\$752,832	67%	\$228,703	\$0	\$6,088	\$522,376
2037		\$807,191	\$465,246	58%	\$237,279	\$0	\$5,819	\$9,349
2038		\$1,008,993	\$698,995	69%	\$246,177	\$0	\$7,461	\$158,880
2039		\$1,070,020	\$793,752	74%	\$255,409	\$0	\$9,257	\$0
2040		\$1,305,225	\$1,058,418	81%	\$264,986	\$0	\$10,845	\$222,675
2041		\$1,325,540	\$1,111,575	84%	\$274,923	\$0	\$11,952	\$118,668
2042		\$1,462,114	\$1,279,782	88%	\$285,233	\$0	\$14,233	\$11,238
2043		\$1,723,142	\$1,568,010	91%	\$295,929	\$0	\$17,053	\$36,933
2044		\$2,050,253	\$1,844,059	90%	\$307,027	\$0	\$18,423	\$327,471
2045		\$1,944,304	\$1,842,038	95%	\$318,540	\$0	\$18,614	\$296,827
2046		\$1,952,556	\$1,882,365	96%	\$330,485	\$0	\$20,350	\$43,817
2047		\$2,232,738	\$2,189,383	98%	\$342,879	\$0	\$23,510	\$41,205
2048		\$2,535,604	\$2,514,566	99%	\$355,737	\$0	\$26,865	\$36,443
2049		\$2,864,589	\$2,860,725	100%	\$369,077	\$0	\$29,340	\$249,287

Reserve Contributions For Shady Hollow Townhouse Assoc.

Reserve Contributions



Component Funding Information For Shady Hollow Townhouse Assoc.

ID	Component Name	Ave	Ideal	Current	Monthly	
		Current		Fund		
		Cost	Balance	Balance		
103	Flat Roof - Recoat (2900-2936)	\$48,988	\$3,266	\$0	\$369.68	
103	Flat Roof - Recoat (East)	\$121,538	\$121,538	\$114,455	\$917.17	
103	Flat Roof - Recoat (West)	\$87,450	\$81,620	\$0	\$659.93	
103	Flat Roof - Replace (2900-2936)	\$96,775	\$51,613	\$0	\$365.15	
103	Flat Roof - Replace (East)	\$273,175	\$136,588	\$0	\$1,030.75	
103	Flat Roof - Replace (West)	\$164,150	\$76,603	\$0	\$619.37	
104	Flat Roof - Replace (East carports)	\$19,475	\$9,738	\$0	\$110.22	
104	Flat Roof - Replace (West carports)	\$21,525	\$0	\$0	\$121.83	
106	Tile Roof - Replace	\$52,613	\$46,036	\$0	\$148.89	
120	Gutters/Downspouts - Replace	\$25,550	\$19,163	\$0	\$144.61	
201	Stucco Surfaces - Repaint (East)	\$43,875	\$43,875	\$0	\$413.87	
201	Stucco Surfaces - Repaint (West)	\$43,875	\$40,219	\$0	\$413.87	
204	Exterior Wood Surfaces - Repaint	\$52,500	\$52,500	\$0	\$990.47	
209	Unit Fencing - Restain	\$5,000	\$2,500	\$0	\$141.50	
217	Unit Decks - Restain	\$6,375	\$2,550	\$0	\$144.33	
401	Asphalt - Major Overlay (East)	\$36,575	\$16,093	\$0	\$165.61	
401	Asphalt - Major Overlay (West)	\$31,725	\$26,649	\$0	\$143.65	
402	Asphalt - Surface Application	\$6,350	\$6,350	\$0	\$143.76	
403	Concrete - Repair/Replace	\$10,975	\$10,975	\$0	\$248.47	
508	Carports - Replace (West)	\$127,500	\$127,500	\$0	\$0.00	
601	Concrete Sidewalks/Decks - Repair	\$16,713	\$16,713	\$0	\$378.36	
607	Wood Deck - Major Repairs	\$9,250	\$9,250	\$0	\$209.41	
611	Balconies - Major Repairs	\$23,500	\$23,500	\$0	\$266.01	
801	Monuments - Rebuild	\$19,250	\$18,288	\$0	\$108.95	
803	Mailboxes - Replace	\$4,625	\$2,313	\$0	\$26.18	
1001	Perimeter Fencing - Replace	\$16,525	\$16,525	\$0	\$93.53	
1001	Unit Wood Fencing - Partial Replace	\$11,825	\$9,854	\$0	\$111.55	
1002	Pool Fence - Major Repairs	\$5,000	\$833	\$0	\$94.33	
1010	Trash Enclosures - Replace	\$2,775	\$2,775	\$0	\$52.35	
1101	Pool - Recoat	\$6,625	\$6,625	\$0	\$107.13	
1102	Spa - Replace	\$10,250	\$3,588	\$0	\$58.01	
1105	Pool Heater - Replace	\$4,463	\$372	\$0	\$42.09	
1108	Pool Filter - Replace	\$1,800	\$1,800	\$0	\$10.19	
1111	Pool Pump - Replace	\$2,200	\$2,200	\$0	\$20.75	
1113	Pool Cover - Replace	\$2,413	\$2,211	\$0	\$22.76	
1602	Exterior Wall Mount - Replace	\$38,250	\$38,250	\$0	\$270.61	
1604	Pole Lights - Replace	\$13,650	\$12,968	\$0	\$77.26	
1701	Irrigation System - Rebuild	\$150,000	\$150,000	\$0	\$565.98	
1703	Irrigation Controllers - Replace	\$18,750	\$18,750	\$0	\$176.87	
1801	Landscaping - Refurbish	\$15,250	\$15,250	\$0	\$575.41	
1904	Storage Shed - Replace	\$3,125	\$3,125	\$0	\$14.15	

Yearly Cash Flow For Shady Hollow Townhouse Assoc.

Year	2020	2021	2022	2023	2024
Starting Balance	\$114,455	\$178,317	\$138,674	\$259,147	\$379,909
<i>Reserve Income</i>	\$126,900	\$131,659	\$136,596	\$141,718	\$147,033
<i>Interest Earnings</i>	\$4,462	\$1,584	\$1,988	\$3,194	\$4,370
<i>Special Assessments</i>	\$600,000	\$0	\$0	\$0	\$0
Funds Available	\$845,817	\$311,560	\$277,258	\$404,059	\$531,313
Reserve Expenditures	\$667,500	\$172,886	\$18,111	\$24,150	\$36,758
Ending Balance	\$178,317	\$138,674	\$259,147	\$379,909	\$494,554

Year	2025	2026	2027	2028	2029
Starting Balance	\$494,554	\$500,066	\$569,486	\$731,618	\$901,582
<i>Reserve Income</i>	\$152,546	\$158,267	\$164,202	\$170,360	\$176,748
<i>Interest Earnings</i>	\$4,971	\$5,345	\$6,503	\$8,163	\$9,838
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$652,072	\$663,679	\$740,190	\$910,140	\$1,088,168
Reserve Expenditures	\$152,006	\$94,193	\$8,572	\$8,558	\$21,240
Ending Balance	\$500,066	\$569,486	\$731,618	\$901,582	\$1,066,928

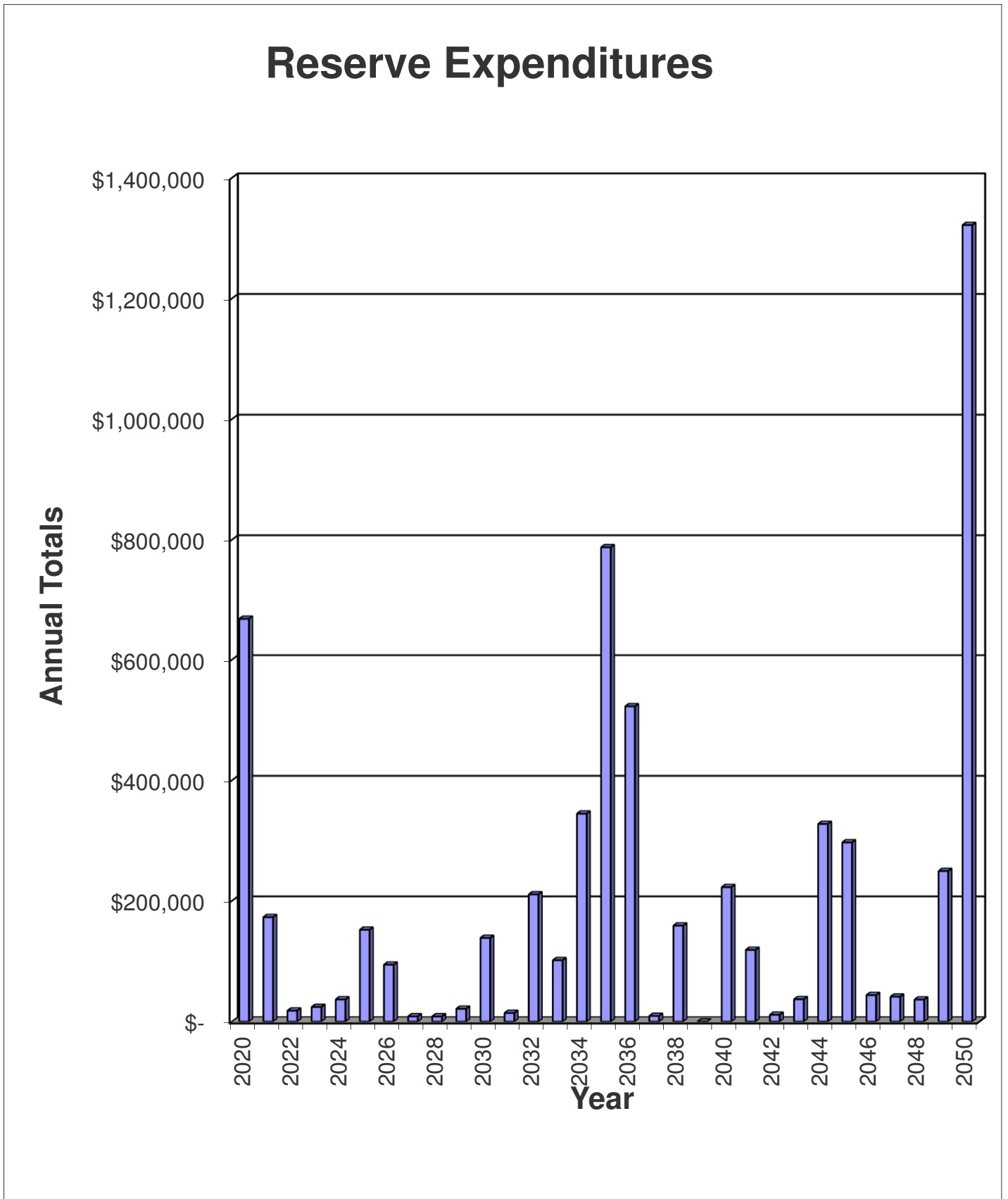
Year	2030	2031	2032	2033	2034
Starting Balance	\$1,066,928	\$1,122,686	\$1,310,915	\$1,310,874	\$1,427,824
<i>Reserve Income</i>	\$183,376	\$190,253	\$197,387	\$204,789	\$212,469
<i>Interest Earnings</i>	\$10,943	\$12,163	\$13,103	\$13,688	\$13,680
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,261,247	\$1,325,101	\$1,521,405	\$1,529,351	\$1,653,973
Reserve Expenditures	\$138,562	\$14,186	\$210,531	\$101,527	\$344,550
Ending Balance	\$1,122,686	\$1,310,915	\$1,310,874	\$1,427,824	\$1,309,423

Year	2035	2036	2037	2038	2039
Starting Balance	\$1,309,423	\$752,832	\$465,246	\$698,995	\$793,752
<i>Reserve Income</i>	\$220,436	\$228,703	\$237,279	\$246,177	\$255,409
<i>Interest Earnings</i>	\$10,307	\$6,088	\$5,819	\$7,461	\$9,257
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,540,166	\$987,622	\$708,344	\$952,633	\$1,058,418
Reserve Expenditures	\$787,335	\$522,376	\$9,349	\$158,880	\$0
Ending Balance	\$752,832	\$465,246	\$698,995	\$793,752	\$1,058,418

Year	2040	2041	2042	2043	2044
Starting Balance	\$1,058,418	\$1,111,575	\$1,279,782	\$1,568,010	\$1,844,059
<i>Reserve Income</i>	\$264,986	\$274,923	\$285,233	\$295,929	\$307,027
<i>Interest Earnings</i>	\$10,845	\$11,952	\$14,233	\$17,053	\$18,423
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$1,334,250	\$1,398,450	\$1,579,248	\$1,880,992	\$2,169,508
Reserve Expenditures	\$222,675	\$118,668	\$11,238	\$36,933	\$327,471
Ending Balance	\$1,111,575	\$1,279,782	\$1,568,010	\$1,844,059	\$1,842,038

Year	2045	2046	2047	2048	2049
Starting Balance	\$1,842,038	\$1,882,365	\$2,189,383	\$2,514,566	\$2,860,725
<i>Reserve Income</i>	\$318,540	\$330,485	\$342,879	\$355,737	\$369,077
<i>Interest Earnings</i>	\$18,614	\$20,350	\$23,510	\$26,865	\$29,340
<i>Special Assessments</i>	\$0	\$0	\$0	\$0	\$0
Funds Available	\$2,179,192	\$2,233,200	\$2,555,771	\$2,897,168	\$3,259,143
Reserve Expenditures	\$296,827	\$43,817	\$41,205	\$36,443	\$249,287
Ending Balance	\$1,882,365	\$2,189,383	\$2,514,566	\$2,860,725	\$3,009,856

Yearly Expenditures Graph For Shady Hollow Townhouse Assoc.



Projected Reserve Expenditures For Shady Hollow Townhouse Assoc.

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2020	103	Flat Roof - Recoat (East)	\$121,538	
	201	Stucco Surfaces - Repaint (East)	\$43,875	
	204	Exterior Wood Surfaces - Repaint	\$52,500	
	402	Asphalt - Surface Application	\$6,350	
	403	Concrete - Repair/Replace	\$10,975	
	508	Carports - Replace (West)	\$127,500	
	601	Concrete Sidewalks/Decks - Repair	\$16,713	
	607	Wood Deck - Major Repairs	\$9,250	
	611	Balconies - Major Repairs	\$23,500	
	1001	Perimeter Fencing - Replace	\$16,525	
	1010	Trash Enclosures - Replace	\$2,775	
	1101	Pool - Recoat	\$6,625	
	1108	Pool Filter - Replace	\$1,800	
	1111	Pool Pump - Replace	\$2,200	
	1602	Exterior Wall Mount - Replace	\$38,250	
	1701	Irrigation System - Rebuild	\$150,000	
	1703	Irrigation Controllers - Replace	\$18,750	
	1801	Landscaping - Refurbish	\$15,250	
	1904	Storage Shed - Replace	\$3,125	\$667,500
	2021	103	Flat Roof - Recoat (West)	\$90,729
201		Stucco Surfaces - Repaint (West)	\$45,520	
801		Monuments - Rebuild	\$19,972	
1113		Pool Cover - Replace	\$2,503	
1604		Pole Lights - Replace	\$14,162	\$172,886
2022	209	Unit Fencing - Restain	\$5,382	
	1001	Unit Wood Fencing - Partial Replace	\$12,729	\$18,111
2023	217	Unit Decks - Restain	\$7,119	
	1801	Landscaping - Refurbish	\$17,031	\$24,150
2024	401	Asphalt - Major Overlay (West)	\$36,758	\$36,758
2025	106	Tile Roof - Replace	\$63,245	
	120	Gutters/Downspouts - Replace	\$30,714	
	402	Asphalt - Surface Application	\$7,633	
	403	Concrete - Repair/Replace	\$13,193	
	601	Concrete Sidewalks/Decks - Repair	\$20,090	
	607	Wood Deck - Major Repairs	\$11,119	
	1002	Pool Fence - Major Repairs	\$6,010	\$152,006
2026	204	Exterior Wood Surfaces - Repaint	\$65,477	
	209	Unit Fencing - Restain	\$6,236	
	1010	Trash Enclosures - Replace	\$3,461	
	1801	Landscaping - Refurbish	\$19,019	\$94,193
2027	1101	Pool - Recoat	\$8,572	\$8,572
2028	217	Unit Decks - Restain	\$8,558	\$8,558
2029	1801	Landscaping - Refurbish	\$21,240	\$21,240
2030	104	Flat Roof - Replace (East carports)	\$28,142	
	209	Unit Fencing - Restain	\$7,225	
	402	Asphalt - Surface Application	\$9,176	
	403	Concrete - Repair/Replace	\$15,859	
	601	Concrete Sidewalks/Decks - Repair	\$24,150	
	607	Wood Deck - Major Repairs	\$13,367	
	611	Balconies - Major Repairs	\$33,959	
	803	Mailboxes - Replace	\$6,683	\$138,562
2031	1002	Pool Fence - Major Repairs	\$7,496	
	1105	Pool Heater - Replace	\$6,690	\$14,186

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2032	201	Stucco Surfaces - Repaint (East)	\$68,246	
	204	Exterior Wood Surfaces - Repaint	\$81,661	
	1010	Trash Enclosures - Replace	\$4,316	
	1111	Pool Pump - Replace	\$3,422	
	1703	Irrigation Controllers - Replace	\$29,165	
	1801	Landscaping - Refurbish	\$23,721	\$210,531
2033	201	Stucco Surfaces - Repaint (West)	\$70,805	
	217	Unit Decks - Restain	\$10,288	
	1102	Spa - Replace	\$16,541	
	1113	Pool Cover - Replace	\$3,893	\$101,527
2034	103	Flat Roof - Recoat (2900-2936)	\$82,020	
	103	Flat Roof - Replace (2900-2936)	\$162,030	
	209	Unit Fencing - Restain	\$8,372	
	401	Asphalt - Major Overlay (East)	\$61,238	
	1001	Unit Wood Fencing - Partial Replace	\$19,799	
	1101	Pool - Recoat	\$11,092	\$344,550
2035	103	Flat Roof - Recoat (East)	\$211,121	
	103	Flat Roof - Replace (East)	\$474,529	
	402	Asphalt - Surface Application	\$11,031	
	403	Concrete - Repair/Replace	\$19,065	
	601	Concrete Sidewalks/Decks - Repair	\$29,031	
	607	Wood Deck - Major Repairs	\$16,068	
	1801	Landscaping - Refurbish	\$26,491	\$787,335
2036	103	Flat Roof - Recoat (West)	\$157,605	
	103	Flat Roof - Replace (West)	\$295,836	
	1602	Exterior Wall Mount - Replace	\$68,935	\$522,376
2037	1002	Pool Fence - Major Repairs	\$9,349	\$9,349
2038	204	Exterior Wood Surfaces - Repaint	\$101,846	
	209	Unit Fencing - Restain	\$9,700	
	217	Unit Decks - Restain	\$12,367	
	1010	Trash Enclosures - Replace	\$5,383	
	1801	Landscaping - Refurbish	\$29,584	\$158,880
2039		No Expenditures Projected		\$0
2040	104	Flat Roof - Replace (West carports)	\$44,947	
	402	Asphalt - Surface Application	\$13,260	
	403	Concrete - Repair/Replace	\$22,917	
	601	Concrete Sidewalks/Decks - Repair	\$34,898	
	607	Wood Deck - Major Repairs	\$19,315	
	611	Balconies - Major Repairs	\$49,072	
	1001	Perimeter Fencing - Replace	\$34,507	
	1108	Pool Filter - Replace	\$3,759	\$222,675
2041	801	Monuments - Rebuild	\$41,704	
	1101	Pool - Recoat	\$14,353	
	1604	Pole Lights - Replace	\$29,572	
	1801	Landscaping - Refurbish	\$33,038	\$118,668
2042	209	Unit Fencing - Restain	\$11,238	\$11,238
2043	217	Unit Decks - Restain	\$14,866	
	1002	Pool Fence - Major Repairs	\$11,660	
	1105	Pool Heater - Replace	\$10,406	\$36,933
2044	201	Stucco Surfaces - Repaint (East)	\$106,153	
	204	Exterior Wood Surfaces - Repaint	\$127,021	
	1010	Trash Enclosures - Replace	\$6,714	
	1111	Pool Pump - Replace	\$5,323	
	1703	Irrigation Controllers - Replace	\$45,364	
	1801	Landscaping - Refurbish	\$36,896	\$327,471

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2045	120	Gutters/Downspouts - Replace	\$64,135	
	201	Stucco Surfaces - Repaint (West)	\$110,134	
	402	Asphalt - Surface Application	\$15,940	
	403	Concrete - Repair/Replace	\$27,549	
	601	Concrete Sidewalks/Decks - Repair	\$41,951	
	607	Wood Deck - Major Repairs	\$23,219	
	1113	Pool Cover - Replace	\$6,056	
	1904	Storage Shed - Replace	\$7,844	\$296,827
2046	209	Unit Fencing - Restain	\$13,021	
	1001	Unit Wood Fencing - Partial Replace	\$30,796	\$43,817
2047	1801	Landscaping - Refurbish	\$41,205	\$41,205
2048	217	Unit Decks - Restain	\$17,871	
	1101	Pool - Recoat	\$18,572	\$36,443
2049	103	Flat Roof - Recoat (2900-2936)	\$142,476	
	401	Asphalt - Major Overlay (West)	\$92,269	
	1002	Pool Fence - Major Repairs	\$14,542	\$249,287
2050	103	Flat Roof - Recoat (East)	\$366,736	
	104	Flat Roof - Replace (East carports)	\$58,765	
	204	Exterior Wood Surfaces - Repaint	\$158,417	
	209	Unit Fencing - Restain	\$15,087	
	402	Asphalt - Surface Application	\$19,161	
	403	Concrete - Repair/Replace	\$33,117	
	601	Concrete Sidewalks/Decks - Repair	\$50,429	
	607	Wood Deck - Major Repairs	\$27,912	
	611	Balconies - Major Repairs	\$70,911	
	803	Mailboxes - Replace	\$13,956	
	1010	Trash Enclosures - Replace	\$8,373	
	1701	Irrigation System - Rebuild	\$452,621	
	1801	Landscaping - Refurbish	\$46,016	\$1,321,502

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 Fund Balance (aka – Ideal Balance) – An indicator against which 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. This number is calculated for each component, and then summed together for an association total.

$$\text{FFB} = \text{Replacement Cost} \times \text{Effective Age} / \text{Useful Life}$$

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 than 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.