

Reserve Analysis Report

Glenwood Gardens Phase I HOA

3130 29th St
Boulder, CO 90301

For Fiscal Year End:
December 31, 2011

Level I Study with Site Inspection



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Preface

What is A Reserve Study?

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. A CID exists when there is individual ownership of a house or condominium along with the shared ownership or right of use to common areas. These common areas can include streets, roofs, recreational facilities and many other items. A reserve study includes two parts: 1) **The Physical Analysis** contains information about the condition and repair/replacement cost of the components that the CID maintains. The physical analysis should include a component inventory and quantity, estimated useful and remaining life, and estimated replacement cost. 2) **The Financial Analysis** evaluates the CID's reserve fund balance and income. The financial analysis calculates a CID's percent funded by comparing the actual reserve balance to a fully funded balance. The reserve study then estimates the total annual contribution necessary to defray the future costs.

Why Should a Reserve Study be performed?

Certain states, such as California, require that reserve studies be completed and that the board of directors inform owners of the reserve status annually. In addition, the board of directors of a CID has a legal and fiduciary duty to maintain the community in a good state of repair. Property Values are directly affected by the level of maintenance and upkeep of the common area components. Reserve studies create a maintenance plan, which keeps a development in good condition, therefore increasing property appreciation and value. The amount of funds in the reserve account also greatly affects property values. Reserve studies inform CID's how much they should have in their reserve account, which eliminates costly special assessments. Over time each member of a CID should contribute their fair share to the reserve account so when expenses arise the required funds are available. Reserve Studies can also help avoid litigation against CID board members.

Sections of this Reserve Study

Executive Summary - Provides the general information about the CID and summarizes the findings of the study. Percent Funded and Recommended Reserve Contribution are included in the summary.

Component Summary – List all components and their details in tabular form.

30 Year Funding Plans – Lists theoretical fully funded balance for the next 30 years. Also lists theoretical annual contribution, projected year-end balance, and percent funded for the current, recommended, and threshold funding plans. (Inflation and annual dues increase are taken into account)

Annual Expenses – Lists projected annual expenses for each component over the next 30 years in tabular form. (Inflation is taken into account)

30 Year Reserve Projection Graph – Displays the reserve account balance for the current, fully funded, threshold, and recommended funding plans over the next 30 years. (Inflation and annual dues increase are taken into account)

Projected Annual Expenses Graph – Displays projected annual expenses over the next 30 years in a bar graph. (Inflation is taken into account)

Component Details – Provides detailed information on each component. Also includes pictures of selected components.

Where do Component Repair/Replacement Cost Estimates Come From?

The most accurate cost source is actual bids from contractors or to look at contracts from when the repair/replacement was last performed. In most cases bids or contracts are not available so unit costs for similar work done in the same local area are used. In addition, it is helpful to talk to local vendors who have knowledge of the work and can help with a cost estimate. A third source is to use construction cost estimators such as RS Means. Many times the entire quantity of a component will not need to be replaced or repaired all at once. An example of this is concrete sidewalks. All sidewalks should never have to be replaced, but some sections may experience cracking. In this case an allowance can be created for their partial replacement.

The cost source number for each component is provided in the component summary and details. An explanation of each follows:

1. **Local Historical Cost** – Cost based on bids for similar work done in same area.
2. **McCaffery Estimate** – Estimate or Allowance made by McCaffery Staff Member.
3. **Board/Manager Direction** – Cost estimate provided by board member or property manager.
4. **Bid/Contract** – Bid came from actual bid or contract.
5. **Cost Manual** – Cost came from estimating manual.
6. **Previous Study** – Cost came from previous reserve study.

What Procedures were used for calculation and establishment of reserves?

In this study the fully funded reserve balance for a component at a given time was computed using the component method. Using the component method the fully funded reserve balance equals the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component.

For example if the cost of a boiler is \$10,000, the useful life is 10 years and the remaining life is 3 years. The recommended reserve balance would be:

$$\$10,000 \times ((10-3)/10) = \$7,000.$$

Glossary of Terms:

Contingency – An allowance for miscellaneous components or unpredictable expenses. (5% of total current cost unless directed otherwise)

Current Budgeted Reserve Assessment – Amount currently being deposited into reserve account. Provided by Property Manager or Board Member.

Depreciation This Year – Amount that should be saved for component during current year. Provided for each component and summed for all components. If the association is 100% funded this is the amount they should contribute to the reserve fund annually.
=(Total Current Cost / Normal Useful Life)

Fully Funded Balance – The total depreciation over the life of the component. In other words, the amount that should have been saved during the life of the component. Provided for each component and summed for all components =((Normal Life – Remaining Life) * Depreciation This Year)

Normal Useful Life – Typical useable life for a component.

Percent Funded – The percentage of the fully funded balance that the CID has in reserve fund. (Projected Balance/ Fully Funded Balance)

Projected Balance – Projected balance at fiscal year end with current funding plan. Calculated using current reserve balance, remaining contributions to reserves before year-end, and planned expenses before year-end.

Recommended Reserve Contribution – Recommended amount that the CID should allocate into reserves.

Remaining Life – Expected remaining useable life of component. (0 year remaining life means the component will be serviced in the upcoming fiscal year)

Replacement Year – Year that component is projected to be replaced or repaired.

Total Cost – Total cost to replace entire quantity of component in today's dollars.
=(Quantity x Unit Cost)

Total Future Cost - Current cost adjusted to future cost taking into account inflation and replacement year. =(Current Cost * (1+ inflation rate)^(Replacement Year-Present Year))

Threshold Reserve Contribution – Reserve contribution that should be allocated into reserves to keep reserve balance above a minimum amount during the next 30 years.
(Minimum amount is 5% of total replacement cost unless otherwise noted)

Under Funded – Amount association is short of fully funded balance; also known as a deficit. =(Fully Funded Balance – Projected Balance)

Unit Cost – Cost per Unit.

Unit of Measure – Unit used to measure component. (Explanations shown below)

SF – Square Feet

SY – Square Yard

LF – Linear Feet

Each – Per Single Unit

Lump Sum - Total cost for component

Allowance – Allowance for component repair or replacement

Contract – Cost obtained from actual contract or bid

Useful Life – Time in years component is expected to last.

Preparer Qualifications

Brian McCaffery, President of McCaffery Reserve Consulting earned his Bachelor of Science Degree in Architectural Engineering from the University of Colorado in Boulder. His degree program included coursework in Building Exterior, Lighting, Electrical Systems, Heating Ventilating and Air Conditioning, Concrete and Steel Design, Civil Engineering, Structural Engineering, and Estimating. He has worked in the Building Construction/Architectural Engineering industry for 10 years and has been performing reserve studies for the past 8 years. During his professional career, Brian has worked for multiple companies that perform reserve studies. He has performed over 1,500 reserve studies throughout the state of California and the United States. Brian is a certified Reserve Specialist, designated by the Community Associations Institute (CAI). The Reserve Specialist designation is awarded to experienced, qualified reserve specialists, who through years of specialized experience, can help ensure that your community association prepares its reserve budget as accurately as possible. Brian also has a permit to perform reserve studies in the state of Nevada (Reserve study permit #9).

If you have any questions feel free to contact us at 858-764-1895.

Executive Summary

Glenwood Gardens Phase I HOA

This is a Homeowners Association with 31 Condominium Units.

The common area components include: asphalt, pond, and building exterior.

A Full Study with an on-site inspection was performed on March 7th, 2011

Number of Units	31
Year Built	
Fiscal Year End	December 31, 2011

Before Tax Interest Rate	2.5%
Annual Inflation Rate	3.0%
Annual Dues Increase	3.0%

Reserve Fund Balance December 31, 2011

Fully Funded Reserve Balance	\$ 289,495
Projected Balance	\$ 147,666
Under Funded (Deficiency in Reserve Funding)	\$ 141,829
Deficiency in Reserve Funding Per Unit	\$ 4,575.13
Percent Funded	51.0%

	Annually	Monthly	Per Unit Monthly
2011 Budgeted Reserve Assessment	\$ 9,228	\$ 769	\$ 24.81
Depreciation of Components in 2011	\$ 30,865	\$ 2,572	\$ 82.97
Threshold Reserve Contribution for 20112	\$ 32,520	\$ 2,710	\$ 87.42
Recommended Reserve Contribution for 2012	\$ 40,800	\$ 3,400	\$ 109.68

Component Summary
Glenwood Gardens Phase I HOA

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Depreciation This Year	Fully Funded Balance	Depre. %	Monthly Contribution	Cost Source
Roofing											
Built-Up Roofing	47000	SF	18	4	\$ 4.25	\$ 199,750	\$ 11,097	\$ 155,361	35.95%	\$ 1,222.43	1
Gutters & Downspouts	3500	LF	25	8	\$ 6.50	\$ 22,750	\$ 910	\$ 15,470	2.95%	\$ 100.24	1
						\$ 222,500	\$ 12,007	\$ 170,831	38.90%	\$ 1,322.68	
Painting											
Building Exterior	1	Allowance	6	0	\$ 36,000	\$ 36,000	\$ 6,000	\$ 36,000	19.44%	\$ 660.94	1
						\$ 36,000	\$ 6,000	\$ 36,000	19.44%	\$ 660.94	
Siding											
Repairs/Replacement	1	Allowance	6	0	\$ 20,000	\$ 20,000	\$ 3,333	\$ 20,000	10.80%	\$ 367.19	1
						\$ 20,000	\$ 3,333	\$ 20,000	10.80%	\$ 367.19	
Asphalt											
Slurry Seal & Repair	21000	SF	4	2	\$ 0.17	\$ 3,570	\$ 893	\$ 1,785	2.89%	\$ 98.31	1
Overlay & Replace	21000	SF	25	12	\$ 1.35	\$ 28,350	\$ 1,134	\$ 14,742	3.67%	\$ 124.92	1
Concrete Repairs	1	Allowance	10	3	\$ 5,000	\$ 5,000	\$ 500	\$ 3,500	1.62%	\$ 55.08	1
						\$ 36,920	\$ 2,527	\$ 20,027	8.19%	\$ 278.31	
Fencing/Rails											
Wood Fencing	1200	LF	20	17	\$ 23.00	\$ 27,600	\$ 1,380	\$ 4,140	4.47%	\$ 152.02	1
Wood Fencing Add	1	Allowance	20	0	\$ 4,000	\$ 4,000	\$ 200	\$ 4,000	0.65%	\$ 22.03	3
Balcony Replacements	1	Allowance	5	3	\$ 7,500	\$ 7,500	\$ 1,500	\$ 3,000	4.86%	\$ 165.24	1
						\$ 39,100	\$ 3,080	\$ 11,140	9.98%	\$ 339.28	
Pond											
Filters	2	Each	10	2	\$ 1,100	\$ 2,200	\$ 220	\$ 1,760	0.71%	\$ 24.23	1
Pump	1	Each	7	2	\$ 800	\$ 800	\$ 114	\$ 571	0.37%	\$ 12.59	1
						\$ 3,000	\$ 334	\$ 2,331	1.08%	\$ 36.82	
Landscaping											
Irrigation System Upgrade	1	Allowance	12	3	\$ 3,000	\$ 3,000	\$ 250	\$ 2,250	0.81%	\$ 27.54	1
Landscape Replacements	1	Allowance	10	4	\$ 6,000	\$ 6,000	\$ 600	\$ 3,600	1.94%	\$ 66.09	1
Tree Trimming											3
						\$ 9,000	\$ 850	\$ 5,850	2.75%	\$ 93.63	
Lighting											
Repairs & Replacements	1	Allowance	20	5	\$ 5,000	\$ 5,000	\$ 250	\$ 3,750	0.81%	\$ 27.54	1
						\$ 5,000	\$ 250	\$ 3,750	0.81%	\$ 27.54	
Miscellaneous											
Mailboxes	31	Each	25	5	\$ 100	\$ 3,100	\$ 124	\$ 2,480	0.40%	\$ 13.66	1
Entry Monument	1	Allowance	20	10	\$ 1,800	\$ 1,800	\$ 90	\$ 900	0.29%	\$ 9.91	1
Wing Wall Repairs	1	Allowance	5	2	\$ 4,000	\$ 4,000	\$ 800	\$ 2,400	2.59%	\$ 88.13	1
						\$ 8,900	\$ 1,014	\$ 5,780	3.29%	\$ 111.70	
Contingency											
5%							\$ 1,470	\$ 13,785	4.76%	\$ 161.90	1
TOTALS						\$ 380,420	\$ 30,865	\$ 289,495	100%	\$ 3,400	

Notes: Any other items not listed are included in operating budget.

Components with depreciation % greater than 25% are denoted in blue

Remaining life of 0 in Red

Theoretical 30 Year Funding Plans

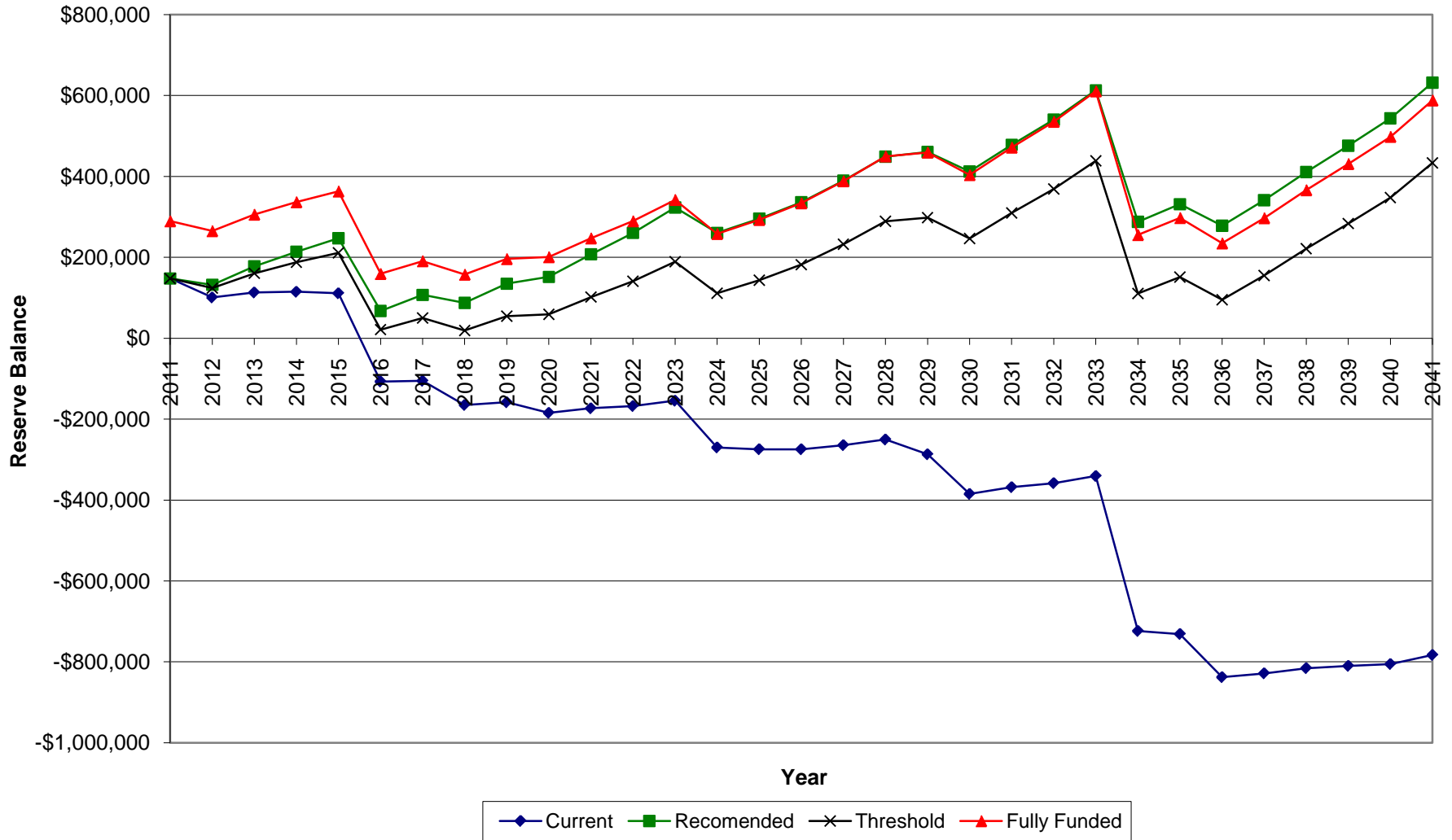
Glenwood Gardens Phase I HOA

Above 70% = Well Funded Between 30% and 70% = Fairly Funded Below 30% = Poorly Funded

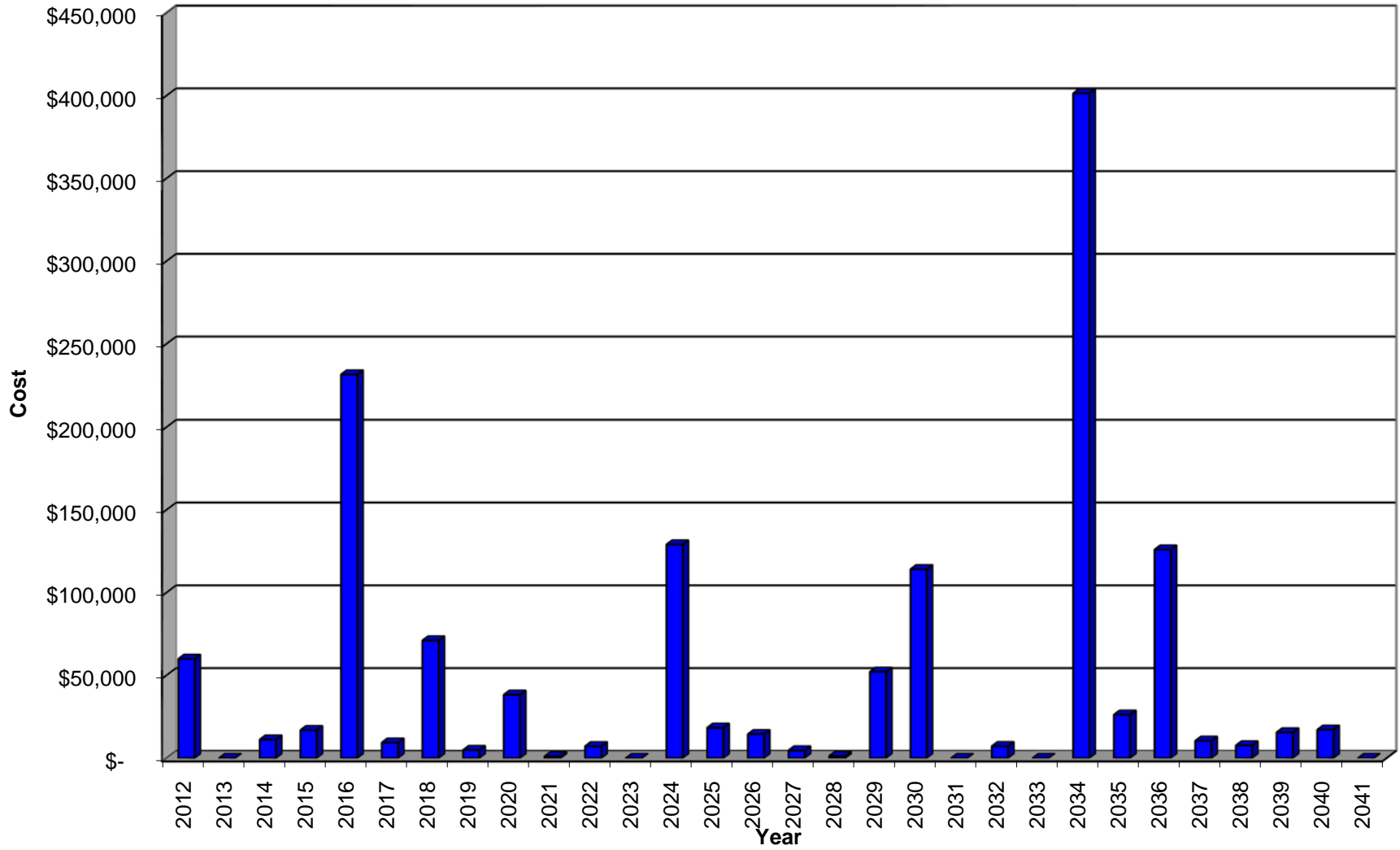
Year End	Annual Expenses	Fully Funded Balance	Current Funding Plan			Recommended Funding Plan			Threshold Funding Plan		
			Contribution	Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2011	\$ -	\$ 289,495	\$ 9,228	\$ 147,666	51%	\$ -	\$ 147,666	51%	\$ -	\$ 147,666	51%
2012	\$ 60,000	\$ 265,081	\$ 9,505	\$ 100,862	38%	\$ 40,800	\$ 132,158	50%	\$ 32,520	\$ 123,878	47%
2013	\$ -	\$ 305,778	\$ 9,790	\$ 113,174	37%	\$ 42,024	\$ 177,486	58%	\$ 33,496	\$ 160,470	52%
2014	\$ 11,214	\$ 336,551	\$ 10,084	\$ 114,873	34%	\$ 43,285	\$ 213,994	64%	\$ 34,500	\$ 187,769	56%
2015	\$ 16,937	\$ 363,069	\$ 10,386	\$ 111,194	31%	\$ 44,583	\$ 246,990	68%	\$ 35,535	\$ 211,061	58%
2016	\$ 231,573	\$ 159,295	\$ 10,698	\$ (106,902)	-67%	\$ 45,921	\$ 67,512	42%	\$ 36,602	\$ 21,366	13%
2017	\$ 9,390	\$ 190,773	\$ 11,019	\$ (105,273)	-55%	\$ 47,298	\$ 107,108	56%	\$ 37,700	\$ 50,209	26%
2018	\$ 71,130	\$ 157,530	\$ 11,349	\$ (165,054)	-105%	\$ 48,717	\$ 87,373	55%	\$ 38,831	\$ 19,166	12%
2019	\$ 4,919	\$ 196,034	\$ 11,690	\$ (158,283)	-81%	\$ 50,179	\$ 134,817	69%	\$ 39,995	\$ 54,721	28%
2020	\$ 38,320	\$ 200,745	\$ 12,040	\$ (184,563)	-92%	\$ 51,684	\$ 151,552	75%	\$ 41,195	\$ 58,964	29%
2021	\$ 1,044	\$ 247,118	\$ 12,402	\$ (173,205)	-70%	\$ 53,235	\$ 207,531	84%	\$ 42,431	\$ 101,826	41%
2022	\$ 7,217	\$ 289,451	\$ 12,774	\$ (167,648)	-58%	\$ 54,832	\$ 260,334	90%	\$ 43,704	\$ 140,859	49%
2023	\$ -	\$ 342,141	\$ 13,157	\$ (154,491)	-45%	\$ 56,477	\$ 323,320	94%	\$ 45,015	\$ 189,395	55%
2024	\$ 129,103	\$ 258,107	\$ 13,552	\$ (270,042)	-105%	\$ 58,171	\$ 260,471	101%	\$ 46,366	\$ 111,393	43%
2025	\$ 18,357	\$ 292,684	\$ 13,958	\$ (274,440)	-94%	\$ 46,686	\$ 295,312	101%	\$ 47,757	\$ 143,578	49%
2026	\$ 14,475	\$ 333,896	\$ 14,377	\$ (274,539)	-82%	\$ 48,087	\$ 336,306	101%	\$ 49,189	\$ 181,882	54%
2027	\$ 4,674	\$ 388,388	\$ 14,808	\$ (264,405)	-68%	\$ 49,529	\$ 389,570	100%	\$ 50,665	\$ 232,420	60%
2028	\$ 1,284	\$ 449,666	\$ 15,252	\$ (250,436)	-56%	\$ 51,015	\$ 449,040	100%	\$ 52,185	\$ 289,132	64%
2029	\$ 52,230	\$ 459,215	\$ 15,710	\$ (286,956)	-62%	\$ 52,546	\$ 460,582	100%	\$ 53,751	\$ 297,881	65%
2030	\$ 114,182	\$ 403,626	\$ 16,181	\$ (384,957)	-95%	\$ 54,122	\$ 412,037	102%	\$ 55,363	\$ 246,509	61%
2031	\$ -	\$ 471,480	\$ 16,667	\$ (368,290)	-78%	\$ 55,746	\$ 478,084	101%	\$ 57,024	\$ 309,695	66%
2032	\$ 7,224	\$ 535,230	\$ 17,167	\$ (358,348)	-67%	\$ 57,418	\$ 540,229	101%	\$ 58,735	\$ 368,948	69%
2033	\$ -	\$ 610,427	\$ 17,682	\$ (340,666)	-56%	\$ 59,141	\$ 612,876	100%	\$ 60,497	\$ 438,669	72%
2034	\$ 401,462	\$ 255,474	\$ 18,212	\$ (723,916)	-283%	\$ 60,915	\$ 287,651	113%	\$ 62,312	\$ 110,485	43%
2035	\$ 26,249	\$ 297,493	\$ 18,759	\$ (731,406)	-246%	\$ 62,742	\$ 331,336	111%	\$ 64,181	\$ 151,179	51%
2036	\$ 126,033	\$ 234,737	\$ 19,321	\$ (838,117)	-357%	\$ 64,625	\$ 278,211	119%	\$ 66,106	\$ 95,032	40%
2037	\$ 10,469	\$ 297,020	\$ 19,901	\$ (828,685)	-279%	\$ 66,563	\$ 341,260	115%	\$ 68,090	\$ 155,029	52%
2038	\$ 7,699	\$ 366,165	\$ 20,498	\$ (815,886)	-223%	\$ 68,560	\$ 410,653	112%	\$ 70,132	\$ 221,338	60%
2039	\$ 15,549	\$ 430,951	\$ 21,113	\$ (810,322)	-188%	\$ 70,617	\$ 475,988	110%	\$ 72,236	\$ 283,558	66%
2040	\$ 17,159	\$ 498,057	\$ 21,746	\$ (805,735)	-162%	\$ 72,736	\$ 543,463	109%	\$ 74,403	\$ 347,891	70%
2041	\$ -	\$ 587,916	\$ 22,399	\$ (783,337)	-133%	\$ 74,918	\$ 631,968	107%	\$ 76,636	\$ 433,224	74%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

30 Year Reserve Balance Projection



Projected Annual Expenditures



Disclaimer

This report attempts to determine the estimated remaining useful life of the components that can be visually observed. This report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements. The study is not a guarantee or warranty, or a recommendation to purchase. Estimated remaining useful lives are calculated with reasonable consideration for weather conditions. Natural disasters, including seismic activity will not be addressed in this report. Reserve Funding for earthquake damages and other disasters exceeds the scope of the study. We recommend the development consider additional insurance to cover unforeseen disasters. We assume the components of the association will receive proper maintenance. The report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements.

In providing the opinions of probable construction costs, the client understands that McCaffery Reserve Consulting (MRC) has no control over costs or the price of labor, equipment or materials, or over the contractor's method of pricing, and that the opinions of probable construction costs provided herein are to be made on the basis of MRC's qualifications and experience. MRC makes no warranty, expressed or implied, as to the accuracy of such opinions as compared to bid or actual costs.

Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as future inflation rates and levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand. All future projections are therefore theoretical and reserve studies should be updated annually.

MRC has made a reasonable effort to ensure that the report is accurate. This study does not preclude errors resulting from unforeseen conditions or circumstances. The scope of this report is expressly limited to the components described herein. MRC has obtained certain information, documentation and materials from the association agent and the reserve study is based upon the accuracy of such information. Material inaccuracies could adversely effect the reserve study. MRC is not responsible for such inaccuracies. This study is limited to a visual observation. There has been neither destructive testing nor inspection of the interior of private units; floors, wall or ceiling cavities, or structural elements. It is assumed that the components have been constructed per original construction documents and comply with applicable codes. This study is not designed to uncover latent or patent defects. Estimates represent replacement of a component with similar materials unless otherwise noted. Local building codes have not been researched to determine whether or not current ordinances will permit the replacement of any component with components of like material. The estimates do not take into account the abbreviated useful life of a component as a result of its original construction, installation, or design. MRC is not responsible for any claims, demands, or damages arising out of the discovery of asbestos, radon or any environmental claims, demands or damages. We do not assume any liability for damages which may result from this study. We are not responsible for conditions this report fails to disclose. The information contained in this study is deemed reliable as of the date of this study, but is not guaranteed.

The Association, by accepting this study, agrees to release MRC from any claims, demands or damages. The Association, in consideration of MRC performing the reserve study, hereby agrees to indemnify, defend and hold harmless MRC from and against any and all liability, damages, losses, claims, demands, or lawsuits arising out of or relating to this reserve study.

The information contained within the report is assembled in conjunction with the client and is intended to assist the client with its reserve planning. MRC does not guarantee, either explicitly or implied, that all repair and replacement items have been identified, the accuracy of the probable costs or the product lives associated with these items.