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**Kissing Tree
Villas
*San Marcos , TX***



Report #: 40052-1
Beginning: January 1, 2024
Expires: December 31, 2024

**RESERVE STUDY
Update "With-Site-Visit"**

May 3, 2024

Welcome to your Reserve Study!

A Reserve Study is a valuable tool to help you budget responsibly for your property. This report contains all the information you need to avoid surprise expenses, make informed decisions, save money, and protect property values.

Regardless of the property type, it's a fact of life that the very moment construction is completed, every major building component begins a predictable process of physical deterioration. The operative word is "predictable" because planning for the inevitable is what a Reserve Study by **Association Reserves** is all about!

In this Report, you will find three key results:

- **Component List**

Unique to each property, the Component List serves as the foundation of the Reserve Study and details the scope and schedule of all necessary repairs & replacements.

- **Reserve Fund Strength**

A calculation that measures how well the Reserve Fund has kept pace with the property's physical deterioration.

- **Reserve Funding Plan**

A multi-year funding plan based on current Reserve Fund strength that allows for component repairs and replacements to be completed in a timely manner, with an emphasis on fairness and avoiding "catch-up" funding.

Questions?

Please contact your Project Manager directly.



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**Kissing Tree - Villas**

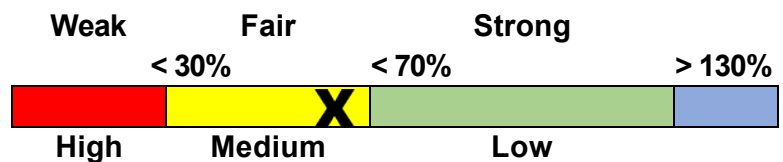
San Marcos , TX

Level of Service: **Update "With-Site-Visit"**Report #: **40052-1**

of Units: 90

January 1, 2024 through December 31, 2024**Findings & Recommendations****as of January 1, 2024**

Starting Reserve Balance	\$.49,013
Current Fully Funded (Ideal) Reserve Balance	\$.77,484
Average Reserve Deficit Per Unit	\$316
Percent Funded	63.3 %
Recommended 2024 Annual "Full Funding" Contributions	\$29,800
Alternate 2024 Annual "Baseline Funding" Contributions	\$25,400
Most Recent Reserve Contribution Rate	\$.14,616

Reserve Fund Strength: 63.3%**Risk of Special Assessment:****Economic Assumptions:**

Net Annual "After Tax" Interest Earnings Accruing to Reserves	1.00 %
Annual Inflation Rate	3.00 %

- This is an Update "With-Site-Visit" Reserve Study.
- The information in this Reserve Study is based on our site inspection on 10/17/2023.
- This Reserve Study was prepared by, or under the supervision of a credentialed Reserve Specialist (RS™).
- Because your Reserve Fund is at 63.3 % Funded, this means the association's special assessment & deferred maintenance risk is currently Medium.
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, we recommend increasing your Reserve contributions to \$29,800/year.
- This Reserve Study has been prepared using the "pooled" method of Reserve funding (also known as the cash flow method). The terms "full funding" and/or "fully funding" as used in this Reserve Study are based on the National Reserve Study Standards definition of full funding: "setting a Reserve funding goal to attain and maintain Reserves at or near 100 percent funded." (The definition and means of calculating percent-funded are addressed later in this report.)



# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
SITE AND GROUNDS			
201 Asphalt - Mill and Overlay	25	22	\$328,500
203 Asphalt - Seal/Stripe/Repair	5	2	\$30,300
212 Concrete: Curbs - Repair	10	12	\$13,000
503 Fencing: Metal - Replace	30	27	\$77,000
510 Pavilion - Renovate	25	17	\$16,200
517 Walls: Retaining - Inspect/Repair	20	17	\$20,000
1107 Fencing: Metal - Paint/Refurbish	5	3	\$10,000

7 Total Funded Components

Note 1: Yellow highlighted line items are expected to require attention in this initial year, light blue highlighted items are expected to occur within the first-five years.

Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not “for the future”. Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology

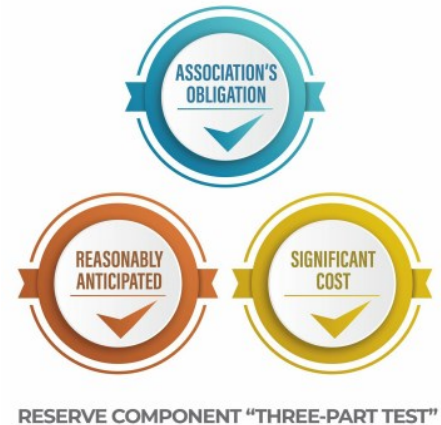


For this [Update With-Site-Visit Reserve Study](#), we started with a review of your prior Reserve Study, then looked into recent Reserve expenditures, evaluated how expenditures are handled (ongoing maintenance vs Reserves), and researched any well-established association

precedents. We performed an on-site inspection to evaluate your common areas, updating and adjusting your Reserve Component List as appropriate.

Which Physical Assets are Funded by Reserves?

There is a national-standard three-part test to determine which projects should appear in a Reserve Component List. First, it must be a common area maintenance obligation. Second, both the need and schedule of a component's project can be reasonably anticipated. Third, the project's total cost is material to the client, can be reasonably anticipated, and includes all direct and related costs. A project cost is commonly considered *material* if it is more than 0.5% to 1% of the total annual budget. This limits Reserve components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to natural disasters and/or insurable events), and expenses more appropriately handled from the Operational budget.



How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% - 130% range is considered strong (low risk of special assessment).

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

How much should we contribute?



RESERVE FUNDING PRINCIPLES

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up," the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70 - 130% range *enjoy a low risk of special assessments or deferred maintenance.*

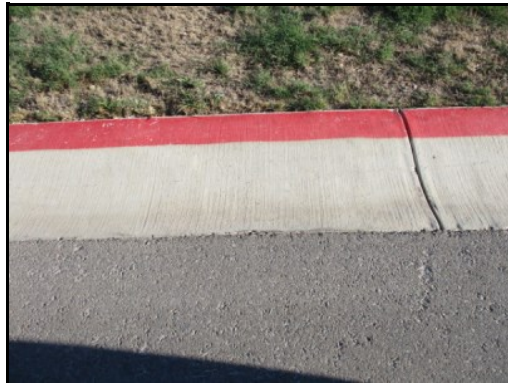


FUNDING OBJECTIVES

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0 - 30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Site Inspection Notes

During our site visit on 10/17/2023, we started with a brief meeting with Matthew Dozier (General Manager) and Mark Weeden (Director of Asset Management), and then started the site inspection beginning with the streets. We visually inspected and were able to see all common areas. Please refer to the Component Details section at the bottom of the report for additional information on each of your Reserve components.



Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections. The figure below summarizes the projected future expenses at your association as defined by your Reserve Component List. A summary of these components are shown in the Component Details table, while a summary of the expenses themselves are shown in the 30-yr Expense Summary table.

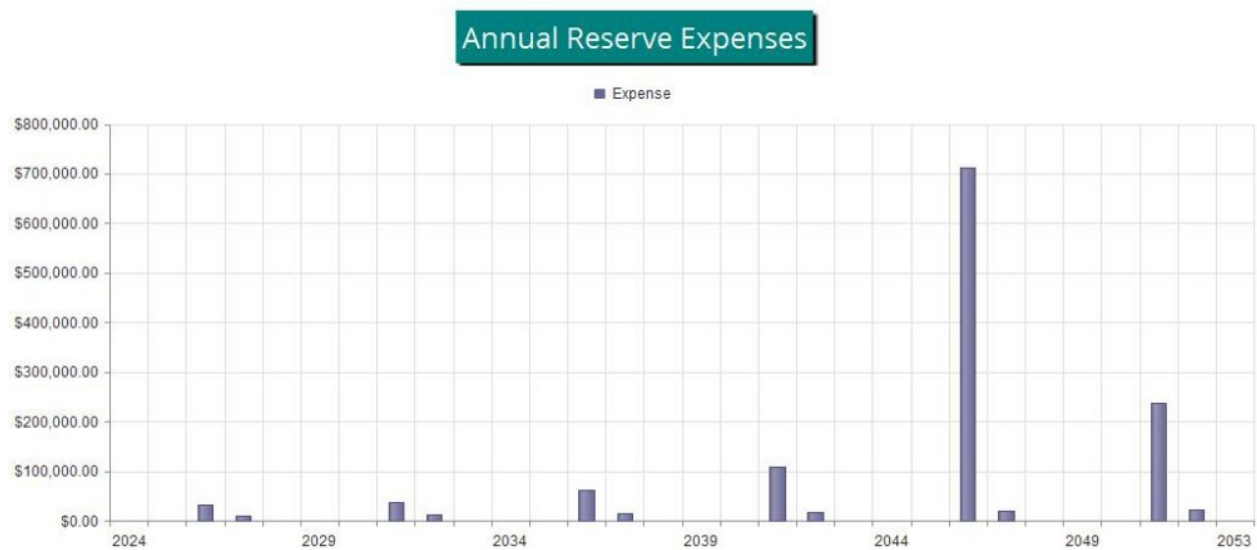


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$49,013 as-of the start of your Fiscal Year on 1/1/2024. This is based on your actual balance on 1/1/2024 of \$49,013 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of your Fiscal Year Start, your Fully Funded Balance is computed to be \$77,484. This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 63.3 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending budgeted contributions of \$29,800 this Fiscal Year. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary and the Cash Flow Detail tables.

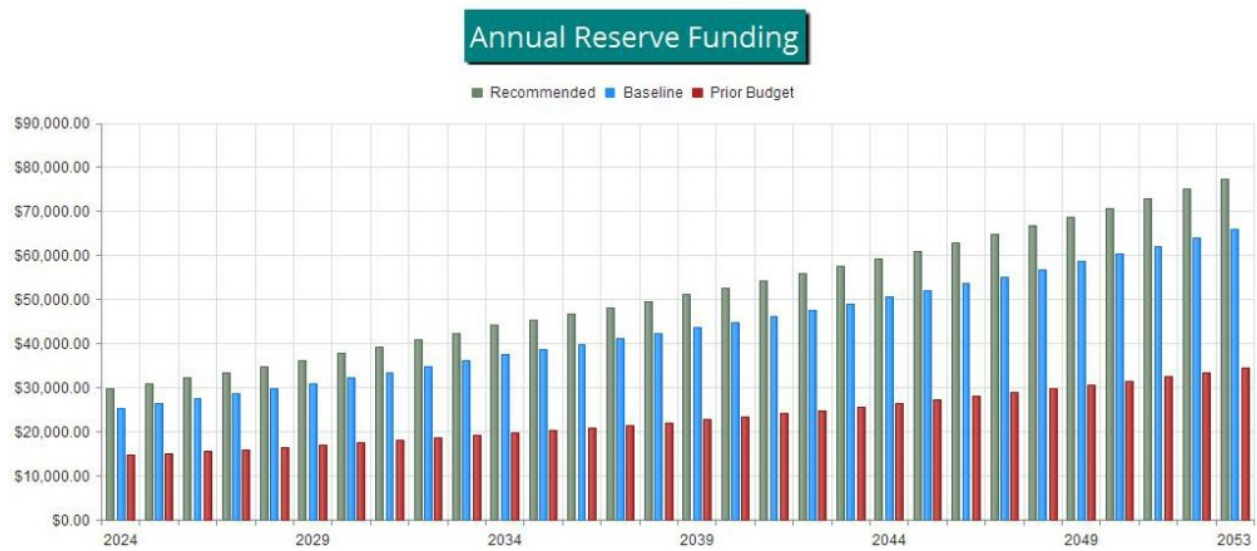


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

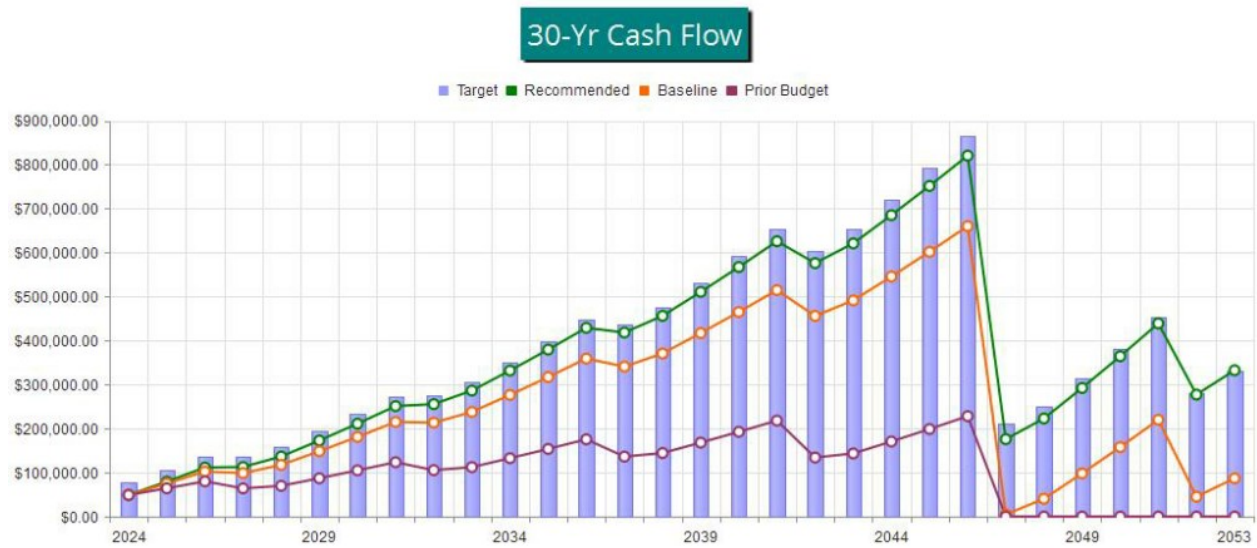


Figure 3

This figure shows the same information plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-yr Funding Plan.

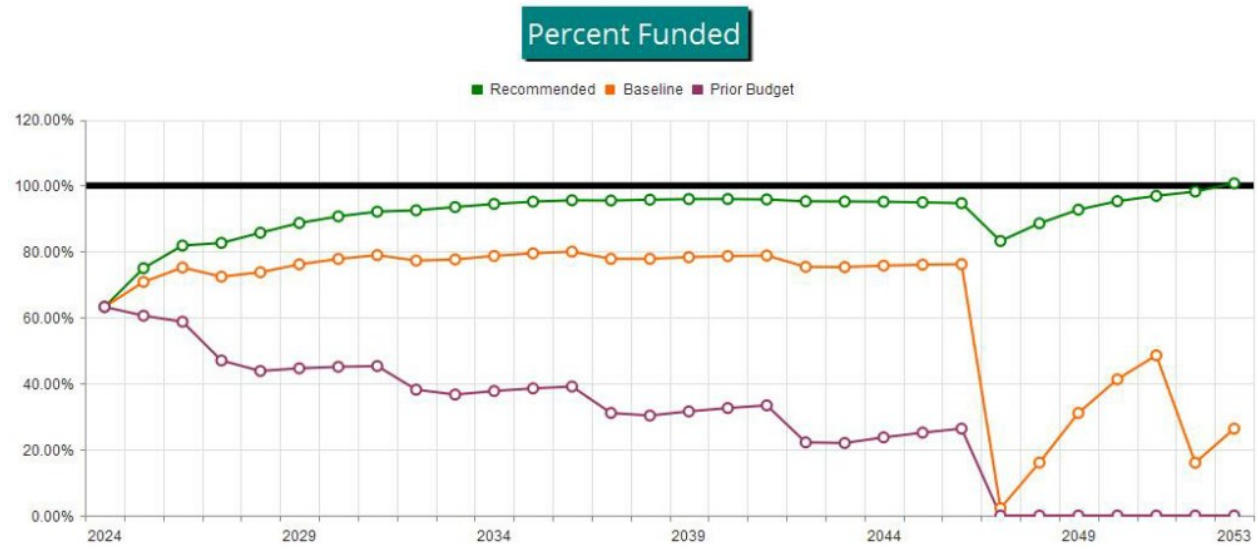


Figure 4



Table Descriptions

Executive Summary is a summary of your Reserve Components

Reserve Component List Detail discloses key Component information, providing the foundation upon which the financial analysis is performed.

Fully Funded Balance shows the calculation of the Fully Funded Balance for each of your components, and their contributions to the property total. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Component Significance shows the relative significance of each component to Reserve funding needs of the property, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by its Useful Life, then that component's percentage of the total is displayed.

30-Yr Reserve Plan Summary provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk at the beginning of each year.

30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.



#	Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate
SITE AND GROUNDS					
201	Asphalt - Mill and Overlay	~ 101,000 GSF	25	22	\$328,500
203	Asphalt - Seal/Stripe/Repair	~ 101,000 GSF	5	2	\$30,300
212	Concrete: Curbs - Repair	5% of ~ 7,230 LF	10	12	\$13,000
503	Fencing: Metal - Replace	~ 1,875 LF	30	27	\$77,000
510	Pavilion - Renovate	(1) Pavilion; 315 GSF	25	17	\$16,200
517	Walls: Retaining - Inspect/Repair	Lump Sum Allowance	20	17	\$20,000
1107	Fencing: Metal - Paint/Refurbish	~ 1,875 LF	5	3	\$10,000
7 Total Funded Components					



#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
SITE AND GROUNDS								
201	Asphalt - Mill and Overlay	\$328,500	X	3	/	25	=	\$39,420
203	Asphalt - Seal/Stripe/Repair	\$30,300	X	3	/	5	=	\$18,180
212	Concrete: Curbs - Repair	\$13,000	X	0	/	10	=	\$0
503	Fencing: Metal - Replace	\$77,000	X	3	/	30	=	\$7,700
510	Pavilion - Renovate	\$16,200	X	8	/	25	=	\$5,184
517	Walls: Retaining - Inspect/Repair	\$20,000	X	3	/	20	=	\$3,000
1107	Fencing: Metal - Paint/Refurbish	\$10,000	X	2	/	5	=	\$4,000
								\$77,484



#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
SITE AND GROUNDS					
201	Asphalt - Mill and Overlay	25	\$328,500	\$13,140	49.19 %
203	Asphalt - Seal/Stripe/Repair	5	\$30,300	\$6,060	22.68 %
212	Concrete: Curbs - Repair	10	\$13,000	\$1,300	4.87 %
503	Fencing: Metal - Replace	30	\$77,000	\$2,567	9.61 %
510	Pavilion - Renovate	25	\$16,200	\$648	2.43 %
517	Walls: Retaining - Inspect/Repair	20	\$20,000	\$1,000	3.74 %
1107	Fencing: Metal - Paint/Refurbish	5	\$10,000	\$2,000	7.49 %
7	Total Funded Components			\$26,715	100.00 %



30-Year Reserve Plan Summary

Report # 40052-1
With-Site-Visit

Fiscal Year Start: 2024

Interest:

1.00 %

Inflation:

3.00 %

Reserve Fund Strength: as-of Fiscal Year Start Date

Projected Reserve Balance Changes

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase In Annual		Reserve Funding	Reserve Funding	Loan or Special Assmts	Interest Income	Reserve Expenses
					Reserve	Funding					
2024	\$49,013	\$77,484	63.3 %	Medium	103.89 %		\$29,800		\$0	\$642	\$0
2025	\$79,455	\$105,986	75.0 %	Low	4.00 %		\$30,992		\$0	\$954	\$0
2026	\$111,401	\$136,128	81.8 %	Low	4.00 %		\$32,232		\$0	\$1,120	\$32,145
2027	\$112,607	\$136,294	82.6 %	Low	4.00 %		\$33,521		\$0	\$1,245	\$10,927
2028	\$136,445	\$159,195	85.7 %	Low	4.00 %		\$34,862		\$0	\$1,546	\$0
2029	\$172,853	\$194,940	88.7 %	Low	4.00 %		\$36,256		\$0	\$1,919	\$0
2030	\$211,028	\$232,687	90.7 %	Low	4.00 %		\$37,707		\$0	\$2,309	\$0
2031	\$251,044	\$272,524	92.1 %	Low	4.00 %		\$39,215		\$0	\$2,532	\$37,265
2032	\$255,525	\$276,158	92.5 %	Low	4.00 %		\$40,783		\$0	\$2,708	\$12,668
2033	\$286,349	\$306,251	93.5 %	Low	4.00 %		\$42,415		\$0	\$3,090	\$0
2034	\$331,853	\$351,341	94.5 %	Low	4.00 %		\$44,111		\$0	\$3,555	\$0
2035	\$379,520	\$398,861	95.2 %	Low	3.00 %		\$45,435		\$0	\$4,041	\$0
2036	\$428,995	\$448,915	95.6 %	Low	3.00 %		\$46,798		\$0	\$4,235	\$61,735
2037	\$418,292	\$438,026	95.5 %	Low	3.00 %		\$48,202		\$0	\$4,370	\$14,685
2038	\$456,179	\$476,450	95.7 %	Low	3.00 %		\$49,648		\$0	\$4,832	\$0
2039	\$510,659	\$532,364	95.9 %	Low	3.00 %		\$51,137		\$0	\$5,387	\$0
2040	\$567,183	\$591,204	95.9 %	Low	3.00 %		\$52,671		\$0	\$5,962	\$0
2041	\$625,816	\$653,095	95.8 %	Low	3.00 %		\$54,251		\$0	\$6,007	\$109,914
2042	\$576,161	\$604,956	95.2 %	Low	3.00 %		\$55,879		\$0	\$5,983	\$17,024
2043	\$620,998	\$652,414	95.2 %	Low	3.00 %		\$57,555		\$0	\$6,528	\$0
2044	\$685,081	\$720,236	95.1 %	Low	3.00 %		\$59,282		\$0	\$7,180	\$0
2045	\$751,543	\$791,540	94.9 %	Low	3.00 %		\$61,060		\$0	\$7,857	\$0
2046	\$820,460	\$866,475	94.7 %	Low	3.00 %		\$62,892		\$0	\$4,980	\$712,407
2047	\$175,925	\$211,413	83.2 %	Low	3.00 %		\$64,779		\$0	\$1,994	\$19,736
2048	\$222,962	\$251,733	88.6 %	Low	3.00 %		\$66,722		\$0	\$2,575	\$0
2049	\$292,259	\$315,220	92.7 %	Low	3.00 %		\$68,724		\$0	\$3,281	\$0
2050	\$364,264	\$382,289	95.3 %	Low	3.00 %		\$70,786		\$0	\$4,015	\$0
2051	\$439,065	\$453,099	96.9 %	Low	3.00 %		\$72,909		\$0	\$3,580	\$238,344
2052	\$277,209	\$282,318	98.2 %	Low	3.00 %		\$75,097		\$0	\$3,047	\$22,879
2053	\$332,474	\$330,177	100.7 %	Low	3.00 %		\$77,349		\$0	\$3,729	\$0



30-Year Reserve Plan Summary (Alternate Funding Plan)

Report # 40052-1
With-Site-Visit

Fiscal Year Start: 2024

Interest:

1.00 %

Inflation:

3.00 %

Reserve Fund Strength: as-of Fiscal Year Start Date

Projected Reserve Balance Changes

	% Increase									
	Starting	Fully			Special	In Annual		Loan or		
Year	Reserve	Funded	Percent		Assmt	Reserve	Reserve	Special	Interest	Reserve
	Balance	Balance	Funded		Risk	Funding	Funding	Assmts	Income	Expenses
2024	\$49,013	\$77,484	63.3 %		Medium	73.78 %	\$25,400	\$0	\$620	\$0
2025	\$75,033	\$105,986	70.8 %		Low	4.00 %	\$26,416	\$0	\$886	\$0
2026	\$102,335	\$136,128	75.2 %		Low	4.00 %	\$27,473	\$0	\$1,005	\$32,145
2027	\$98,667	\$136,294	72.4 %		Low	4.00 %	\$28,572	\$0	\$1,080	\$10,927
2028	\$117,392	\$159,195	73.7 %		Low	4.00 %	\$29,714	\$0	\$1,329	\$0
2029	\$148,434	\$194,940	76.1 %		Low	4.00 %	\$30,903	\$0	\$1,646	\$0
2030	\$180,984	\$232,687	77.8 %		Low	4.00 %	\$32,139	\$0	\$1,980	\$0
2031	\$215,103	\$272,524	78.9 %		Low	4.00 %	\$33,425	\$0	\$2,142	\$37,265
2032	\$213,404	\$276,158	77.3 %		Low	4.00 %	\$34,762	\$0	\$2,255	\$12,668
2033	\$237,752	\$306,251	77.6 %		Low	4.00 %	\$36,152	\$0	\$2,570	\$0
2034	\$276,475	\$351,341	78.7 %		Low	4.00 %	\$37,598	\$0	\$2,966	\$0
2035	\$317,039	\$398,861	79.5 %		Low	3.00 %	\$38,726	\$0	\$3,379	\$0
2036	\$359,145	\$448,915	80.0 %		Low	3.00 %	\$39,888	\$0	\$3,498	\$61,735
2037	\$340,795	\$438,026	77.8 %		Low	3.00 %	\$41,085	\$0	\$3,556	\$14,685
2038	\$370,751	\$476,450	77.8 %		Low	3.00 %	\$42,317	\$0	\$3,937	\$0
2039	\$417,005	\$532,364	78.3 %		Low	3.00 %	\$43,587	\$0	\$4,408	\$0
2040	\$465,000	\$591,204	78.7 %		Low	3.00 %	\$44,894	\$0	\$4,897	\$0
2041	\$514,791	\$653,095	78.8 %		Low	3.00 %	\$46,241	\$0	\$4,852	\$109,914
2042	\$455,969	\$604,956	75.4 %		Low	3.00 %	\$47,628	\$0	\$4,734	\$17,024
2043	\$491,308	\$652,414	75.3 %		Low	3.00 %	\$49,057	\$0	\$5,182	\$0
2044	\$545,547	\$720,236	75.7 %		Low	3.00 %	\$50,529	\$0	\$5,734	\$0
2045	\$601,810	\$791,540	76.0 %		Low	3.00 %	\$52,045	\$0	\$6,307	\$0
2046	\$660,162	\$866,475	76.2 %		Low	3.00 %	\$53,606	\$0	\$3,323	\$712,407
2047	\$4,684	\$211,413	2.2 %		High	3.00 %	\$55,214	\$0	\$225	\$19,736
2048	\$40,387	\$251,733	16.0 %		High	3.00 %	\$56,871	\$0	\$691	\$0
2049	\$97,949	\$315,220	31.1 %		Medium	3.00 %	\$58,577	\$0	\$1,278	\$0
2050	\$157,804	\$382,289	41.3 %		Medium	3.00 %	\$60,334	\$0	\$1,888	\$0
2051	\$220,027	\$453,099	48.6 %		Medium	3.00 %	\$62,144	\$0	\$1,325	\$238,344
2052	\$45,152	\$282,318	16.0 %		High	3.00 %	\$64,008	\$0	\$660	\$22,879
2053	\$86,941	\$330,177	26.3 %		High	3.00 %	\$65,929	\$0	\$1,205	\$0



30-Year Income/Expense Detail

Report # 40052-1
With-Site-Visit

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$49,013	\$79,455	\$111,401	\$112,607	\$136,445
Annual Reserve Funding	\$29,800	\$30,992	\$32,232	\$33,521	\$34,862
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$642	\$954	\$1,120	\$1,245	\$1,546
Total Income	\$79,455	\$111,401	\$144,752	\$147,373	\$172,853
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$32,145	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$0	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$0	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$0	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$0	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$10,927	\$0
Total Expenses	\$0	\$0	\$32,145	\$10,927	\$0
Ending Reserve Balance	\$79,455	\$111,401	\$112,607	\$136,445	\$172,853

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$172,853	\$211,028	\$251,044	\$255,525	\$286,349
Annual Reserve Funding	\$36,256	\$37,707	\$39,215	\$40,783	\$42,415
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,919	\$2,309	\$2,532	\$2,708	\$3,090
Total Income	\$211,028	\$251,044	\$292,790	\$299,017	\$331,853
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$37,265	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$0	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$0	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$0	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$0	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$12,668	\$0
Total Expenses	\$0	\$0	\$37,265	\$12,668	\$0
Ending Reserve Balance	\$211,028	\$251,044	\$255,525	\$286,349	\$331,853

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$331,853	\$379,520	\$428,995	\$418,292	\$456,179
Annual Reserve Funding	\$44,111	\$45,435	\$46,798	\$48,202	\$49,648
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,555	\$4,041	\$4,235	\$4,370	\$4,832
Total Income	\$379,520	\$428,995	\$480,028	\$470,864	\$510,659
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$43,201	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$18,535	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$0	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$0	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$0	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$14,685	\$0
Total Expenses	\$0	\$0	\$61,735	\$14,685	\$0
Ending Reserve Balance	\$379,520	\$428,995	\$418,292	\$456,179	\$510,659

Fiscal Year	2039	2040	2041	2042	2043
Starting Reserve Balance	\$510,659	\$567,183	\$625,816	\$576,161	\$620,998
Annual Reserve Funding	\$51,137	\$52,671	\$54,251	\$55,879	\$57,555
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,387	\$5,962	\$6,007	\$5,983	\$6,528
Total Income	\$567,183	\$625,816	\$686,075	\$638,023	\$685,081
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$50,081	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$0	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$0	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$26,776	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$33,057	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$17,024	\$0
Total Expenses	\$0	\$0	\$109,914	\$17,024	\$0
Ending Reserve Balance	\$567,183	\$625,816	\$576,161	\$620,998	\$685,081

Fiscal Year	2044	2045	2046	2047	2048
Starting Reserve Balance	\$685,081	\$751,543	\$820,460	\$175,925	\$222,962
Annual Reserve Funding	\$59,282	\$61,060	\$62,892	\$64,779	\$66,722
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,180	\$7,857	\$4,980	\$1,994	\$2,575
Total Income	\$751,543	\$820,460	\$888,332	\$242,697	\$292,259
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$629,440	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$58,058	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$24,909	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$0	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$0	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$0	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$19,736	\$0
Total Expenses	\$0	\$0	\$712,407	\$19,736	\$0
Ending Reserve Balance	\$751,543	\$820,460	\$175,925	\$222,962	\$292,259

Fiscal Year	2049	2050	2051	2052	2053
Starting Reserve Balance	\$292,259	\$364,264	\$439,065	\$277,209	\$332,474
Annual Reserve Funding	\$68,724	\$70,786	\$72,909	\$75,097	\$77,349
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,281	\$4,015	\$3,580	\$3,047	\$3,729
Total Income	\$364,264	\$439,065	\$515,554	\$355,353	\$413,552
# Component					
SITE AND GROUNDS					
201 Asphalt - Mill and Overlay	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Stripe/Repair	\$0	\$0	\$67,305	\$0	\$0
212 Concrete: Curbs - Repair	\$0	\$0	\$0	\$0	\$0
503 Fencing: Metal - Replace	\$0	\$0	\$171,039	\$0	\$0
510 Pavilion - Renovate	\$0	\$0	\$0	\$0	\$0
517 Walls: Retaining - Inspect/Repair	\$0	\$0	\$0	\$0	\$0
1107 Fencing: Metal - Paint/Refurbish	\$0	\$0	\$0	\$22,879	\$0
Total Expenses	\$0	\$0	\$238,344	\$22,879	\$0
Ending Reserve Balance	\$364,264	\$439,065	\$277,209	\$332,474	\$413,552



Accuracy, Limitations, and Disclosures

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Robert M. Nordlund, P.E., R.S., company Founder/CEO, is a California licensed Professional Engineer (Mechanical, #22322), and credentialed Reserve Specialist (#5). All work done by Association Reserves is performed under his Responsible Charge and is performed in accordance with National Reserve Study Standards (NRSS). There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the client's situation. Per NRSS, information provided by official representative(s) of the client, vendors, and suppliers regarding financial details, component physical details and/or quantities, or historical issues/conditions will be deemed reliable, and is not intended to be used for the purpose of any type of audit, quality/forensic analysis, or background checks of historical records. As such, information provided to us has not been audited or independently verified. Estimates for interest and inflation have been included, because including such estimates are more accurate than ignoring them completely. When we are hired to prepare Update reports, the client is considered to have deemed those previously developed component quantities as accurate and reliable, whether established by our firm or other individuals/firms (unless specifically mentioned in our Site Inspection Notes). During inspections our company standard is to establish measurements within 5% accuracy, and our scope includes visual inspection of accessible areas and components and does not include any destructive or other testing. Our work is done only for budget purposes. Uses or expectations outside our expertise and scope of work include, but are not limited to, project audit, quality inspection, and the identification of construction defects, hazardous materials, or dangerous conditions. Identifying hidden issues such as but not limited to plumbing or electrical problems are also outside our scope of work. Our estimates assume proper original installation & construction, adherence to recommended preventive maintenance, a stable economic environment, and do not consider frequency or severity of natural disasters. Our opinions of component Useful Life, Remaining Useful Life, and current or future cost estimates are not a warranty or guarantee of actual costs or timing. Because the physical and financial status of the property, legislation, the economy, weather, owner expectations, and usage are all in a continual state of change over which we have no control, we do not expect that the events projected in this document will all occur exactly as planned. This Reserve Study is by nature a "one-year" document in need of being updated annually so that more accurate estimates can be incorporated. It is only because a long-term perspective improves the accuracy of near-term planning that this Report projects expenses into the future. We fully expect a number of adjustments will be necessary through the interim years to the cost and timing of expense projections and the funding necessary to prepare for those estimated expenses. In this engagement our compensation is not contingent upon our conclusions, and our liability in any matter involving this Reserve Study is limited to our fee for services rendered.



Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area). Equivalent to Square Feet
GSY	Gross Square Yards (area). Equivalent to Square Yards
HP	Horsepower
LF	Linear Feet (length)
Effective Age	The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.
Fully Funded Balance (FFB)	The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.
Inflation	Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on the "30-yr Income/Expense Detail" table.
Interest	Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.
Percent Funded	The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
Remaining Useful Life (RUL)	The estimated time, in years, that a common area component can be expected to continue to serve its intended function.
Useful Life (UL)	The estimated time, in years, that a common area component can be expected to serve its intended function.



Component Details

The primary purpose of the Component Details appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The information presented here represents a wide range of components that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding. 1) Common area repair & replacement responsibility 2) Component must have a limited useful life 3) Life limit must be predictable 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of Annual operating expenses). Not all your components may have been found appropriate for reserve funding. In our judgment, the components meeting the above four criteria are shown with the Useful Life (how often the project is expected to occur), Remaining Useful Life (when the next instance of the expense will be) and representative market cost range termed “Best Cost” and “Worst Cost”. There are many factors that can result in a wide variety of potential costs, and we have attempted to present the cost range in which your actual expense will occur. Where no Useful Life, Remaining Useful Life, or pricing exists, the component was deemed inappropriate for Reserve Funding.

SITE AND GROUNDS

Comp #: 201 Asphalt - Mill and Overlay**Quantity: ~ 101,000 GSF**

Location: Streets throughout the villas

Funded?: Yes.

History: Constructed in 2021 and 2022

Comments: Good condition: Asphalt pavement determined to be in good condition typically exhibits a consistent appearance with uniform coloring and relatively smooth texture with only light to moderate signs of wear or age. If present, cracking and raveling or other signs of wear are sporadic in nature, and asphalt is still up to aesthetic standards for the development. No unusual signs of wear considering the age of the asphalt surface.

As routine maintenance, keep the roadway clean, free of debris and well drained; fill/seal cracks to prevent water from penetrating into the sub-base and accelerating damage. Even with ordinary care and maintenance, a plan for eventual large-scale resurface (milling and overlay of all asphalt surfaces is recommended here, unless otherwise noted) at roughly the time frame below. Take note of any areas of ponding water or other drainage concerns, and incorporate repairs into scope of work for resurfacing. Our inspection is visual only and does not incorporate any core sampling or other testing, which may be advisable when asphalt is nearing end of useful life. Some communities choose to work with independent paving consultants or engineering firms in order to identify any hidden concerns and develop scope of work prior to bidding. If more comprehensive analysis becomes available, incorporate findings into future reserve study updates as appropriate.

Useful Life:

25 years

Remaining Life:

22 years



Best Case: \$ 303,000

Worst Case: \$ 354,000

Cost Source: AR Cost Database

Comp #: 203 Asphalt - Seal/Stripe/Repair

Quantity: ~ 101,000 GSF

Location: Streets throughout the villas

Funded?: Yes.

History:

Comments: N/A: Asphalt does not exhibit any signs of prior seal-coating. May not have been done at any point, or has deteriorated completely.

Regular cycles of seal coating (along with any needed repair) has proven to be the best program in our opinion for the long term care of asphalt pavement. The primary reason to seal coat asphalt pavement is to protect the pavement from the deteriorating effects of sun and water. When asphalt pavement is exposed, the asphalt oxidizes, or hardens which causes the pavement to become more brittle. As a result, the pavement will be more likely to crack because it is unable to bend and flex when subjected to traffic and temperature changes. A seal coat combats this situation by providing a water-resistant membrane, which not only slows down the oxidation process but also helps the pavement to shed water, preventing it from entering the base material. Seal coating also provides uniform appearance, concealing the inevitable patching and repairs which accumulate over time. Seal coating ultimately can extend the useful life of asphalt, postponing the need for asphalt resurfacing. If asphalt is already cracked, raveled and otherwise deteriorated, seal-coating will not provide much physical benefit, but still may have aesthetic benefits for curb appeal.

Useful Life:
5 years

Remaining Life:
2 years



Best Case: \$ 28,300

Worst Case: \$ 32,300

Cost Source: AR Cost Database

Comp #: 212 Concrete: Curbs - Repair

Quantity: 5% of ~ 7,230 LF

Location: Streets throughout the villas

Funded?: Yes.

History:

Comments: Funding provided to repair 5% or 362 LF of the total

Good condition: Concrete curbs and gutters determined to be in good condition typically exhibit even and smooth surfaces with normal wear. Minimal lifting and/or cracking evident at the time of inspection.

Under normal circumstances, concrete curbing should have a very long useful life (often assumed to be 50 years or more). Although difficult to predict timing, cost, and scope, we suggest a rotating “supplemental” allowance to fund periodic larger repairs that may be required over time. All maintenance, repair, and/or other related expenditures should be tracked and reported by the client during future reserve study updates. This component should then be re-evaluated based on most recent information and data available at that time.

Useful Life:
10 years

Remaining Life:
12 years



Best Case: \$ 10,000

Worst Case: \$ 16,000

Cost Source: AR Cost Database

Comp #: 503 Fencing: Metal - Replace

Quantity: ~ 1,875 LF

Location: Local areas throughout the development
Funded?: Yes.

History:

Comments: Includes: approximately 1,025 LF of metal fencing and 850 LF of steel wired fencing with wood posts.

Good condition: Metal fencing determined to be in good physical/structural condition is stable and upright, with no signs or reports of damage or required repairs. All components and hardware appear to be in serviceable condition with no unusual or advanced signs of wear or age. Fencing is in good aesthetic condition.

In our experience, metal fencing will typically eventually break down due to a combination of sun and weather exposure, which is sometimes exacerbated by other factors such as irrigation overspray, abuse and lack of preventive maintenance. For some types of fencing, complete replacement is advisable over recoating or refinishing due to relatively short lifespan of coatings and consideration of total life-cycle cost.

Useful Life:
30 years

Remaining Life:
27 years



Best Case: \$ 67,000

Worst Case: \$ 87,000

Cost Source: AR Cost Database

Comp #: 510 Pavilion - Renovate

Quantity: (1) Pavilion; 315 GSF

Location: The Strand

Funded?: Yes.

History:

Comments: Good condition: Pavilions determined to be in good condition typically exhibit good, consistent finishes or coatings and all frame members and hardware appear to be strong and sturdy. Appearance is good and upholding aesthetic standards of the development.

As routine maintenance, inspect regularly and repair individual pieces or sections as needed from general operating funds. Clean and paint/stain along with other larger projects or as general maintenance to preserve the appearance of the structure and extend its useful life. If present, vegetation should be well-maintained and not allowed to become overgrown, which can eventually compromise the structure. Assuming ordinary care and maintenance, plan for major repairs or possibly complete replacement (if warranted) at roughly the interval indicated below.

Useful Life:
25 years

Remaining Life:
17 years



Best Case: \$ 10,800

Worst Case: \$ 21,600

Cost Source: AR Cost Database

Comp #: 517 Walls: Retaining - Inspect/Repair

Quantity: Lump Sum Allowance

Location: Throughout the community

Funded?: Yes.

History:

Comments: The association maintains approximately 7,680 GSF of retaining walls.

Good condition: Retaining walls determined to be in good condition exhibit straight alignment with no leaning/bulging sections. No reports of any unusual concerns or repair issues. Any exposed sections are properly painted or otherwise protected from the elements, and drainage appears to be sufficient.

Assumed to have been properly designed and installed with adequate base and surrounding drainage. Sections above ground should be inspected regularly and repaired as-needed from the operating budget. In our experience, retaining walls should have a very long useful life with minimal need for substantial repairs or maintenance. However, at longer intervals, major repairs and even complete replacement may be warranted. We recommend budgeting for such projects as shown below, but this component should be further evaluated by a qualified professional (i.e. engineer or technical professional) to determine proper scope of work and cost estimates. Unless otherwise noted, costs are based on replacement with comparable material/design.

Useful Life:
20 years

Remaining Life:
17 years



Best Case: \$ 18,000

Worst Case: \$ 22,000

Cost Source: AR Cost Database

Comp #: 1107 Fencing: Metal - Paint/Refurbish

Quantity: ~ 1,875 LF

Location: Perimeter areas of development

Funded?: Yes.

History:

Comments: Good condition: Metal fencing determined to be in good condition typically exhibits a uniform coating or surface finish without any noticeable corrosion or rust. Color and appearance is consistent over most/all areas.

Painting not only protects the metal surface from excessive wear, but promotes a good, attractive appearance in the common areas. Metal fencing should be painted at the interval shown here in order to inhibit (or delay) onset of rust/corrosion, promote a strong aesthetic standard, and prevent/minimize costly repairs. Costs can vary greatly depending on existing conditions of fencing, which will dictate the amount of repair and prep work required. Thus, this component should be re-evaluated during future reserve study updates based on the most current conditions and information available at that time.

Useful Life:
5 years

Remaining Life:
3 years



Best Case: \$ 8,000

Worst Case: \$ 12,000

Cost Source: AR Cost Database