

 **CAPITAL RESERVE ANALYSTS**

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Palomino Pointe Association

Regarding: FY2016 - Level I Capital Replacement Reserve Study

We are pleased to submit this Level I Reserve Study for Palomino Pointe Association. This report is a budgeting tool designed to help you navigate the uncertain future. It contains financial projections to help you understand your future reserve expenses. This report will help you answer the questions "Do we have enough in our Reserve account?" and "How much do we need to contribute to our reserve fund?"

If you have questions about the Reserve Study, please contact us at (480) 840-7130. We look forward to doing business with you in the future.

Thank you,

Casey Arnett

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Disclosure and Limitations

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan.

Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections.

It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually. We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association’s representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

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

Report Guide

The Board of Directors or governing body of common interest entities has a fiduciary responsibility to maintain and preserve the value of common area assets belonging to the entity. As part of their fiduciary duty, board members are responsible for the long-term planning and funding of future major repairs and replacements of community assets such as; remodeling the clubhouse, retrofit of the fire alarm system and resurfacing of private streets.

The purpose of this study is to provide the Association with an inventory of reserve components that require periodic repair and replacement and a reserve funding plan to offset the associated costs of these projects. This report provides condition assessments and maintenance schedules of each reserve component to assist the association in making budget decisions regarding reserve funding.

This reserve study adheres to the Community Association Institute's (CAI) standards regarding service levels and disclosures. This report is in compliance with The American Institute of Certified Public Accountants (AICPA) guidelines for Common Interest Realty Associations. Recommendations and accompanying assumptions included herein are based on information provided to Capital Reserve Analysts and assembled for the Association's use.

The report has been divided into four easy-to-understand sections:

Report Summary

Provides an overview of the Association's current physical condition and financial situation, outlining significant findings and conclusions. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.

Methodology

Details the framework, methods, and materials used in developing the reserve study and the associated funding plan. This section provides a comprehensive understanding of the methodology and the process taken to develop the report.

Financial Analysis

Examines report finding and results with projections for individual reserve components expenses and recommended funding.

Physical Analysis

Provides in-depth, detailed condition assessments for each reserve component along with maintenance recommendations and depreciation schedules based on estimated useful life, remaining useful life and current replacement costs.

Project Overview

Association Name: Palomino Pointe Association	Project Description Homeowners Association	Number of Units 288
Location: Phoenix, Arizona	Type of Study Level I Reserve Study	Date Prepared January 19, 2016
Year Constructed 1981-82	Funding Strategy Recommended Full Funding	Next Study 2016



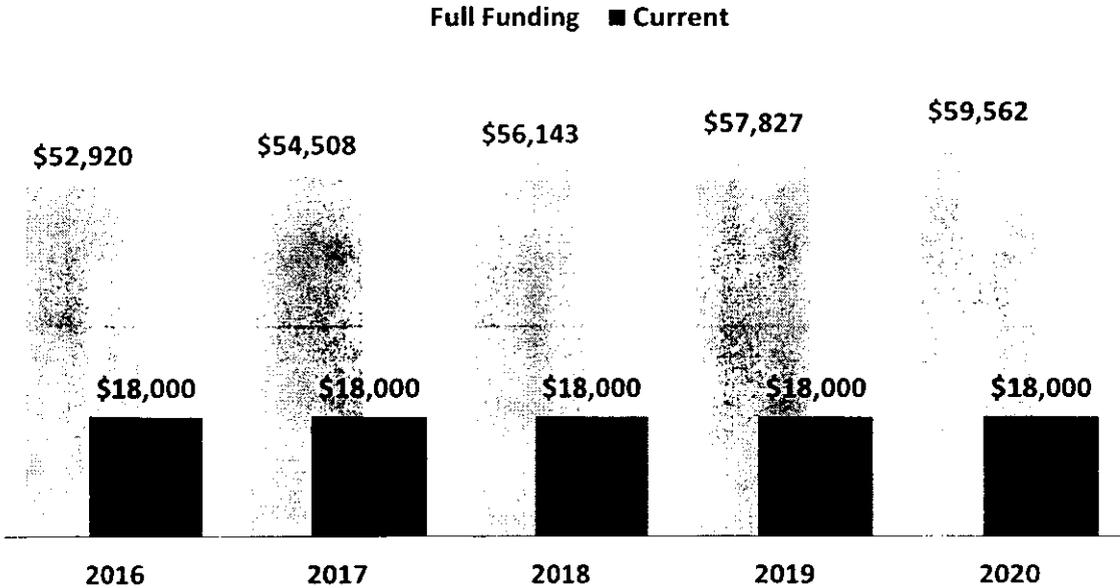
Project Summary

Report Period (Fiscal Year)	1/1/2016 – 12/31/2045	<i>30 YR</i>
Inflation Rate	3.00%	
Interest Rate	0.20%	
Projected Starting Reserve Balance	*\$91,725	Current projected Reserve balance on 1/1/2016
Fully Funded Balance	\$457,593	100% Funded level
Percent Funded	20.0%	
Special Assessment (2016)	\$285,120	

Financial Overview

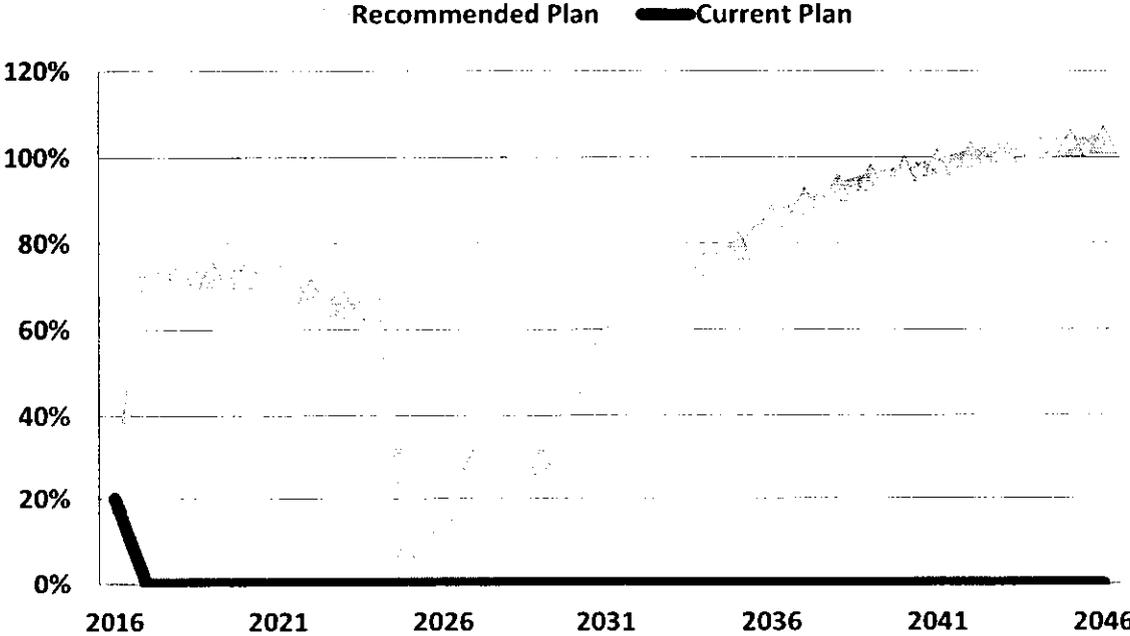
5-Year Summary of Reserve Funding

The graph below shows the comparison between the current level of annual reserve contributions as measured against our recommended level of “Full funding” annual reserve contributions.



Percent Funded

The graph below highlights the movement of the association’s reserve fund status (20.0%) in relation to the reserve contribution rate (Full vs. Current)



Immediately Necessary Repairs and Replacements

Fiscal Year	2016	2017	2018	2019	2020
Starting Reserve Balance	\$91,725	\$235,968	\$270,382	\$300,573	\$333,902
Annual Reserve Contribution	\$52,920	\$54,508	\$56,143	\$57,827	\$59,562
Special Assessment	\$285,120	\$0	\$0	\$0	\$0
Interest Earnings	\$328	\$506	\$571	\$634	\$702
Total Income	\$430,093	\$290,982	\$327,095	\$359,034	\$394,166
Total Expenses	\$194,125	\$20,600	\$26,523	\$25,133	\$25,693
Ending Reserve Balance:	\$235,968	\$270,382	\$300,573	\$333,902	\$368,473

Reserve Asset	2016	2017	2018	2019	2020
COMMON AREA					
Parking Lot - Slurry Seal	\$51,480	\$0	\$0	\$0	\$0
Carpport Roofs - Partial Repairs	\$11,625	\$0	\$0	\$0	\$0
Carpports - Repaint	\$37,200	\$0	\$0	\$0	\$0
Perimeter Fence - Repaint	\$8,220	\$0	\$0	\$0	\$0
Sewer/Water Line - Repairs	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
Landscape Granite - Replenish	\$25,000	\$0	\$0	\$0	\$0
Irrigation System - Repairs	\$0	\$0	\$5,305	\$0	\$0
Monument Signs - Replace	\$4,000	\$0	\$0	\$0	\$0
OFFICE AREA					
Exterior Surfaces - Repaint	\$2,500	\$0	\$0	\$0	\$0
HVAC Unit - Replace	\$0	\$0	\$0	\$3,278	\$0
Flat Roof - Resurface	\$0	\$0	\$0	\$0	\$3,182
POOL AREA					
Pool Surface - Resurface	\$11,400	\$0	\$0	\$0	\$0
Pool Deck - Resurface	\$20,500	\$0	\$0	\$0	\$0
Pool Pump/Motor - Replace	\$1,000	\$0	\$0	\$0	\$0
Pool Filter - Replace	\$1,200	\$0	\$0	\$0	\$0
Total Expenses	\$194,125	\$20,600	\$26,523	\$25,133	\$25,693
Ending Reserve Balance:	\$235,968	\$270,382	\$300,573	\$333,902	\$368,473

Immediately Necessary Repairs and Replacements

The table above identifies systems or components which are expected to have a remaining useful life of less than five (5) years, which are found to be in need of attention, which must be modified, repaired or replaced in order to maintain or preserve the useful life of the asset, or which are otherwise in a state of deferred maintenance.

Methodology

Reserve Study

A Reserve Study is a budgeting tool to help prepare and plan for future expenditures. It should be noted that the projections made in this study are just that, projections and do not predict with 100% surety the future. We do however, use well defined methodologies and extensive research is done in preparation of each Reserve Study. In this Report you will find the Reserve Component List. It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the client is responsible to maintain or replace. Based on that list and your starting balance we calculated the Reserve Fund Strength, which is measured as “Percent Funded”, and created a recommended 30-year Reserve Funding Strategy to offset future Reserve expenditures.

Reserve Component Four-Part Test

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable. Fourth, the component must be above a minimum threshold cost. This means that Reserve Components should be major, predictable expenses. It is incorrect to include “lifetime” components, unpredictable expenses (such as insurance related losses), and expenses more appropriately handled from the Operational Budget.

No items have been reserved for which have an estimated useful life of less than one year or a total cost less than \$1,000

Determining Expected Useful Life

- 1) Visual Inspection (observed wear and age)
- 2) Cost Database of experience and similar projects
- 3) Client Component History
- 4) Vendor Expertise and Recommendations

Cost Estimates

Financial projections and our current cost estimates are established in this order:

- 1) Client Cost History
- 2) Comparison to Cost database
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating software

Reserve Funding Level

Do you have enough money in Reserves to fund future capital replacements? Reserve adequacy is measured by comparing where you need to be to where you are currently at with respect to Reserves:

- 1) Calculate your Fully Funded Balance (where you need to be).
- 2) Compare to the Reserve Fund Balance (where you currently are), and express as a percentage.

The Fully Funded Balance increases as assets deteriorate and age. The Fully Funded Balance shrinks when

projects are completed.

Recommended Funding Strategy

We utilize four funding principles in establishing our recommended Reserve Contributions:

1. Ensuring that the client has sufficient funds to perform current reserve projects on time.
2. Put in place a stable contribution rate over the 30-years.
3. Evenly distributed contributions over the years. (Prepare now with manageable monthly contributions rather than face unmanageable expenses in the future)
4. Assist board members and officials in doing their fiduciary duty to guide the entity's future.

Financial Analysis

The Financial Analysis is made up of a finding of the client's current *Reserve Fund Status* (measured in cash and Percent Funded) and a recommendation for an appropriate Reserve contribution rate (*Funding Plan*) in order to adequately plan for the ongoing major maintenance, repair and replacement of common area elements.

1. Projected Starting Reserve Balance	\$91,725
2. Fully Funded Balance	\$457,593
3. Percent Funded	20.0%
4. Recommended Special Assesment	\$285,120
5. Recommended Monthly Reserve Contribution	\$4,410
6. Report Start Date	1/1/2016

1. Your projected starting reserve balance is the dollar amount projected to be in the reserve account at the beginning of the report period. This amount is calculated based on client figures and is not audited.
2. Fully funded balance is the amount needed to cover future reserve expenses and reduce special assessment risk.
3. Percent funded compares what you currently have in the reserve account to the "Ideal" Reserve balance.
4. Recommended onetime assessment during 2016 to fund necessary repairs and future reserve expenses.
5. Recommended reserve contributions are the amount we recommend contributing to the reserve fund on a monthly basis in order to **increase** your Reserve Fund to the 100% funded level. It should be noted, we are recommending contributions of **\$4,410/month** with annual increases of 3% for 25 years and 3.5% for the remaining 5 years.
6. Report start date is the date the funding model begins to calculate

Reserve Fund Strength

Reserve fund strength is measured as a percentage. Typically associations with a percent funded level of 70% and above have a low risk for special assessments conversely, associations with a percent funded level of 30% and below have a high risk of special assessments and deferred maintenance. The chart below illustrates the reserve fund percentage at **Palomino Pointe Association** which is currently **20.0%** this represents a **Weak** position.



Recommended Funding Goal

- Full Funding:** maintains the Reserve Fund at a level equal to the physical deterioration that has occurred is called "Full Funding" (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. We have utilized the Full Funding approach for Palomino Pointe Association Replacement Reserve Study. Entities in the 100% range rarely experience deferred maintenance or the need to raise emergency capital.

- Baseline Funding:** allows the Reserves to fall close to zero, but not below zero. In these instances, deterioration occurs without matching Reserve contributions. With a low Percent Funded, emergency funding and deferred maintenance are common.

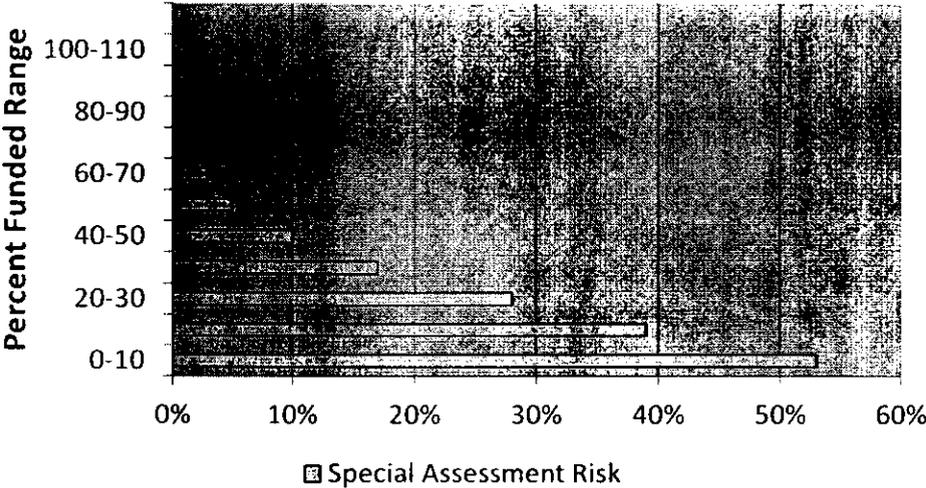
- Threshold Funding:** is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

Recommended Reserve Contribution

Palomino Pointe Association is a 288-unit Homeowners Association located in Phoenix, Arizona. Construction began during 1981-82. Current reserve contributions are ~~2,500/month~~. The association's major Reserve obligations include: Asphalt parking areas, pool area, perimeter fencing and HOA Office. In order to prepare for major capital expenditures associated with these assets, we **recommend a one-time special assessment of \$285,120 during 2016 along with increasing monthly reserve contributions to \$4,410/month.**

For comparison purposes, the following chart shows the average special assessment risk associated with percent funded levels. Note the lower percent funded level correlates with an increased risk for Special Assessment.

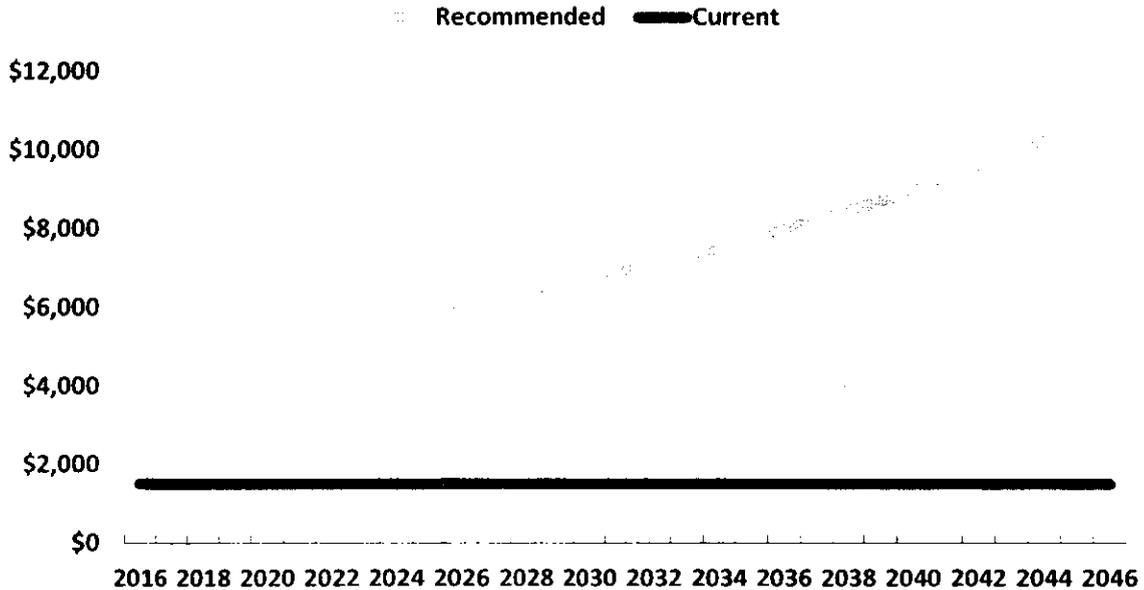
Special Assessment Risk



Reserve Fund Account

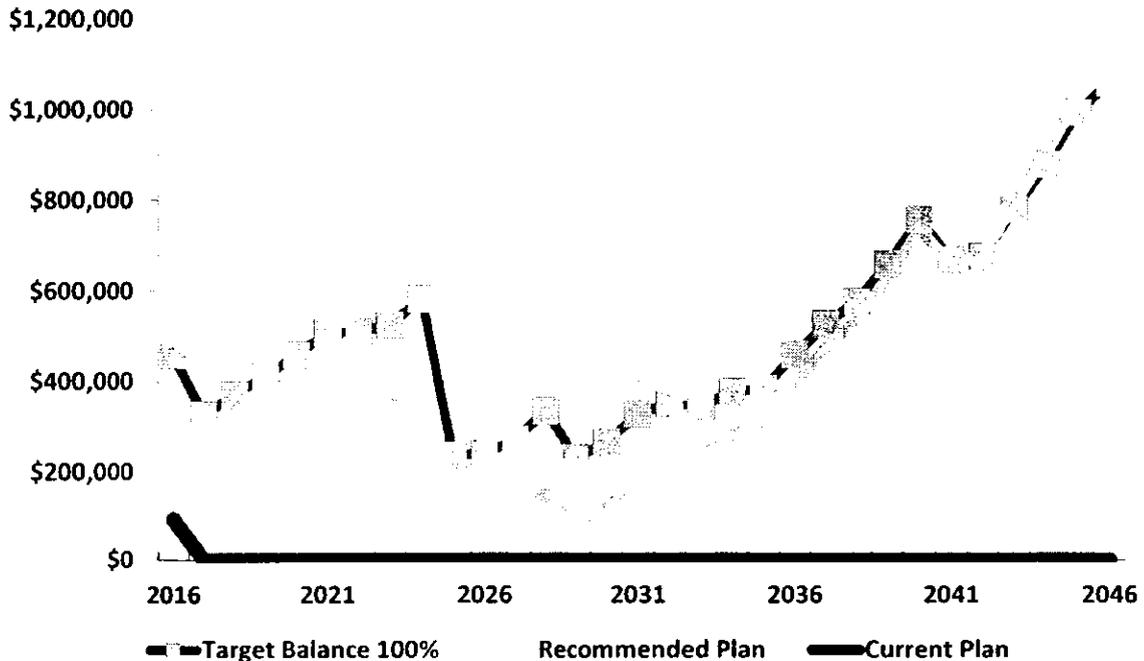
Projected Reserve Contributions

Reserve contributions should be set at a stable level in order to match annual deterioration and keep up with inflation; this level generally falls around 3-5% annual increases.



Projected Reserve Account Balance

The chart below illustrates our goal of gradually bringing the reserve fund balance to the 100%.



Reserve Component List

Reserve Asset Title	Quantity	Unit of Measure	EL	RUL	Current Cost
COMMON AREA					
Parking lot - Mill & Overlay	198,000	Sq Ft	25	8	\$237,600
Parking Lot - Slurry Seal	198,000	Sq Ft			\$51,480
Parking Lot - Fog Seal/Repair	198,000	Sq Ft	4	9	\$19,800
Concrete - Repairs	1	LS	10	5	\$8,000
Carport Roofs - Partial Repairs	46,500	Sq Ft	12		\$11,625
Carports - Repaint	46,500	Sq Ft	6		\$37,200
Mailbox Wood Trellis - Replace	400	Sq Ft	30	5	\$7,600
Perimeter Fence - Replace	1,100	LF	25	8	\$44,000
Perimeter Fence - Repaint	1,370	LF	5		\$8,220
Vehicle Gates - Replace	2	Unit	25	10	\$5,000
Emergency Gates - Replace	2	Unit	30	10	\$5,000
Entry System - Replace	1	Unit	15		\$0
Gate Operators - Replace	2	Unit	12		\$0
Block Walls - Repairs	1	LS	10	5	\$3,000
Sewer/Water Line - Repairs	1	LS	1		\$20,000
Landscape Granite - Replenish	1	LS	8		\$25,000
Irrigation System - Repairs	1	LS	5	2	\$5,000
Ramada Roofs - Replace	500	Sq Ft	30	5	\$2,500
Monument Signs - Replace	2	Unit	15		\$4,000
OFFICE AREA					
Surveillance System - Replace	1	System	10	5	\$5,500
Exterior Surfaces - Repaint	1	LS	8		\$2,500
Interior Surfaces - Remodel	1	LS	25	12	\$50,000
HVAC Unit - Replace	1	Unit	15	3	\$3,000
Tile Roofs - Refurbish	700	Sq Ft	30	5	\$3,500
Flat Roof - Resurface	1,885	Sq Ft	5	4	\$2,828
POOL AREA					
Pool Surface - Resurface	120	LF	12		\$11,400
Pool Deck - Resurface	4,100	Sq Ft	16		\$20,500
Pool Pump/Motor - Replace	1	Unit	10		\$1,000
Pool Filter - Replace	1	Unit	15		\$1,200
Metal Fence - Replace (2')	270	LF	30	8	\$7,020
Pool Wood Trellis - Replace	460	Sq Ft	30	5	\$8,740
Ramada Roof - Replace	400	Sq Ft	30	5	\$2,000
Pool Light Fixtures - Replace	6	Unit	18	14	\$0

**Line items with [REDACTED] have a remaining life of zero and are scheduled for replacement (2016) **

**EL = Expected Useful Life

**RUL = Remaining Useful Life

Projected Reserve Expenses (2016-2030)

Reserve Asset	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
COMMON AREA															
Parking lot - Mill & Overlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$300,985	\$0	\$0	\$0	\$0	\$0	\$0
Parking Lot - Slurry Seal	\$51,480	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Parking Lot - Fog Seal/Repair	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,835	\$0	\$0	\$0	\$29,077	\$0
Concrete - Repairs	\$0	\$0	\$0	\$0	\$0	\$9,274	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Carpport Roofs - Partial Repairs	\$11,625	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,574	\$0	\$0
Carpports - Repaint	\$37,200	\$0	\$0	\$0	\$0	\$44,419	\$0	\$0	\$0	\$0	\$0	\$0	\$53,038	\$0	\$0
Mailbox Wood Trellis - Replace	\$0	\$0	\$0	\$0	\$0	\$8,810	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Perimeter Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$55,738	\$0	\$0	\$0	\$0	\$0	\$0
Perimeter Fence - Repaint	\$8,220	\$0	\$0	\$0	\$0	\$9,529	\$0	\$0	\$0	\$0	\$11,047	\$0	\$0	\$0	\$0
Vehicle Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,720	\$0	\$0	\$0	\$0
Emergency Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,720	\$0	\$0	\$0	\$0
Entry System - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gate Operators - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Block Walls - Repairs	\$0	\$0	\$0	\$0	\$0	\$3,478	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sewer/Water Line - Repairs	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	\$23,881	\$24,597	\$25,335	\$26,095	\$0	\$0	\$0	\$0	\$0
Landscape Granite - Replenish	\$25,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$31,669	\$0	\$0	\$0	\$0	\$0	\$0
Irrigation System - Repairs	\$0	\$0	\$5,305	\$0	\$0	\$0	\$0	\$6,149	\$0	\$0	\$0	\$0	\$7,129	\$0	\$0
Ramada Roofs - Replace	\$0	\$0	\$0	\$0	\$0	\$2,898	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Monument Signs - Replace	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OFFICE AREA															
Surveillance System - Replace	\$0	\$0	\$0	\$0	\$0	\$6,376	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Exterior Surfaces - Repaint	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,167	\$0	\$0	\$0	\$0	\$0	\$0
Interior Surfaces - Remodel	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71,288	\$0	\$0
HVAC Unit - Replace	\$0	\$0	\$3,278	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tile Roofs - Refurbish	\$0	\$0	\$0	\$0	\$0	\$4,057	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Flat Roof - Resurface	\$0	\$0	\$0	\$0	\$3,182	\$0	\$0	\$0	\$0	\$3,689	\$0	\$0	\$0	\$0	\$4,277
POOL AREA															
Pool Surface - Resurface	\$11,400	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,254	\$0	\$0
Pool Deck - Resurface	\$20,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Pump/Motor - Replace	\$1,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,344	\$0	\$0	\$0	\$0
Pool Filter - Replace	\$1,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Reserve Asset	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Metal Fence - Replace (2')	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,893	\$0	\$0	\$0	\$0	\$0	\$0
Pool Wood Trellis - Replace	\$0	\$0	\$0	\$0	\$0	\$10,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ramada Roof - Replace	\$0	\$0	\$0	\$0	\$0	\$2,319	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Light Fixtures - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$194,125	\$20,600	\$26,523	\$25,133	\$25,693	\$80,059	\$68,300	\$30,747	\$425,787	\$55,619	\$25,830	\$0	\$164,283	\$29,077	\$4,277

Projected Reserve Expenses (2031-2045)

Reserve Asset	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
COMMON AREA															
Parking lot - Mill & Overlay	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Parking Lot - Slurry Seal	\$0	\$0	\$0	\$0	\$0	\$0	\$36,834	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Parking Lot - Fog Seal/Repair	\$0	\$0	\$32,726	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$41,457	\$0	\$0	\$0	\$46,660
Concrete - Repairs	\$12,464	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$16,750	\$0	\$0	\$0	\$0
Carport Roofs - Partial Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,631	\$0	\$0	\$0	\$0	\$0
Carports - Repaint	\$0	\$0	\$0	\$63,331	\$0	\$0	\$0	\$0	\$0	\$75,620	\$0	\$0	\$0	\$0	\$0
Mailbox Wood Trellis - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Perimeter Fence - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Perimeter Fence - Repaint	\$12,806	\$0	\$0	\$0	\$0	\$14,846	\$0	\$0	\$0	\$0	\$17,211	\$0	\$0	\$0	\$0
Vehicle Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Emergency Gates - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Entry System - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gate Operators - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Block Walls - Repairs	\$4,674	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,281	\$0	\$0	\$0	\$0
Sewer/Water Line - Repairs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Landscape Granite - Replenish	\$0	\$40,118	\$0	\$0	\$0	\$0	\$0	\$0	\$50,820	\$0	\$0	\$0	\$0	\$0	\$0
Irrigation System - Replenish	\$0	\$0	\$8,264	\$0	\$0	\$0	\$9,581	\$0	\$0	\$0	\$0	\$0	\$11,106	\$0	\$0
Ramada Roofs - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Monument Signs - Replace	\$6,232	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
POOL AREA															
Pool Surface - Resurface	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$23,174	\$0	\$0	\$0	\$0	\$0
Pool Deck - Resurface	\$0	\$32,896	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Pump/Motor - Replace	\$0	\$0	\$0	\$0	\$0	\$1,806	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Filter - Replace	\$1,870	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Palomino Pointe Association
 Level 1 - Reserve Study

Reserve Asset	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Metal Fence - Replace (2')	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Wood Trellis - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ramada Roof - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pool Light Fixtures - Replace	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$46,614	\$77,026	\$40,991	\$68,438	\$4,958	\$16,652	\$36,834	\$9,581	\$0	\$184,075	\$93,215	\$0	\$11,106	\$0	\$53,323

Thirty Year Summary

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Rating	Reserve Contribution	Special Assesm.	Interest Earned	Reserve Expenses	Ending Balance
2016	\$91,725	\$457,593	20.0%	Weak	\$52,920	\$285,120	\$328	\$194,125	\$235,968
2017	\$235,968	\$325,982	72.4%	Strong	\$54,508	\$0	\$506	\$20,600	\$270,382
2018	\$270,382	\$370,793	72.9%	Strong	\$56,143	\$0	\$571	\$26,523	\$300,573
2019	\$300,573	\$412,534	72.9%	Strong	\$57,827	\$0	\$634	\$25,133	\$333,902
2020	\$333,902	\$458,698	72.8%	Strong	\$59,562	\$0	\$702	\$25,693	\$368,473
2021	\$368,473	\$507,459	72.6%	Strong	\$61,349	\$0	\$719	\$80,059	\$350,482
2022	\$350,482	\$509,441	68.8%	Fair	\$63,189	\$0	\$696	\$68,300	\$346,067
2023	\$346,067	\$525,671	65.8%	Fair	\$65,085	\$0	\$727	\$30,747	\$381,133
2024	\$381,133	\$583,206	65.4%	Fair	\$67,037	\$0	\$404	\$425,787	\$22,787
2025	\$22,787	\$237,779	9.6%	Weak	\$69,049	\$0	\$59	\$55,619	\$36,276
2026	\$36,276	\$238,652	15.2%	Weak	\$71,120	\$0	\$118	\$25,830	\$81,684
2027	\$81,684	\$271,766	30.1%	Fair	\$73,254	\$0	\$237	\$0	\$155,174
2028	\$155,174	\$334,055	46.5%	Fair	\$75,451	\$0	\$222	\$164,283	\$66,564
2029	\$66,564	\$230,624	28.9%	Weak	\$77,715	\$0	\$182	\$29,077	\$115,384
2030	\$115,384	\$265,026	43.5%	Fair	\$80,046	\$0	\$307	\$4,277	\$191,460
2031	\$191,460	\$327,727	58.4%	Fair	\$82,448	\$0	\$419	\$46,614	\$227,712
2032	\$227,712	\$350,476	65.0%	Fair	\$84,921	\$0	\$464	\$77,026	\$236,071
2033	\$236,071	\$344,412	68.5%	Fair	\$87,469	\$0	\$519	\$40,991	\$283,068
2034	\$283,068	\$377,165	75.1%	Strong	\$90,093	\$0	\$588	\$68,438	\$305,312
2035	\$305,312	\$384,569	79.4%	Strong	\$92,796	\$0	\$699	\$4,958	\$393,848
2036	\$393,848	\$459,577	85.7%	Strong	\$95,579	\$0	\$867	\$16,652	\$473,643
2037	\$473,643	\$526,847	89.9%	Strong	\$98,447	\$0	\$1,010	\$36,834	\$536,265
2038	\$536,265	\$577,467	92.9%	Strong	\$101,400	\$0	\$1,165	\$9,581	\$629,251
2039	\$629,251	\$659,860	95.4%	Strong	\$104,442	\$0	\$1,364	\$0	\$735,057
2040	\$735,057	\$756,840	97.1%	Strong	\$107,575	\$0	\$1,395	\$184,075	\$659,953
2041	\$659,953	\$669,449	98.6%	Strong	\$110,803	\$0	\$1,339	\$93,215	\$678,879
2042	\$678,879	\$675,406	100.5%	Strong	\$114,681	\$0	\$1,474	\$0	\$795,034
2043	\$795,034	\$780,009	101.9%	Strong	\$118,695	\$0	\$1,699	\$11,106	\$904,321
2044	\$904,321	\$878,842	102.9%	Strong	\$122,849	\$0	\$1,933	\$0	\$1,029,103
2045	\$1,029,103	\$994,685	103.5%	Strong	\$127,149	\$0	\$2,134	\$53,323	\$1,105,063

Supplemental Disclosures

General:

CRA has no other involvement(s) with Palomino Pointe Association which could result in actual or perceived conflicts of interest.

Physical Analysis:

Capital Reserve Analysts did conduct a physical inspection.

Completeness:

CRA has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the client regarding financial, physical, quantity, or historical issues will be deemed reliable by CRA.

Scope:

This Reserve Study is a reflection of information provided to CRA and assembled for the client's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

Definitions

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: The 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) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

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 representative(s) of the association or cooperative.

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See “Cash Flow Method.”

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See “Replacement Cost.”

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

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 a 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 a Reserve Study.

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. 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, then summed together for an association total. Two formulae can be utilized, depending

on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

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

Or

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) + [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Interest Rate})^{\text{Remaining Life}}] - [(\text{Current Cost} \times \text{Effective Age} / \text{Useful Life}) / (1 + \text{Inflation Rate})^{\text{Remaining Life}}]$$

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 cash balance above zero.

Full Funding: Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

Statutory Funding: Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

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 "Fully Funding."

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 *Fully Funded 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 “zero” 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 that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which 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. “Our budget and finance committee is soliciting proposals to update our Reserve Study for next year’s budget.”

Palomino Pointe HOA

Perimeter Fence - Replace

Item Number	595	Measurement Basis	LF
Category	Common Area	Unit Cost	\$40.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
008	1999	2024	8	25	1,100	\$44,000.00	\$ 55,737.88

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Fencing appears sturdy and in fair condition.

Maintenance Requirements: Repaint every 4-5 years to prevent rust and prolong useful life expectancy.

There is approximately 1,100 linear feet of metal fencing located along 29th Street.

Palomino Pointe HOA

Sewer/Water Line - Repairs

Item Number	602	Measurement Basis	Allowance
Category	Common Area	Unit Cost	\$20,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
015	2015	2016	0	1	1	\$20,000.00	\$ 0.00

Comments

NO IMAGE AVAILABLE

Age: N/A

Current Condition: N/A

Maintenance Requirements: N/A

This line item provides funding at \$20,000 per year for Sewer Line/Water Line repairs and replacements. Cost determined based on current history. This line item will continue until 2026 at which point we assume all repairs will be completed.

Palomino Pointe HOA

Block Walls - Repairs

Item Number	601	Measurement Basis	Lump Sum
Category	Common Area	Unit Cost	\$3,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
014	2011	2021	5	10	1	\$3,000.00	\$ 3,477.82

Comments



Age: These walls appear to be original.

Current Condition: Walls appear to be in good condition.

Maintenance Requirements: Repair minor damages out of the Operating budget, this component budgets for partial replacements/repairs.

There is no expectation of complete replacement, however partial replacements and repairs should be expected.

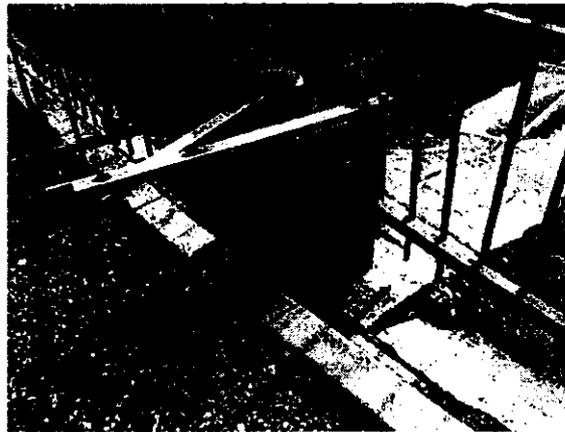
Palomino Pointe HOA

Gate Operators - Replace

Item Number	600	Measurement Basis	Unit
Category	Common Area	Unit Cost	\$0.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
013	2004	2016	0	12	2	\$0.00	\$ 0.00

Comments



Age: N/A

Current Condition: N/A

Maintenance Requirements: N/A

The gate system is reportedly not in use and no plans to replace in the future, therefore no Reserve funding required.

Palomino Pointe HOA

Entry System - Replace

Item Number	599	Measurement Basis	Unit
Category	Common Area	Unit Cost	
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
012	2001	2016	0	15	1	\$0.00	\$ 0.00

Comments

NO IMAGE AVAILABLE

Age: N/A

Current Condition: N/A

Maintenance Requirements: N/A

The gate system is reportedly not in use and no plans to replace in the future, therefore no Reserve funding required.

Palomino Pointe HOA

Emergency Gates - Replace

Item Number	598	Measurement Basis	Unit
Category	Common Area	Unit Cost	\$2,500.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
011	1996	2026	10	30	2	\$5,000.00	\$ 6,719.58

Comments

NO IMAGE AVAILABLE

Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No signs of major deterioration or damage noted during our site visit.

Maintenance Requirements: Repaint every 4-5 years to prevent rust and prolong useful life expectancy.

Vehicle gates typically have a long life expectancy under normal circumstances. This line item provides an allowance to replace (2) Emergency gates due to un-insured damages or failure. Note: Useful life expectancy increased due to limited use.

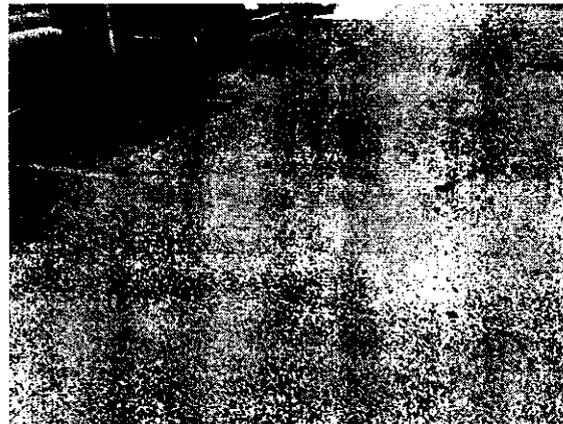
Palomino Pointe HOA

Parking lot - Mill & Overlay

Item Number	588	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$1.20
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
001	1999	2024	8	25	198,000	\$237,600.00	\$ 300,984.57

Comments



Age: These surfaces do not appear to have received a Mill & Overlay application since installation.

Current Condition: Signs of surface wear, cracking, rutting and deterioration noted throughout.

Maintenance Requirements: Asphalt surfaces should be sealed and crack filled every 3-4 years to prolong the useful life expectancy.

This line item budgets to eventually Mill and Overlay these surfaces at roughly the cost and time frame listed above. The parking lot asphalt surfaces comprise approximately 198,000 gross square feet of surface area.

Palomino Pointe HOA

Perimeter Fence - Repaint

Item Number	596	Measurement Basis	LF
Category	Common Area	Unit Cost	\$6.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
009	2011	2016	0	5	1,370	\$8,220.00	\$ 0.00

Comments



Age: Date of last repaint unknown at this time.

Current Condition: Minor signs of fading noted, but no major rusting or peeling.

Maintenance Requirements: Repaint every 4-5 years to prevent rust and prolong useful life expectancy.

This line item includes the perimeter fencing as well as the pool area metal fencing.

Palomino Pointe HOA

Ramada Roofs - Replace

Item Number	605	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$5.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
018	1991	2021	5	30	500	\$2,500.00	\$ 2,898.19

Comments



Age: Appear to be original.

Current Condition: No major damage or leaking noted.

Maintenance Requirements: Inspect annually and repair out of the Operating budget. Future replacement should be expected.

We identified (5) Ramadas located in common areas between unit buildings. This line item budgets to replace/refurbish the tile roofing systems of these ramadas.

Palomino Pointe HOA

Mailbox Wood Trellis - Replace

Item Number	594	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$19.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
007	1991	2021	5	30	400	\$7,600.00	\$ 8,810.48

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Wood beams intact and in fair condition.

Maintenance Requirements: Repaint regularly to ensure useful life expectancy.

This wood trellis is located above the Mailbox clusters.

Palomino Pointe HOA

Carports - Repaint

Item Number	593	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$0.80
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
006	2010	2016	0	6	46,500	\$37,200.00	\$ 0.00

Comments



Age: Date of last repaint unknown at this time.

Current Condition: Fading noted throughout.

Maintenance Requirements: Recommend repainting during 2016.

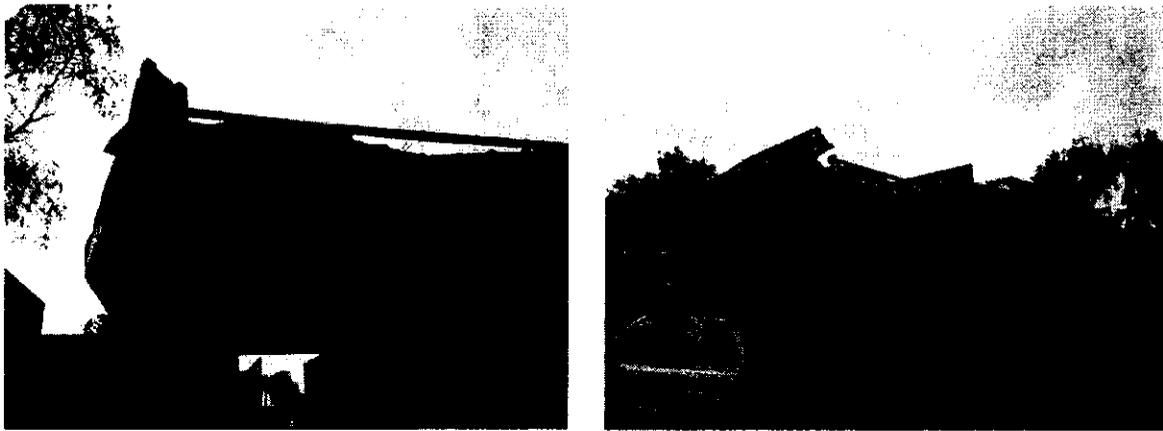
Palomino Pointe HOA

Carport Roofs - Partial Repairs

Item Number	592	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$11,625.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
005	2004	2016	0	12	46,500	\$11,625.00	\$ 0.00

Comments



Age: Carports appear original.

Current Condition: Damaged sections noted.

Maintenance Requirements: Recommend performing partial repairs as-needed.

This line item provides an allowance for periodic repairs due to un-insured damages.

Palomino Pointe HOA

Concrete - Repairs

Item Number	591	Measurement Basis	Lump Sum
Category	Common Area	Unit Cost	\$8,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
004	2011	2021	5	10	1	\$8,000.00	\$ 9,274.19

Comments



Age: Concrete sidewalks are original.

Current Condition: Signs of cracking and damage noted (See Image).

Maintenance Requirements: Inspect and repair as-needed.

There are numerous square feet of concrete sidewalks throughout the community. Concrete surfaces typically have a long life expectancy under normal circumstances, however periodic repairs should be anticipated due to improper installation, cracking, lifting or un-insured damages.

Palomino Pointe HOA

Parking Lot - Fog Seal/Repair

Item Number	590	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$0.10
Location	Common Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
003	2021	2025	9	4	198,000	\$19,800.00	\$ 25,834.51

Comments



Age: Date of last seal application unknown.

Current Condition: Signs of surface wear, cracking, rutting and deterioration noted throughout.

Maintenance Requirements: Recommend seal application during 2025 and every 4 years thereafter.

Typical seal coat applications have a useful life of three-to-four years. Based on age and current conditions, we are recommending a Slurry Seal during 2016 followed by a Mill & Overlay during 2024. Newly laid asphalt surfaces should be sealed one year after installation which would be during 2025 for this line item.

Palomino Pointe HOA

Parking Lot - Slurry Seal

Item Number	589	Measurement Basis	Square Feet
Category	Common Area	Unit Cost	\$0.26
Location	Common Area		
Method	Fixed		

Code	Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
							Current	Future
002		2016	2016	0		198,000	\$51,480.00	\$ 0.00

Comments



Age: Recommend 2016 install.

Current Condition: Signs of surface wear, cracking, rutting and deterioration noted throughout.

Maintenance Requirements: Inspect, clean and repair as-needed out of the Operating budget.

A Slurry Seal application is an economical alternative to a Mill & Overlay. We recommend a one-time Slurry Seal during 2016 to create a new wearing surface until funds can be built up for a Mill & Overlay.

Palomino Pointe HOA

Vehicle Gates - Replace

Item Number	597	Measurement Basis	Unit
Category	Common Area	Unit Cost	\$2,500.00
Location	Common Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
010	2001	2026	10	25	2	\$5,000.00	\$ 6,719.58

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No signs of major deterioration or damage noted during our site visit.

Maintenance Requirements: Repaint every 4-5 years to prevent rust and prolong useful life expectancy.

Vehicle gates typically have a long life expectancy under normal circumstances. This line item provides an allowance to replace (2) vehicle gates due to un-insured damages or failure.

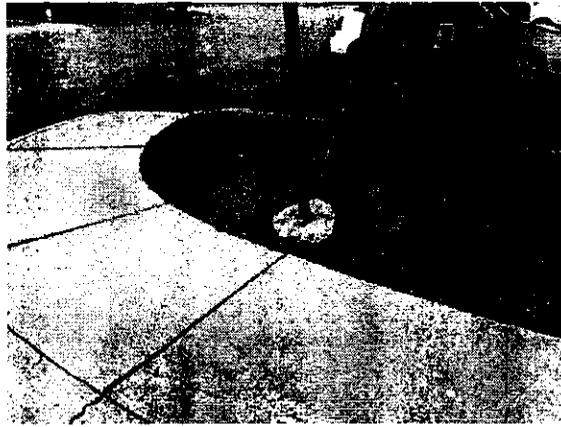
Palomino Pointe HOA

Landscape Granite - Replenish

Item Number	603	Measurement Basis	Allowance
Category	Common Area	Unit Cost	\$25,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
016	2008	2016	0	8	1	\$25,000.00	\$ 0.00

Comments



Age: Installation dates vary.

Current Condition: Some areas noted to be full and in good condition while other areas were observed to be thin and in need of replenishment.

Maintenance Requirements: Refill sparse areas as-needed out of the Operating budget, this line item funds for major replenishments.

Landscape Granite is located in common areas throughout the property. We do not anticipate the need to replenish all of the landscape granite at once. This line item budgets to replenish major sections every 8 years.

Palomino Pointe HOA

Monument Signs - Replace

Item Number	606	Measurement Basis	Unit
Category	Common Area	Unit Cost	\$2,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
019	2001	2016	0	15	2	\$4,000.00	\$ 0.00

Comments



Age: Install date unknown.

Current Condition: Missing tiles noted.

Maintenance Requirements: Recommend refurbishment in the near future to maintain a good appearance.

Monument signs consist of etched tiles mounted to a stucco wall.

Palomino Pointe HOA

Irrigation System - Repairs

Item Number	604	Measurement Basis	Lump Sum
Category	Common Area	Unit Cost	\$5,000.00
Location	Common Area		
Method	Fixed		

Code Description	Service	Replace	Rem	Est	Quantity	Replacement Cost	
	Year	Year	Life	Life		Current	Future
017	2013	2018	2	5	1	\$5,000.00	\$ 5,304.50

Comments

NO IMAGE AVAILABLE

Age: N/A

Current Condition: Due to the non-invasive nature of our inspection, we did not inspect the irrigation lines. No reported issues.

Maintenance Requirements: Repair as-needed out of Operating funds. This component budgets for minor repairs at a 5-year cycle.

The irrigation system waters the turf common areas at Palomino Pointe. This system includes backflow preventers, pop up heads, valves, lines and controllers. This component budgets to replace minor sections of the irrigation lines, heads, and valves on a 5-year cycle. The pipes will dislodge as tree roots grow and soil conditions change.

Palomino Pointe HOA

Tile Roofs - Refurbish

Item Number	611	Measurement Basis	Square Feet
Category	Office Area	Unit Cost	\$5.00
Location	Office Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
024	1991	2021	5	30	700	\$3,500.00	\$ 4,057.46

Comments

NO IMAGE AVAILABLE

Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No signs of damage or leaking.

Maintenance Requirements: Inspect annually and repair out of the Operating budget. Future replacement should be expected.

Good conditions were observed during our ground-level, limited scope visual inspection. As routine maintenance, we recommend professional inspections at least annually and after windstorms. Promptly replace any damaged/missing tiles or any other repairs needed to ensure waterproof integrity of roof. Plan for removal of tiles & underlayment, installation of (2) layers of new 30# felt underlayment and reinstallation of original tiles (with new tiles at approximately 5% of total area due to typical breakage rates).

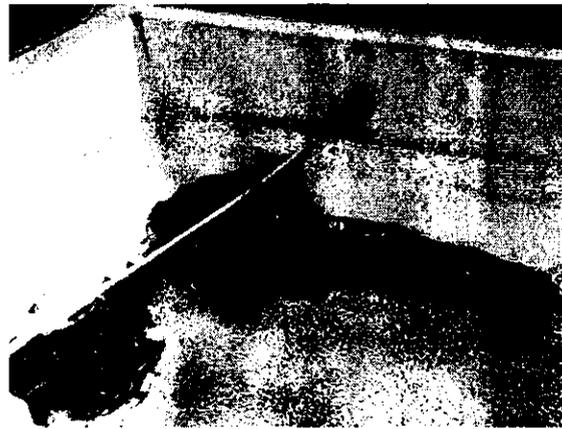
Palomino Pointe HOA

Flat Roof - Resurface

Item Number	612	Measurement Basis	Square Feet
Category	Office Area	Unit Cost	\$1.50
Location	Office Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
025	2015	2020	4	5	1,885	\$2,827.50	\$ 3,182.38

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Signs of ponding and debris noted.

Maintenance Requirements: Seal 10-years after initial install and every 5-years thereafter.

Polyurethane foam roofing typically has a 10-year warranty after initial install. These roofs should be sealed every 5-years after the warranty expires.

Palomino Pointe HOA

HVAC Unit - Replace

Item Number	610	Measurement Basis	Unit
Category	Office Area	Unit Cost	\$3,000.00
Location	Office Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
023	2004	2019	3	15	1	\$3,000.00	\$ 3,278.18

Comments

NO IMAGE AVAILABLE

Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No reported issues. Appears functional.

Maintenance Requirements: Inspect and repair as-needed with Operating funds.

Office HVAC equipment includes (1) Condenser and (1) Air Handler. For budget purposes, we are funding for replacement with (1) Packaged unit.

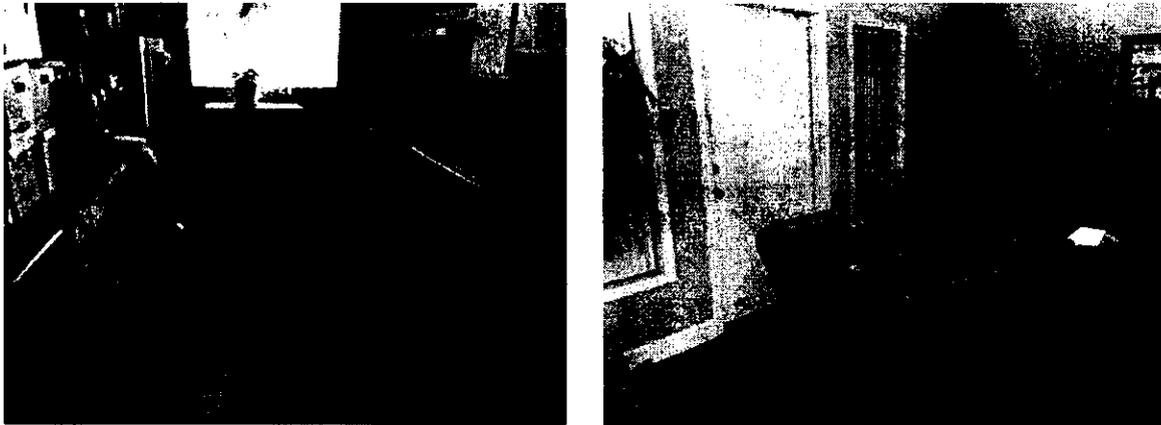
Palomino Pointe HOA

Interior Surfaces - Remodel

Item Number	609	Measurement Basis	Lump Sum
Category	Office Area	Unit Cost	\$50,000.00
Location	Office Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
022	2003	2028	12	25	1	\$50,000.00	\$ 71,288.04

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Overall good to fair conditions observed of the interior finishes, fixtures and flooring.

Maintenance Requirements: Minor repairs should be handled as an Operating expense.

The Association is responsible for the interior maintenance of the Office building. This line item funds to eventually remodel the office interior. Typical remodeling includes: Fixtures, Paint, Lighting, Restrooms, Flooring etc.

Palomino Pointe HOA

Exterior Surfaces - Repaint

Item Number	608	Measurement Basis	Lump Sum
Category	Office Area	Unit Cost	\$2,500.00
Location	Office Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
021	2008	2016	0	8	1	\$2,500.00	\$ 0.00

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Signs of discoloration and fading noted.

Maintenance Requirements: Recommend repainting during 2016 and every 8 years thereafter.

The Association is responsible for the exterior maintenance of the Office building.

Palomino Pointe HOA

Surveillance System - Replace

Item Number	607	Measurement Basis	Unit
Category	Office Area	Unit Cost	\$5,500.00
Location	Office Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
020	2011	2021	5	10	1	\$5,500.00	\$ 6,376.01

Comments

NO IMAGE AVAILABLE

Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Fair condition.

Maintenance Requirements: Replace individual cameras as-needed.

This component budgets to replace the existing surveillance system.

Palomino Pointe HOA

Pool Light Fixtures - Replace

Item Number	620	Measurement Basis	Unit
Category	Pool Area	Unit Cost	\$0.00
Location	Pool Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
033	2012	2030	14	18	6	\$0.00	\$ 0.00

Comments



Age: N/A

Current Condition: N/A

Maintenance Requirements: N/A

These lights are no longer in use. The Association will not replace in the future. No Reserve Funding required.

Palomino Pointe HOA

Pool Deck - Resurface

Item Number	614	Measurement Basis	Square Feet
Category	Pool Area	Unit Cost	\$5.00
Location	Pool Area		
Method	Fixed		

Code Description	Service	Replace	Rem	Est	Quantity	Replacement Cost	
	Year	Year	Life	Life		Current	Future
027	2000	2016	0	16	4,100	\$20,500.00	\$ 0.00

Comments



Age: This surface will be new in 2016.

Current Condition: Several cracks noted throughout.

Maintenance Requirements: Regular cycles of seal coats will help prolong the useful life of this surface.

In addition to annual repairs and periodic seal coats, Kool decking requires complete resurfacing approximately every 12-16 years depending on usage levels.

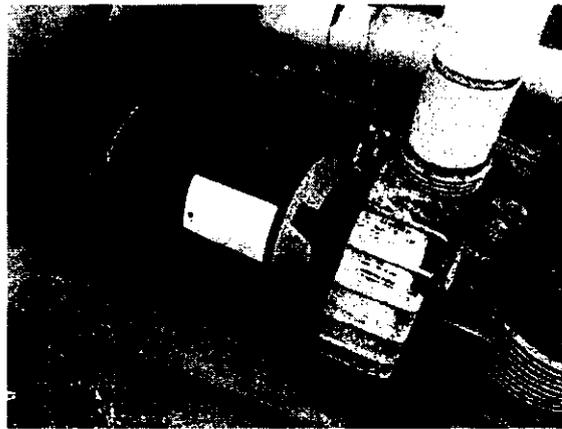
Palomino Pointe HOA

Pool Pump/Motor - Replace

Item Number	615	Measurement Basis	Unit
Category	Pool Area	Unit Cost	\$1,000.00
Location	Pool Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
028	2006	2016	0	10	1	\$1,000.00	\$ 0.00

Comments



Age: N/A

Current Condition: Functional and in decent condition.

Maintenance Requirements: Repair as-needed with Operating funds.

We are assuming the pool equipment will be replaced during 2016.

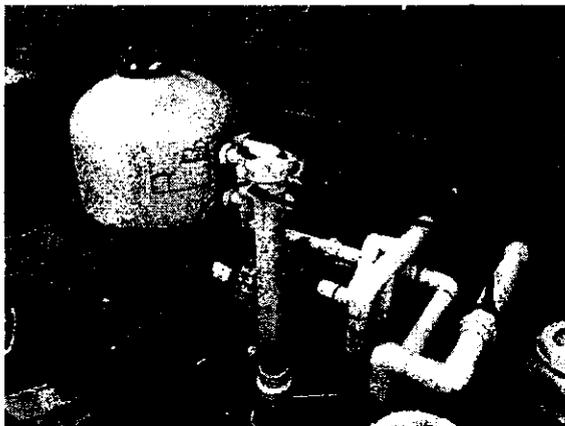
Palomino Pointe HOA

Pool Filter - Replace

Item Number	616	Measurement Basis	Unit
Category	Pool Area	Unit Cost	\$1,200.00
Location	Pool Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
029	2001	2016	0	15	1	\$1,200.00	\$ 0.00

Comments



Age: N/A

Current Condition: Functional and in decent condition.

Maintenance Requirements: Repair as-needed with Operating funds.

We are assuming the pool equipment will be replaced during 2016.

Palomino Pointe HOA

Metal Fence - Replace (2')

Item Number	617	Measurement Basis	LF
Category	Pool Area	Unit Cost	\$26.00
Location	Pool Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
030	1994	2024	8	30	270	\$7,020.00	\$ 8,892.73

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No signs of damage or deterioration noted.

Maintenance Requirements: Repaint regularly to ensure useful life expectancy.

This metal fence is mounted to a stucco wall around the pool area.

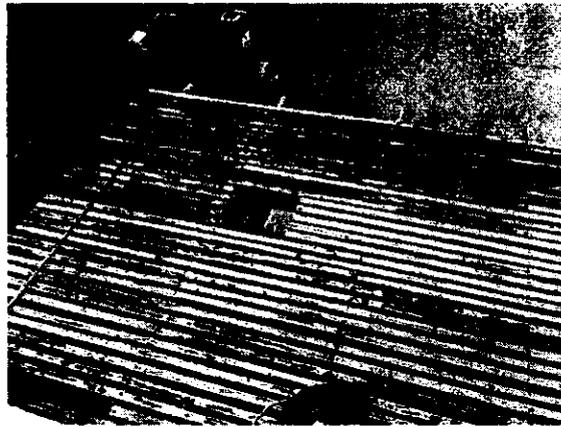
Palomino Pointe HOA

Pool Wood Trellis - Replace

Item Number	618	Measurement Basis	Square Feet
Category	Pool Area	Unit Cost	\$19.00
Location	Pool Area		
Method	Fixed		

<u>Code Description</u>	<u>Service Year</u>	<u>Replace Year</u>	<u>Rem Life</u>	<u>Est Life</u>	<u>Quantity</u>	<u>Replacement Cost</u>	
						<u>Current</u>	<u>Future</u>
031	1991	2021	5	30	460	\$8,740.00	\$ 10,132.06

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: Wood beams intact and in fair condition.

Maintenance Requirements: Repaint regularly to ensure useful life expectancy.

This wood trellis is located at the pool area and is fixed to the Office building.

Palomino Pointe HOA

Ramada Roof - Replace

Item Number	619	Measurement Basis	Square Feet
Category	Pool Area	Unit Cost	\$5.00
Location	Pool Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
032	1991	2021	5	30	400	\$2,000.00	\$ 2,318.55

Comments



Age: Actual install date unknown at this time. In-service date based on observed conditions.

Current Condition: No signs of damage or leaking.

Maintenance Requirements: Inspect annually and repair out of the Operating budget. Future replacement should be expected.

Good conditions were observed during our ground-level, limited scope visual inspection. As routine maintenance, we recommend professional inspections at least annually and after windstorms. Promptly replace any damaged/missing tiles or any other repairs needed to ensure waterproof integrity of roof. Plan for removal of tiles & underlayment, installation of (2) layers of new 30# felt underlayment and reinstallation of original tiles (with new tiles at approximately 5% of total area due to typical breakage rates).

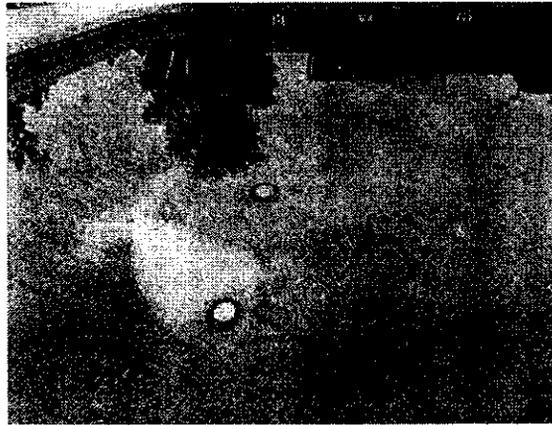
Palomino Pointe HOA

Pool Surface - Resurface

Item Number	613	Measurement Basis	LF
Category	Pool Area	Unit Cost	\$95.00
Location	Pool Area		
Method	Fixed		

Code Description	Service Year	Replace Year	Rem Life	Est Life	Quantity	Replacement Cost	
						Current	Future
026	2004	2016	0	12	120	\$11,400.00	\$ 0.00

Comments



Age: This surface will be new in 2016.

Current Condition: Signs of wear and deterioration noted.

Maintenance Requirements: Inspect, clean and repair as-needed as an Operating line item.

This line item budgets to eventually replaster the pool surface based on the timing and cost listed above.