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Update "No-Site-Visit" Reserve Study



Premiere at Desert Breeze HOA Chandler, AZ

Report #: 27989-1
For Period Beginning: January 1, 2020
Expires: December 31, 2020

Date Prepared: January 6, 2020



Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you "where you are," and "where to go from here."

In this Report, you will find...

- 1) A List of What you're Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

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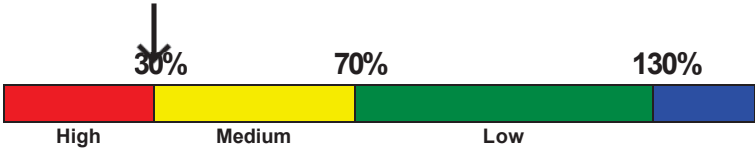
3- Minute Executive Summary

Association: Premiere at Desert Breeze HOA **Assoc. #: 27989-1**
Location: Chandler, AZ **# of Units: 185**
Report Period: January 1, 2020 through December 31, 2020

Findings/Recommendations as-of: January 1, 2020

Projected Starting Reserve Balance	\$123,009
Current Fully Funded Reserve Balance	\$400,250
Average Reserve Deficit (Surplus) Per Unit	\$1,499
Percent Funded	30.7 %
Approved 2020 Monthly Reserve Contribution	\$1,436
Recommended 2023 Special Assessments for Reserves	\$203,500 (\$1,100/Unit)
Most Recent Reserve Contribution Rate	\$1,436

Reserves % Funded: 30.7%



Special Assessment Risk:

Economic Assumptions:

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

This is an Update "No-Site-Visit" Reserve Study based on a prior report prepared by Association Reserves for your 2015 Fiscal Year. No site inspection was performed as part of this Reserve Study.

The Reserve expense threshold for this analysis is \$1,000, which means no expenses under that amount are funded in the Reserve Study.

Your Reserve Fund is 30.7 % Funded. This means the Reserve Fund status is Fair, and special assessment risk is currently Medium.

The objective of your multi-year Funding Plan is to Fully Fund Reserves, where associations enjoy a low risk of Reserve cash flow problems.

The 2020 budget has already been approved and will not change at this point. Therefore, our funding plan for 2020 reflects the budgeted Monthly Reserve contributions of \$1,436. Based on this starting point and projected expenditures, we recommend budgeting Monthly Reserve contributions of \$3,600 for your 2021 Fiscal Year. Nominal annual increases are scheduled thereafter to help offset inflation (see tables herein for details).

Although our recommendation appears to be a significant increase compared to the 2020 approved contribution rate, it is what we recommended for your 2016 Fiscal Year in our previous Reserve Study.

In addition, we recommend special assessments of \$203,500 (\$1,100/unit) in 2023. This will be necessary to provide Reserves with sufficient funding to complete the asphalt repavement project in 2023.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
COMMON AREA			
103 Concrete - Repair	5	0	\$2,000
201 Asphalt - Repave	30	3	\$330,000
202 Asphalt - Seal/Repair	4	5	\$14,800
440 Tennis Court - Replace		5	\$60,000
442 Tennis Court - Resurface	5	0	\$10,000
443 Tennis Fence - Replace	30	5	\$14,000
501 Block/Stucco Walls - Repair	20	5	\$7,500
503 Metal Fence - Replace	30	5	\$13,500
504 View Fence - Replace	45	15	\$27,500
805 Landscape Granite - Replenish	4	3	\$9,500
810 Drywells - Inspect/Clean	5	0	\$6,500
811 Drywells - Partial Replace	35	7	\$20,000
1105 Block/Stucco Walls - Repaint	5	0	\$4,000
1113 Metal Surfaces - Repaint	5	0	\$5,500
14 Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

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 No-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 updated and adjusted your Reserve Component List on the basis of time elapsed since the last Reserve Study and interviews with association representatives.

Which Physical Assets are Funded by Reserves?

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total 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 fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

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.

Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all of these expenses will take place as anticipated. This Reserve Study needs to be updated annually, because we expect the timing of expenses to shift and the size of the 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 chart below summarizes the projected future expenses at your association as defined by the Reserve Component List. A summary of these components is shown in the Component Details Table, while a summary of the expenses themselves is shown in the 30-yr Expense Summary Table.

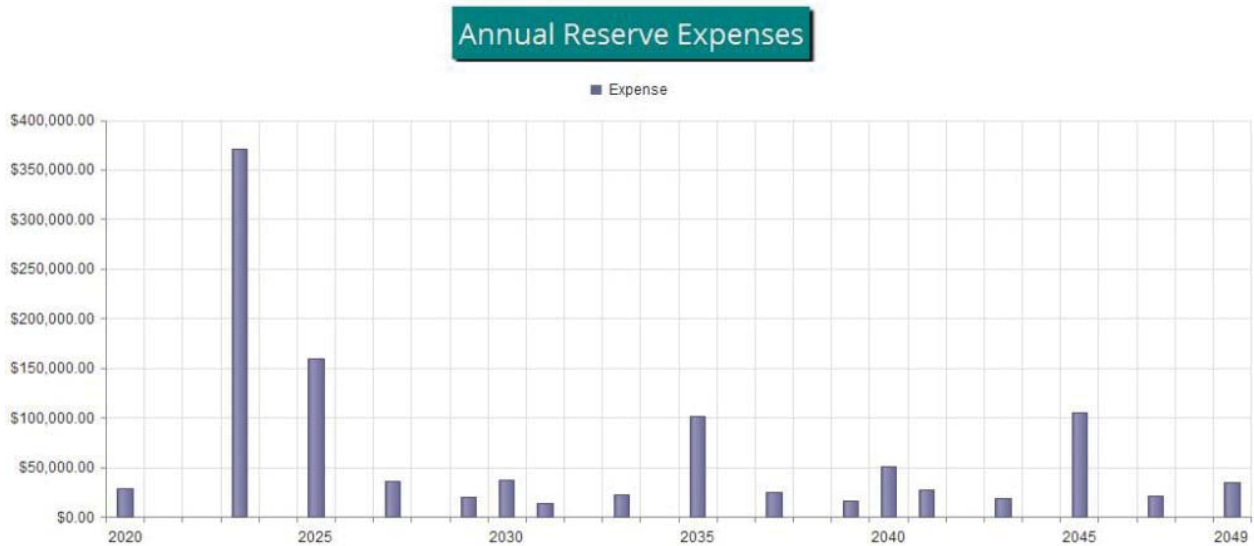


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$123,009 as-of the start of your fiscal year on 1/1/2020. This is based on your actual balance of \$121,573 on 11/30/2019 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of 1/1/2020, your Fully Funded Balance is computed to be \$400,250. This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to the Fully Funded Balance indicates Reserves are 30.7 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and cash flow requirements, we recommend budgeting Monthly Reserve contributions of \$1,436 this Fiscal Year. The overall 30-year plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary and the Cash Flow Detail tables.

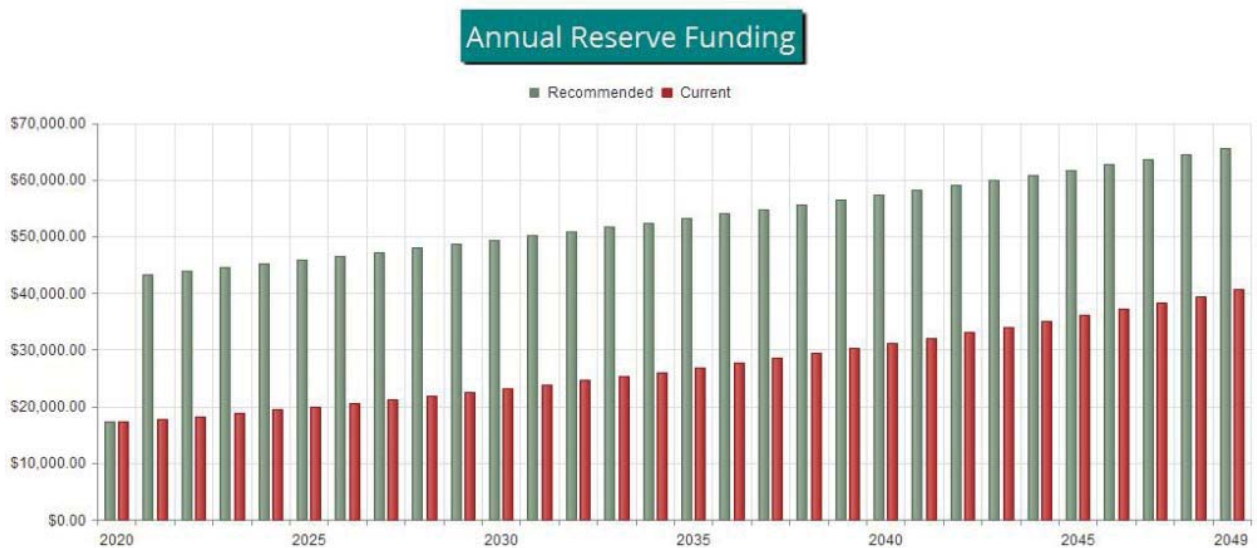


Figure 2

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



Figure 3

This chart 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-year Funding Plan.

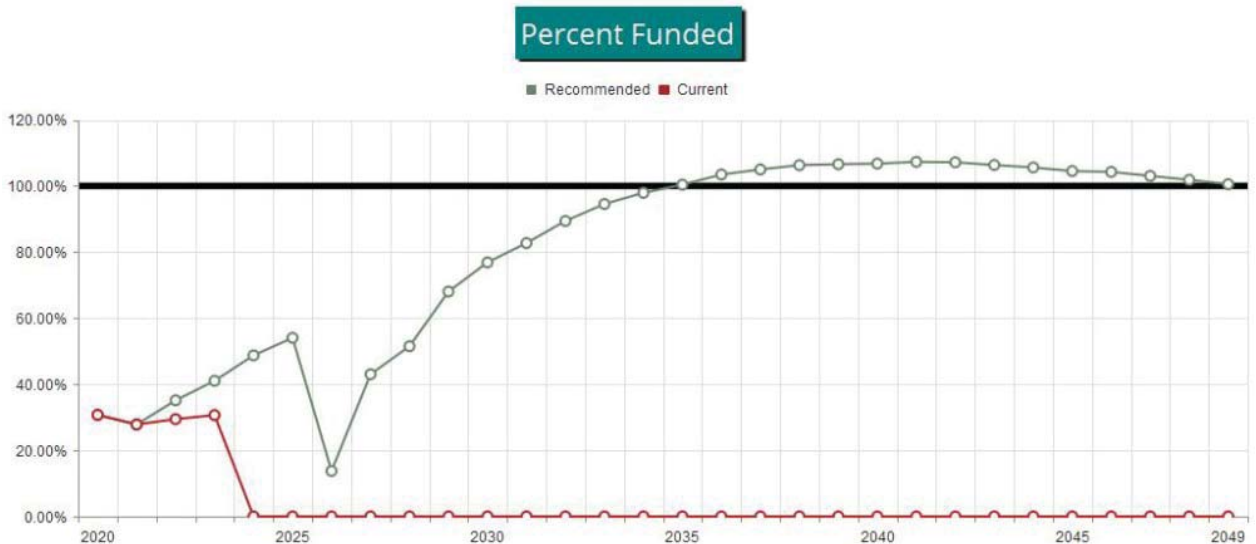


Figure 4

Table Descriptions

Executive Summary is a summary of your Reserve Components

Budget Summary is a management and accounting tool, summarizing groupings 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.

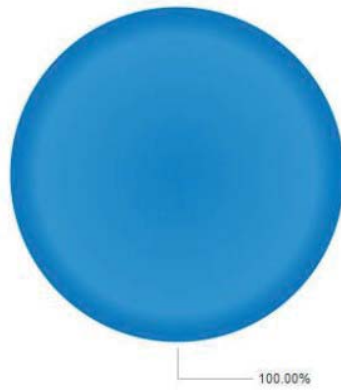
Component Significance shows the relative significance of each component to Reserve funding needs of the property, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing 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.

	Useful Life		2020 Rem. Useful Life		Estimated Replacement Cost in 2020	2020 Expenditures	01/01/2020 Current Fund Balance	01/01/2020 Fully Funded Balance	Remaining Bal. to be Funded	2020 Contributions
	Min	Max	Min	Max						
COMMON AREA	0	45	0	15	\$524,800	\$28,000	\$123,009	\$400,250	\$401,791	\$17,234
					\$524,800	\$28,000	\$123,009	\$400,250	\$401,791	\$17,234
Percent Funded:									30.7%	

Budget Summary



■ COMMON AREA

Reserve Component List Detail

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# Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate		
				Best Case	Worst Case	
COMMON AREA						
103	Concrete - Repair	Numerous Sq Ft	5	0	\$1,700	\$2,300
201	Asphalt - Repave	Approx 147,500 Sq Ft	30	3	\$300,000	\$360,000
202	Asphalt - Seal/Repair	Approx 147,500 Sq Ft	4	5	\$13,300	\$16,300
440	Tennis Court - Replace	(1) Court		5	\$50,000	\$70,000
442	Tennis Court - Resurface	(1) Court	5	0	\$8,000	\$12,000
443	Tennis Fence - Replace	Approx 360 LF	30	5	\$12,000	\$16,000
501	Block/Stucco Walls - Repair	Numerous LF	20	5	\$7,000	\$8,000
503	Metal Fence - Replace	Approx 240 LF	30	5	\$12,000	\$15,000
504	View Fence - Replace	Approx 1,000 LF	45	15	\$24,000	\$31,000
805	Landscape Granite - Replenish	~33% of 400 Tons	4	3	\$9,000	\$10,000
810	Drywells - Inspect/Clean	(5) Drywells	5	0	\$6,000	\$7,000
811	Drywells - Partial Replace	(1) of (5) Drywells	35	7	\$18,000	\$22,000
1105	Block/Stucco Walls - Repaint	Approx 9,600 Sq Ft	5	0	\$3,500	\$4,500
1113	Metal Surfaces - Repaint	Approx 1,250 LF	5	0	\$5,000	\$6,000
14 Total Funded Components						

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
COMMON AREA								
103	Concrete - Repair	\$2,000	X	5	/	5	=	\$2,000
201	Asphalt - Repave	\$330,000	X	27	/	30	=	\$297,000
202	Asphalt - Seal/Repair	\$14,800	X	0	/	4	=	\$0
440	Tennis Court - Replace	\$60,000	X	0	/		=	\$10,000
442	Tennis Court - Resurface	\$10,000	X	5	/	5	=	\$10,000
443	Tennis Fence - Replace	\$14,000	X	25	/	30	=	\$11,667
501	Block/Stucco Walls - Repair	\$7,500	X	15	/	20	=	\$5,625
503	Metal Fence - Replace	\$13,500	X	25	/	30	=	\$11,250
504	View Fence - Replace	\$27,500	X	30	/	45	=	\$18,333
805	Landscape Granite - Replenish	\$9,500	X	1	/	4	=	\$2,375
810	Drywells - Inspect/Clean	\$6,500	X	5	/	5	=	\$6,500
811	Drywells - Partial Replace	\$20,000	X	28	/	35	=	\$16,000
1105	Block/Stucco Walls - Repaint	\$4,000	X	5	/	5	=	\$4,000
1113	Metal Surfaces - Repaint	\$5,500	X	5	/	5	=	\$5,500
								\$400,250

Component Significance

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#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
COMMON AREA					
103	Concrete - Repair	5	\$2,000	\$400	1.59 %
201	Asphalt - Repave	30	\$330,000	\$11,000	43.74 %
202	Asphalt - Seal/Repair	4	\$14,800	\$3,700	14.71 %
440	Tennis Court - Replace		\$60,000	\$0	0.00 %
442	Tennis Court - Resurface	5	\$10,000	\$2,000	7.95 %
443	Tennis Fence - Replace	30	\$14,000	\$467	1.86 %
501	Block/Stucco Walls - Repair	20	\$7,500	\$375	1.49 %
503	Metal Fence - Replace	30	\$13,500	\$450	1.79 %
504	View Fence - Replace	45	\$27,500	\$611	2.43 %
805	Landscape Granite - Replenish	4	\$9,500	\$2,375	9.44 %
810	Drywells - Inspect/Clean	5	\$6,500	\$1,300	5.17 %
811	Drywells - Partial Replace	35	\$20,000	\$571	2.27 %
1105	Block/Stucco Walls - Repaint	5	\$4,000	\$800	3.18 %
1113	Metal Surfaces - Repaint	5	\$5,500	\$1,100	4.37 %
14	Total Funded Components			\$25,149	100.00 %

30-Year Reserve Plan Summary

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Fiscal Year Start: 2020	Interest: 1.00 %	Inflation: 3.00 %
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)	Projected Reserve Balance Changes	

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase		Loan or Special Assmts	Interest Income	Reserve Expenses
					In Annual Reserve Contribs.	Reserve Contribs.			
2020	\$123,009	\$400,250	30.7 %	Medium	0.00 %	\$17,234	\$0	\$1,182	\$28,000
2021	\$113,425	\$407,570	27.8 %	High	150.67 %	\$43,200	\$0	\$1,356	\$0
2022	\$157,981	\$449,661	35.1 %	Medium	1.50 %	\$43,848	\$0	\$1,807	\$0
2023	\$203,637	\$496,095	41.0 %	Medium	1.50 %	\$44,506	\$203,500	\$1,428	\$370,981
2024	\$82,090	\$168,429	48.7 %	Medium	1.50 %	\$45,173	\$0	\$1,052	\$0
2025	\$128,315	\$237,415	54.0 %	Medium	1.50 %	\$45,851	\$0	\$717	\$159,748
2026	\$15,134	\$110,026	13.8 %	High	1.50 %	\$46,539	\$0	\$386	\$0
2027	\$62,059	\$144,257	43.0 %	Medium	1.50 %	\$47,237	\$0	\$678	\$36,281
2028	\$73,693	\$143,074	51.5 %	Medium	1.50 %	\$47,945	\$0	\$981	\$0
2029	\$122,619	\$180,180	68.1 %	Medium	1.50 %	\$48,664	\$0	\$1,379	\$19,311
2030	\$153,352	\$199,494	76.9 %	Low	1.50 %	\$49,394	\$0	\$1,600	\$37,630
2031	\$166,717	\$201,532	82.7 %	Low	1.50 %	\$50,135	\$0	\$1,861	\$13,150
2032	\$205,563	\$229,890	89.4 %	Low	1.50 %	\$50,887	\$0	\$2,321	\$0
2033	\$258,771	\$273,720	94.5 %	Low	1.50 %	\$51,651	\$0	\$2,750	\$21,734
2034	\$291,437	\$297,585	97.9 %	Low	1.50 %	\$52,425	\$0	\$3,191	\$0
2035	\$347,053	\$345,694	100.4 %	Low	1.50 %	\$53,212	\$0	\$3,245	\$101,268
2036	\$302,243	\$292,116	103.5 %	Low	1.50 %	\$54,010	\$0	\$3,308	\$0
2037	\$359,560	\$342,448	105.0 %	Low	1.50 %	\$54,820	\$0	\$3,765	\$24,462
2038	\$393,683	\$370,340	106.3 %	Low	1.50 %	\$55,642	\$0	\$4,234	\$0
2039	\$453,560	\$425,549	106.6 %	Low	1.50 %	\$56,477	\$0	\$4,756	\$16,658
2040	\$498,135	\$466,580	106.8 %	Low	1.50 %	\$57,324	\$0	\$5,038	\$50,571
2041	\$509,926	\$475,274	107.3 %	Low	1.50 %	\$58,184	\$0	\$5,277	\$27,532
2042	\$545,855	\$509,363	107.2 %	Low	1.50 %	\$59,057	\$0	\$5,780	\$0
2043	\$610,692	\$574,278	106.3 %	Low	1.50 %	\$59,943	\$0	\$6,342	\$18,749
2044	\$658,227	\$623,318	105.6 %	Low	1.50 %	\$60,842	\$0	\$6,918	\$0
2045	\$725,988	\$694,674	104.5 %	Low	1.50 %	\$61,755	\$0	\$7,074	\$105,317
2046	\$689,499	\$661,274	104.3 %	Low	1.50 %	\$62,681	\$0	\$7,242	\$0
2047	\$759,422	\$736,976	103.0 %	Low	1.50 %	\$63,621	\$0	\$7,843	\$21,102
2048	\$809,783	\$794,890	101.9 %	Low	1.50 %	\$64,575	\$0	\$8,459	\$0
2049	\$882,818	\$878,002	100.5 %	Low	1.50 %	\$65,544	\$0	\$9,023	\$34,877

30-Year Income/Expense Detail

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Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$123,009	\$113,425	\$157,981	\$203,637	\$82,090
Annual Reserve Contribution	\$17,234	\$43,200	\$43,848	\$44,506	\$45,173
Recommended Special Assessments	\$0	\$0	\$0	\$203,500	\$0
Interest Earnings	\$1,182	\$1,356	\$1,807	\$1,428	\$1,052
Total Income	\$141,425	\$157,981	\$203,637	\$453,070	\$128,315
# Component					
COMMON AREA					
103 Concrete - Repair	\$2,000	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$360,600	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$0
440 Tennis Court - Replace	\$0	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$10,000	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$0	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$10,381	\$0
810 Drywells - Inspect/Clean	\$6,500	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$4,000	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$5,500	\$0	\$0	\$0	\$0
Total Expenses	\$28,000	\$0	\$0	\$370,981	\$0
Ending Reserve Balance	\$113,425	\$157,981	\$203,637	\$82,090	\$128,315

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$128,315	\$15,134	\$62,059	\$73,693	\$122,619
Annual Reserve Contribution	\$45,851	\$46,539	\$47,237	\$47,945	\$48,664
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$717	\$386	\$678	\$981	\$1,379
Total Income	\$174,882	\$62,059	\$109,974	\$122,619	\$172,663
# Component					
COMMON AREA					
103 Concrete - Repair	\$2,319	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$17,157	\$0	\$0	\$0	\$19,311
440 Tennis Court - Replace	\$69,556	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$11,593	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$16,230	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$8,695	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$15,650	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$11,684	\$0	\$0
810 Drywells - Inspect/Clean	\$7,535	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$24,597	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$4,637	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$6,376	\$0	\$0	\$0	\$0
Total Expenses	\$159,748	\$0	\$36,281	\$0	\$19,311
Ending Reserve Balance	\$15,134	\$62,059	\$73,693	\$122,619	\$153,352

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$153,352	\$166,717	\$205,563	\$258,771	\$291,437
Annual Reserve Contribution	\$49,394	\$50,135	\$50,887	\$51,651	\$52,425
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$1,600	\$1,861	\$2,321	\$2,750	\$3,191
Total Income	\$204,346	\$218,713	\$258,771	\$313,171	\$347,053
# Component					
COMMON AREA					
103 Concrete - Repair	\$2,688	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$0	\$21,734	\$0
440 Tennis Court - Replace	\$0	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$13,439	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$0	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$13,150	\$0	\$0	\$0
810 Drywells - Inspect/Clean	\$8,735	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$5,376	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$7,392	\$0	\$0	\$0	\$0
Total Expenses	\$37,630	\$13,150	\$0	\$21,734	\$0
Ending Reserve Balance	\$166,717	\$205,563	\$258,771	\$291,437	\$347,053

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$347,053	\$302,243	\$359,560	\$393,683	\$453,560
Annual Reserve Contribution	\$53,212	\$54,010	\$54,820	\$55,642	\$56,477
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,245	\$3,308	\$3,765	\$4,234	\$4,756
Total Income	\$403,510	\$359,560	\$418,145	\$453,560	\$514,793
# Component					
COMMON AREA					
103 Concrete - Repair	\$3,116	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$0	\$24,462	\$0	\$0
440 Tennis Court - Replace	\$0	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$15,580	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$0	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$42,844	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$14,801	\$0	\$0	\$0	\$16,658
810 Drywells - Inspect/Clean	\$10,127	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$6,232	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$8,569	\$0	\$0	\$0	\$0
Total Expenses	\$101,268	\$0	\$24,462	\$0	\$16,658
Ending Reserve Balance	\$302,243	\$359,560	\$393,683	\$453,560	\$498,135

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$498,135	\$509,926	\$545,855	\$610,692	\$658,227
Annual Reserve Contribution	\$57,324	\$58,184	\$59,057	\$59,943	\$60,842
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,038	\$5,277	\$5,780	\$6,342	\$6,918
Total Income	\$560,497	\$573,387	\$610,692	\$676,977	\$725,988
# Component					
COMMON AREA					
103 Concrete - Repair	\$3,612	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$0	\$27,532	\$0	\$0	\$0
440 Tennis Court - Replace	\$0	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$18,061	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$0	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$18,749	\$0
810 Drywells - Inspect/Clean	\$11,740	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$7,224	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$9,934	\$0	\$0	\$0	\$0
Total Expenses	\$50,571	\$27,532	\$0	\$18,749	\$0
Ending Reserve Balance	\$509,926	\$545,855	\$610,692	\$658,227	\$725,988

Fiscal Year	2045	2046	2047	2048	2049
Starting Reserve Balance	\$725,988	\$689,499	\$759,422	\$809,783	\$882,818
Annual Reserve Contribution	\$61,755	\$62,681	\$63,621	\$64,575	\$65,544
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,074	\$7,242	\$7,843	\$8,459	\$9,023
Total Income	\$794,816	\$759,422	\$830,886	\$882,818	\$957,385
# Component					
COMMON AREA					
103 Concrete - Repair	\$4,188	\$0	\$0	\$0	\$0
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
202 Asphalt - Seal/Repair	\$30,988	\$0	\$0	\$0	\$34,877
440 Tennis Court - Replace	\$0	\$0	\$0	\$0	\$0
442 Tennis Court - Resurface	\$20,938	\$0	\$0	\$0	\$0
443 Tennis Fence - Replace	\$0	\$0	\$0	\$0	\$0
501 Block/Stucco Walls - Repair	\$15,703	\$0	\$0	\$0	\$0
503 Metal Fence - Replace	\$0	\$0	\$0	\$0	\$0
504 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$21,102	\$0	\$0
810 Drywells - Inspect/Clean	\$13,610	\$0	\$0	\$0	\$0
811 Drywells - Partial Replace	\$0	\$0	\$0	\$0	\$0
1105 Block/Stucco Walls - Repaint	\$8,375	\$0	\$0	\$0	\$0
1113 Metal Surfaces - Repaint	\$11,516	\$0	\$0	\$0	\$0
Total Expenses	\$105,317	\$0	\$21,102	\$0	\$34,877
Ending Reserve Balance	\$689,499	\$759,422	\$809,783	\$882,818	\$922,508

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. DJ Vlaming, R.S., company president, is a credentialed Reserve Specialist (#61). 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 the 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 of 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.

COMMON AREA

Comp #: 103 Concrete - Repair**Quantity: Numerous Sq Ft**

Location: Curbs, gutters and walkways throughout community
Funded?: Yes.

History: Installed around 1992.

Comments:

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 1,700

Worst Case: \$2,300

Cost Source: ARI Cost Allowance

Comp #: 201 Asphalt - Repave**Quantity: Approx 147,500 Sq Ft**

Location: Streets & parking areas throughout community

Funded?: Yes.

History: Installed around 1992.

Comments: This component funds to completely remove and repave the asphalt. Life span is based on periodically seal coating and maintaining the surface.

Useful Life: 30 years

Remaining Life: 3 years

Best Case: \$ 300,000

Worst Case: \$360,000

Cost Source: ARI Cost Database

Comp #: 202 Asphalt - Seal/Repair**Quantity: Approx 147,500 Sq Ft**

Location: Streets & parking areas throughout community

Funded?: Yes.

History: Sealed/repaved during 2016 for \$13,600.

Comments: We assume the asphalt will not be sealed again until after the future repavement project.

Useful Life: 4 years

Remaining Life: 5 years

Best Case: \$ 13,300

Worst Case: \$16,300

Cost Source: ARI Cost Database

Comp #: 250 Street Lights - Replace**Quantity: Numerous Lights**

Location: Adjacent to community streets

Funded?: No. Street lights are owned by the utility company, not the HOA.

History: Installed around 1992.

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 320 Pole Lights - Replace**Quantity: (4) Pole Lights**

Location: Greenbelt at southwest corner of Joshua Blvd & Stanley Pl

Funded?: No. These pole lights are reportedly the responsibility of the adjacent apartments, not Premiere at Desert Breeze HOA.

History: Installed around 1992.

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 403 Mailboxes - Replace**Quantity: Numerous Clusters**

Location: Adjacent to community streets

Funded?: No. Mailboxes are the responsibility of the Post Office.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 440 Tennis Court - Replace**Quantity: (1) Court**

Location: Tennis court

Funded?: Yes.

History: Installed around 1992.

Comments: This is an asphalt based court. Court has had issues with cracking. Recommend planning to eventually replace with a post-tension concrete based court. Project is scheduled to occur as a one-time expense.

Useful Life:

Remaining Life: 5 years

Best Case: \$ 50,000

Worst Case: \$70,000

Cost Source: ARI Cost Database

Comp #: 442 Tennis Court - Resurface**Quantity: (1) Court**

Location: Tennis court

Funded?: Yes.

History: Resurfaced during 2014 for \$8,400.

Comments:

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 8,000

Worst Case: \$12,000

Cost Source: Client Cost History

Comp #: 443 Tennis Fence - Replace**Quantity: Approx 360 LF**

Location: Tennis court

Funded?: Yes.

History: Installed around 1992.

Comments: Recommend coordinating with replacement of the tennis court.

Useful Life: 30 years

Remaining Life: 5 years

Best Case: \$ 12,000

Worst Case: \$16,000

Cost Source: ARI Cost Database

Comp #: 501 Block/Stucco Walls - Repair**Quantity: Numerous LF**

Location: Bordering common areas throughout community

Funded?: Yes.

History: Installed around 1992.

Comments: Walls are expected to last the life of the community under normal circumstances. This component provides an allowance for repairs and/or partial replacement due to excessive settling or other sources of damage.

Useful Life: 20 years

Remaining Life: 5 years

Best Case: \$ 7,000

Worst Case: \$8,000

Cost Source: ARI Cost Allowance

Comp #: 503 Metal Fence - Replace**Quantity: Approx 240 LF**

Location: In-between homes at various areas throughout community

Funded?: Yes.

History: Installed around 1992.

Comments:

Useful Life: 30 years

Remaining Life: 5 years

Best Case: \$ 12,000

Worst Case: \$15,000

Cost Source: ARI Cost Database

Comp #: 504 View Fence - Replace**Quantity: Approx 1,000 LF**

Location: Homeowner backyards bordering common areas throughout community

Funded?: Yes.

History: Installed around 1992.

Comments:

Useful Life: 45 years

Remaining Life: 15 years

Best Case: \$ 24,000

Worst Case: \$31,000

Cost Source: ARI Cost Database

Comp #: 708 Swing Gates - Replace**Quantity: (2) Gates**

Location: Northwest end of community on Del Rio St

Funded?: No. These swing gates are reportedly the responsibility of the adjacent neighborhood, not Premiere at Desert Breeze HOA.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 800 Irrigation System - Replace**Quantity: Lines, Valves, Heads, Etc**

Location: Common areas throughout community

Funded?: No. It is beyond the scope of this Reserve Study to quantify and assess conditions of the irrigation system. Funding can be provided for future replacement at the client's request, but we would need to be provided with cost and life expectancy estimates. Repairs and partial replacements should be included in the annual landscape maintenance budget.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 801 Backflow Valves - Replace**Quantity: (3) Backflow Valves**

Location: Adjacent to lots 165, 195, & 249

Funded?: No. Backflow valves typically last a long time. They can often be repaired and rebuilt rather than replaced. Recommend repairing or replacing as needed with Operating funds.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 803 Irrigation Controllers - Replace**Quantity: (3) Controllers**

Location: Adjacent to lots 165, 195, & 249

Funded?: No. Individual costs are below the Reserve expense threshold. Recommend replacing as needed with Operating funds.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 805 Landscape Granite - Replenish**Quantity: ~33% of 400 Tons**

Location: Common areas throughout community

Funded?: Yes.

History: Replenished 128 tons during 2019 for \$9,271, which accounts for approximately 1/3 of the community.

Comments: Based on the community expense history, there is no expectancy to completely replenish the community at one time.

This component funds to replenish approximately 33% of the community landscape granite with a new 1" layer.

Useful Life: 4 years

Remaining Life: 3 years

Best Case: \$ 9,000

Worst Case: \$10,000

Cost Source: Client Cost History

Comp #: 810 Drywells - Inspect/Clean**Quantity: (5) Drywells**

Location: Drainage areas throughout community

Funded?: Yes.

History: Approximately \$515 was spent during 2014 for minor repairs.

Comments: Drywells need to be inspected and cleaned out periodically to ensure proper operation and to prevent failure.

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 6,000

Worst Case: \$7,000

Cost Source: ARI Cost Database

Comp #: 811 Drywells - Partial Replace**Quantity: (1) of (5) Drywells**

Location: Drainage areas throughout community

Funded?: Yes.

History: Installed around 1992.

Comments: There is no expectancy for complete replacement of the drywells. Failure is typically due to improper installation or neglect. Funding is provided for partial replacement in the event failure does occur.

Useful Life: 35 years

Remaining Life: 7 years

Best Case: \$ 18,000

Worst Case: \$22,000

Estimate to replace (1) of (5) drywells

Cost Source: ARI Cost Database

Comp #: 1105 Block/Stucco Walls - Repaint

Quantity: Approx 9,600 Sq Ft

Location: Bordering Desert Breeze Park, Desert Breeze Blvd, Lona Ct, & Stanley Pl (north end of road)

Funded?: Yes.

History:

Comments: This component funds to periodically repaint the common stucco and painted block walls.

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 3,500

Worst Case: \$4,500

Cost Source: ARI Cost Database

Comp #: 1113 Metal Surfaces - Repaint

Quantity: Approx 1,250 LF

Location: Metal fence, view fence, & swing gates

Funded?: Yes.

History:

Comments: Repaint periodically to maintain the appearance and to inhibit rust.

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 5,000

Worst Case: \$6,000

Cost Source: ARI Cost Database
