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"Full" Reserve Study



Foothills Clusters HOA Tucson, AZ

Report #: 34540-0
For Period Beginning: January 1, 2019
Expires: December 31, 2019

Date Prepared: June 12, 2018



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:

480-361-5340



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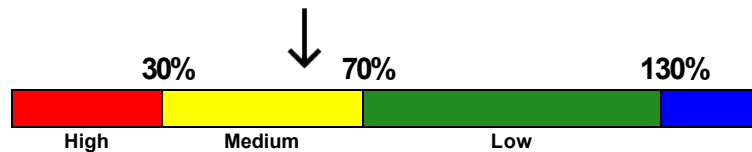
3- Minute Executive Summary

Association: Foothills Clusters HOA **Assoc. #: 34540-0**
Location: Tucson, AZ **# of Units: 367**
Report Period: January 1, 2019 through December 31, 2019

Findings/Recommendations as-of: January 1, 2019

Projected Starting Reserve Balance	\$655,800
Current Fully Funded Reserve Balance	\$1,100,833
Average Reserve Deficit (Surplus) Per Unit	\$1,213
Percent Funded	59.6 %
Recommended 2019 Monthly Reserve Contribution	\$15,000
Recommended 2019 Special Assessments for Reserves	\$0
Most Recent Reserve Contribution Rate	\$4,166

Reserves % Funded: 59.6%



Special Assessment Risk:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 0.50 %
 Annual Inflation Rate 3.00 %

- This is a "Full" Reserve Study (original, created "from scratch") based on our site inspection on 5/9/2018.
- The Reserve expense threshold for this analysis is \$2,000, which means no expenses under that amount are funded in the Reserve Study.
- Your Reserve Fund is 59.6 % 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.
- Based on this starting point and anticipated future expenses, we recommend budgeting Monthly Reserve contributions of \$15,000 for the 2019 Fiscal Year. Annual increases of 5% are scheduled until the 2023 Fiscal Year, which is when asphalt repaving is scheduled. This large increase in the Reserve contribution rate is necessary to properly fund asphalt repaving. After the asphalt has been repaved in 2023, we recommend decreasing Monthly Reserve contributions to \$6,000. Nominal annual increases are scheduled after that point to help offset inflation (see tables herein for details).

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
COMMON AREAS				
201	Asphalt - Repave	30	4	\$1,250,000
205	Asphalt - Patch/Repair	1	0	\$10,000
209	Asphalt - Crack Fill	2	6	\$12,500
212	Asphalt - Seal/Repair	4	6	\$30,000
350	Monuments - Refurbish	20	10	\$15,000
5 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 [Full Reserve Study](#), we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We

performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List *from scratch*.

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



RESERVE COMPONENT "FOUR-PART TEST"

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?



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.*



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

Site Inspection Notes

During the site visit on 5/9/2018, we started by meeting with Board Treasurer Mr. Brian Bickel. We toured the community and spent time reviewing reserve related expenses and projects that have occurred in the recent past and are planned in the near future. After the meeting, we visually inspected the common areas.

Please see the Component Details Appendix at the end of this report for a detailed look at each component.



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.

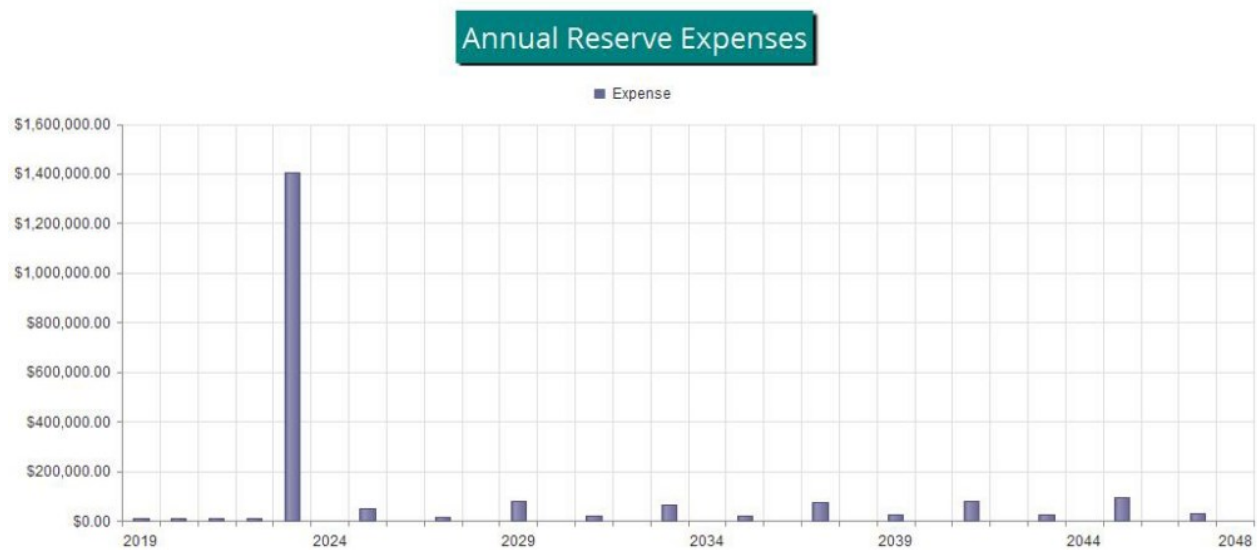


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$655,800 as-of the start of your fiscal year on 1/1/2019. This is based on your actual balance of \$605,817 on 2/28/2018 and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of 1/1/2019, your Fully Funded Balance is computed to be \$1,100,833. This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to the Fully Funded Balance indicates Reserves are 59.6 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and cash flow requirements, we recommend budgeting Monthly Reserve contributions of \$15,000 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.

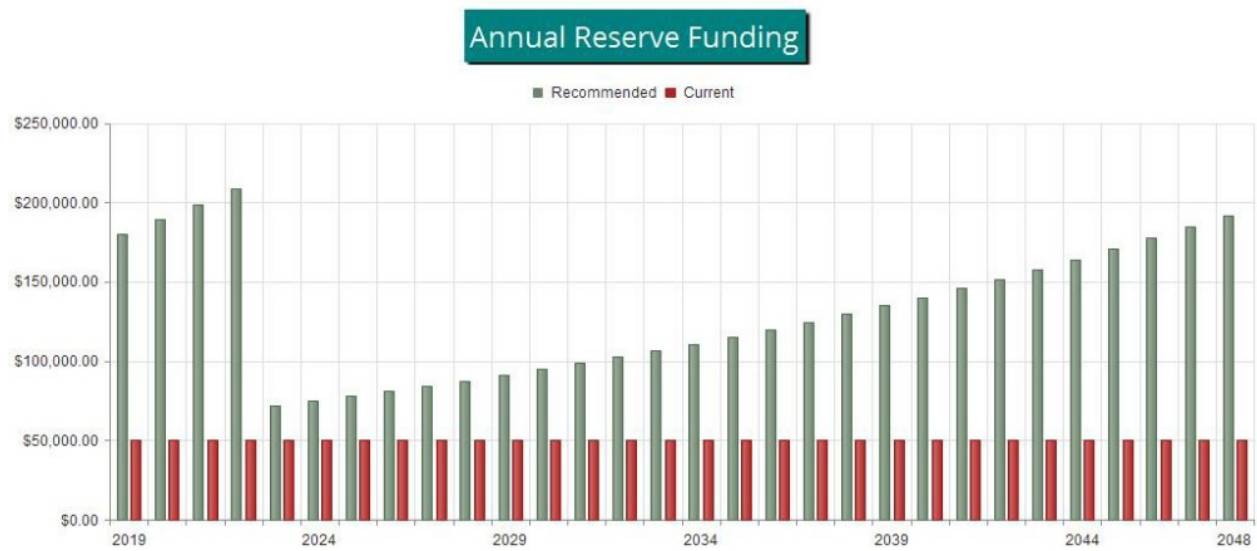


Figure 2

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.

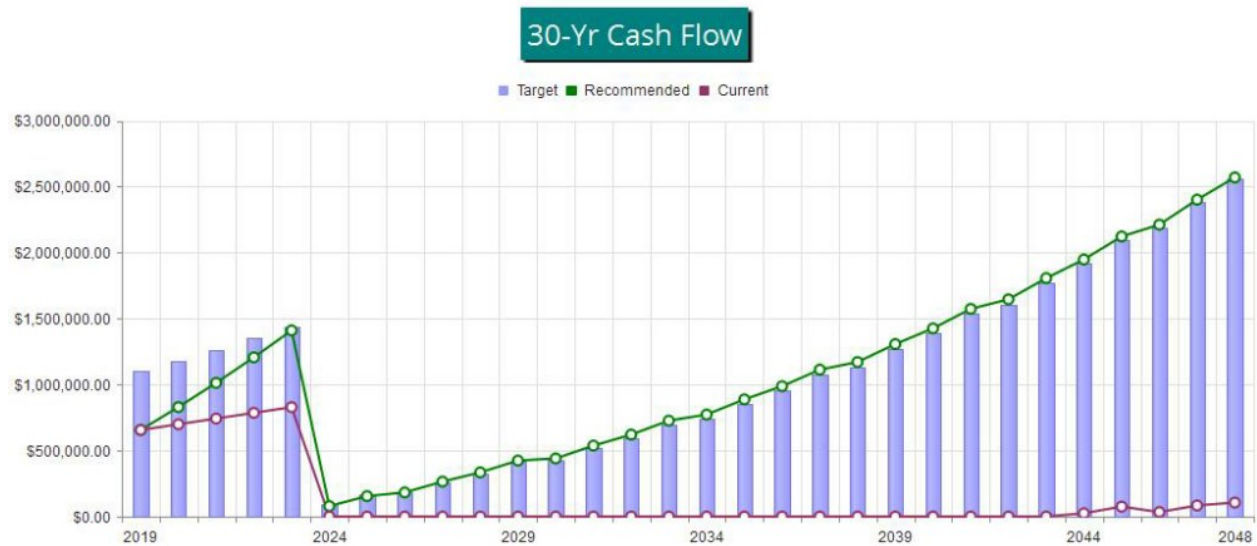


Figure 3

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

The tabular information in this Report is broken down into nine tables, **not all which may have been chosen by your Project Manager to appear in your report.** Tables are listed in the order in which they appear in your Report.

Executive Summary is a summary of your Reserve Components

Budget Summary is a management and accounting tool, summarizing groupings of your Reserve Components.

Analysis Summary provides a summary of the starting financial information and your Project Manager's Financial Analysis decision points.

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 association 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 association, 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.

Accounting-Tax Summary provides information on each Component's proportionate portion of key totals, valuable to accounting professionals primarily during tax preparation time of year.

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.

Reserve Component List Detail

34540-0
Full

# Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate	
				Best Case	Worst Case
COMMON AREAS					
201 Asphalt - Repave	Approx 500,000 Sq Ft	30	4	\$1,000,000	\$1,500,000
205 Asphalt - Patch/Repair	Approx 500,000 Sq Ft	1	0	\$8,000	\$12,000
209 Asphalt - Crack Fill	Approx 500,000 Sq Ft	2	6	\$10,000	\$15,000
212 Asphalt - Seal/Repair	Approx 500,000 Sq Ft	4	6	\$26,000	\$34,000
350 Monuments - Refurbish	(2) Monuments	20	10	\$13,000	\$17,000
5 Total Funded Components					

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
COMMON AREAS								
201	Asphalt - Repave	\$1,250,000	X	26	/	30	=	\$1,083,333
205	Asphalt - Patch/Repair	\$10,000	X	1	/	1	=	\$10,000
209	Asphalt - Crack Fill	\$12,500	X	0	/	2	=	\$0
212	Asphalt - Seal/Repair	\$30,000	X	0	/	4	=	\$0
350	Monuments - Refurbish	\$15,000	X	10	/	20	=	\$7,500
								\$1,100,833

Component Significance

34540-0
Full

#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
COMMON AREAS					
201	Asphalt - Repave	30	\$1,250,000	\$41,667	62.97 %
205	Asphalt - Patch/Repair	1	\$10,000	\$10,000	15.11 %
209	Asphalt - Crack Fill	2	\$12,500	\$6,250	9.45 %
212	Asphalt - Seal/Repair	4	\$30,000	\$7,500	11.34 %
350	Monuments - Refurbish	20	\$15,000	\$750	1.13 %
5	Total Funded Components			\$66,167	100.00 %

30-Year Reserve Plan Summary

34540-0
Full

Fiscal Year Start: 2019					Interest: 0.50 %		Inflation: 3.00 %		
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)					Projected Reserve Balance Changes				
					% Increase				
	Starting	Fully		Special	In Annual		Loan or		
Year	Reserve Balance	Funded Balance	Percent Funded	Assmt Risk	Reserve Contribs.	Reserve Contribs.	Special Assmts	Interest Income	Reserve Expenses
2019	\$655,800	\$1,100,833	59.6 %	Medium	260.06 %	\$180,000	\$0	\$3,713	\$10,000
2020	\$829,513	\$1,177,548	70.4 %	Low	5.00 %	\$189,000	\$0	\$4,605	\$10,300
2021	\$1,012,817	\$1,257,874	80.5 %	Low	5.00 %	\$198,450	\$0	\$5,546	\$10,609
2022	\$1,206,205	\$1,350,155	89.3 %	Low	5.00 %	\$208,373	\$0	\$6,540	\$10,927
2023	\$1,410,190	\$1,435,586	98.2 %	Low	-65.45 %	\$72,000	\$0	\$3,722	\$1,406,886
2024	\$79,026	\$94,674	83.5 %	Low	4.00 %	\$74,880	\$0	\$584	\$0
2025	\$154,489	\$164,580	93.9 %	Low	4.00 %	\$77,875	\$0	\$842	\$50,747
2026	\$182,460	\$186,326	97.9 %	Low	4.00 %	\$80,990	\$0	\$1,117	\$0
2027	\$264,567	\$263,066	100.6 %	Low	4.00 %	\$84,230	\$0	\$1,497	\$15,835
2028	\$334,460	\$327,933	102.0 %	Low	4.00 %	\$87,599	\$0	\$1,896	\$0
2029	\$423,954	\$413,254	102.6 %	Low	4.00 %	\$91,103	\$0	\$2,159	\$77,275
2030	\$439,941	\$423,806	103.8 %	Low	4.00 %	\$94,747	\$0	\$2,442	\$0
2031	\$537,131	\$516,601	104.0 %	Low	4.00 %	\$98,537	\$0	\$2,894	\$17,822
2032	\$620,740	\$596,225	104.1 %	Low	4.00 %	\$102,478	\$0	\$3,368	\$0
2033	\$726,586	\$699,069	103.9 %	Low	4.00 %	\$106,578	\$0	\$3,747	\$64,285
2034	\$772,625	\$741,333	104.2 %	Low	4.00 %	\$110,841	\$0	\$4,150	\$0
2035	\$887,616	\$853,704	104.0 %	Low	4.00 %	\$115,274	\$0	\$4,687	\$20,059
2036	\$987,518	\$951,489	103.8 %	Low	4.00 %	\$119,885	\$0	\$5,249	\$0
2037	\$1,112,653	\$1,075,654	103.4 %	Low	4.00 %	\$124,681	\$0	\$5,707	\$72,353
2038	\$1,170,687	\$1,131,888	103.4 %	Low	4.00 %	\$129,668	\$0	\$6,192	\$0
2039	\$1,306,547	\$1,267,288	103.1 %	Low	4.00 %	\$134,855	\$0	\$6,829	\$22,576
2040	\$1,425,654	\$1,386,540	102.8 %	Low	4.00 %	\$140,249	\$0	\$7,496	\$0
2041	\$1,573,399	\$1,535,757	102.5 %	Low	4.00 %	\$145,859	\$0	\$8,046	\$81,434
2042	\$1,645,870	\$1,608,802	102.3 %	Low	4.00 %	\$151,693	\$0	\$8,628	\$0
2043	\$1,806,192	\$1,771,241	102.0 %	Low	4.00 %	\$157,761	\$0	\$9,383	\$25,410
2044	\$1,947,926	\$1,915,807	101.7 %	Low	4.00 %	\$164,071	\$0	\$10,173	\$0
2045	\$2,122,170	\$2,094,410	101.3 %	Low	4.00 %	\$170,634	\$0	\$10,833	\$91,655
2046	\$2,211,982	\$2,187,599	101.1 %	Low	4.00 %	\$177,460	\$0	\$11,530	\$0
2047	\$2,400,972	\$2,381,733	100.8 %	Low	4.00 %	\$184,558	\$0	\$12,423	\$28,599
2048	\$2,569,354	\$2,556,088	100.5 %	Low	4.00 %	\$191,940	\$0	\$13,357	\$0

30-Year Income/Expense Detail

34540-0
Full

Fiscal Year	2019	2020	2021	2022	2023
Starting Reserve Balance	\$655,800	\$829,513	\$1,012,817	\$1,206,205	\$1,410,190
Annual Reserve Contribution	\$180,000	\$189,000	\$198,450	\$208,373	\$72,000
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,713	\$4,605	\$5,546	\$6,540	\$3,722
Total Income	\$839,513	\$1,023,117	\$1,216,814	\$1,421,117	\$1,485,912
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$1,406,886
205 Asphalt - Patch/Repair	\$10,000	\$10,300	\$10,609	\$10,927	\$0
209 Asphalt - Crack Fill	\$0	\$0	\$0	\$0	\$0
212 Asphalt - Seal/Repair	\$0	\$0	\$0	\$0	\$0
350 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$10,000	\$10,300	\$10,609	\$10,927	\$1,406,886
Ending Reserve Balance	\$829,513	\$1,012,817	\$1,206,205	\$1,410,190	\$79,026

Fiscal Year	2024	2025	2026	2027	2028
Starting Reserve Balance	\$79,026	\$154,489	\$182,460	\$264,567	\$334,460
Annual Reserve Contribution	\$74,880	\$77,875	\$80,990	\$84,230	\$87,599
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$584	\$842	\$1,117	\$1,497	\$1,896
Total Income	\$154,489	\$233,207	\$264,567	\$350,294	\$423,954
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
205 Asphalt - Patch/Repair	\$0	\$0	\$0	\$0	\$0
209 Asphalt - Crack Fill	\$0	\$14,926	\$0	\$15,835	\$0
212 Asphalt - Seal/Repair	\$0	\$35,822	\$0	\$0	\$0
350 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$50,747	\$0	\$15,835	\$0
Ending Reserve Balance	\$154,489	\$182,460	\$264,567	\$334,460	\$423,954

Fiscal Year	2029	2030	2031	2032	2033
Starting Reserve Balance	\$423,954	\$439,941	\$537,131	\$620,740	\$726,586
Annual Reserve Contribution	\$91,103	\$94,747	\$98,537	\$102,478	\$106,578
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,159	\$2,442	\$2,894	\$3,368	\$3,747
Total Income	\$517,217	\$537,131	\$638,562	\$726,586	\$836,911
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
205 Asphalt - Patch/Repair	\$0	\$0	\$0	\$0	\$0
209 Asphalt - Crack Fill	\$16,799	\$0	\$17,822	\$0	\$18,907
212 Asphalt - Seal/Repair	\$40,317	\$0	\$0	\$0	\$45,378
350 Monuments - Refurbish	\$20,159	\$0	\$0	\$0	\$0
Total Expenses	\$77,275	\$0	\$17,822	\$0	\$64,285
Ending Reserve Balance	\$439,941	\$537,131	\$620,740	\$726,586	\$772,625

Fiscal Year	2034	2035	2036	2037	2038
Starting Reserve Balance	\$772,625	\$887,616	\$987,518	\$1,112,653	\$1,170,687
Annual Reserve Contribution	\$110,841	\$115,274	\$119,885	\$124,681	\$129,668
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$4,150	\$4,687	\$5,249	\$5,707	\$6,192
Total Income	\$887,616	\$1,007,577	\$1,112,653	\$1,243,041	\$1,306,547
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
205 Asphalt - Patch/Repair	\$0	\$0	\$0	\$0	\$0
209 Asphalt - Crack Fill	\$0	\$20,059	\$0	\$21,280	\$0
212 Asphalt - Seal/Repair	\$0	\$0	\$0	\$51,073	\$0
350 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$20,059	\$0	\$72,353	\$0
Ending Reserve Balance	\$887,616	\$987,518	\$1,112,653	\$1,170,687	\$1,306,547

Fiscal Year	2039	2040	2041	2042	2043
Starting Reserve Balance	\$1,306,547	\$1,425,654	\$1,573,399	\$1,645,870	\$1,806,192
Annual Reserve Contribution	\$134,855	\$140,249	\$145,859	\$151,693	\$157,761
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$6,829	\$7,496	\$8,046	\$8,628	\$9,383
Total Income	\$1,448,231	\$1,573,399	\$1,727,304	\$1,806,192	\$1,973,336
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
205 Asphalt - Patch/Repair	\$0	\$0	\$0	\$0	\$0
209 Asphalt - Crack Fill	\$22,576	\$0	\$23,951	\$0	\$25,410
212 Asphalt - Seal/Repair	\$0	\$0	\$57,483	\$0	\$0
350 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$22,576	\$0	\$81,434	\$0	\$25,410
Ending Reserve Balance	\$1,425,654	\$1,573,399	\$1,645,870	\$1,806,192	\$1,947,926

Fiscal Year	2044	2045	2046	2047	2048
Starting Reserve Balance	\$1,947,926	\$2,122,170	\$2,211,982	\$2,400,972	\$2,569,354
Annual Reserve Contribution	\$164,071	\$170,634	\$177,460	\$184,558	\$191,940
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$10,173	\$10,833	\$11,530	\$12,423	\$13,357
Total Income	\$2,122,170	\$2,303,637	\$2,400,972	\$2,597,953	\$2,774,651
# Component					
COMMON AREAS					
201 Asphalt - Repave	\$0	\$0	\$0	\$0	\$0
205 Asphalt - Patch/Repair	\$0	\$0	\$0	\$0	\$0
209 Asphalt - Crack Fill	\$0	\$26,957	\$0	\$28,599	\$0
212 Asphalt - Seal/Repair	\$0	\$64,698	\$0	\$0	\$0
350 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$91,655	\$0	\$28,599	\$0
Ending Reserve Balance	\$2,122,170	\$2,211,982	\$2,400,972	\$2,569,354	\$2,774,651

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 AREAS

Comp #: 100 Street Locations Map

Quantity: Numerous Sq Ft

Location: Private streets throughout community

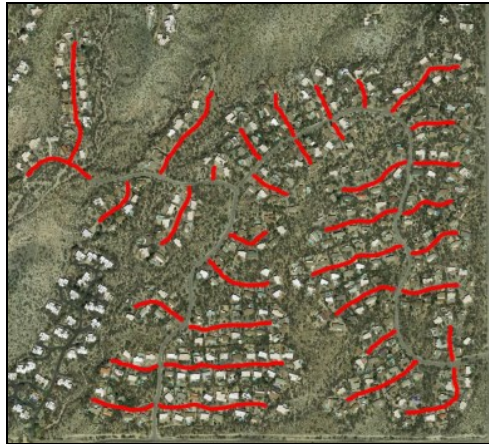
Funded?: No.

History:

Evaluation: Highlighted in red below are the private streets included under this report. Any streets not highlighted red are not the responsibility of the HOA.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 201 Asphalt - Repave

Quantity: Approx 500,000 Sq Ft

Location: Private streets throughout community

Funded?: Yes.

History: Originally constructed during the 1970's.

Evaluation: Asphalt throughout the community is in poor shape and has far outlived the typical life expectancy. Significant amount of cracks, alligatoring, and failed asphalt noted. The HOA plans to delay repaving until 2023, in hopes of coordinating repaving with the County roads (Evans Mountain Dr and eastern portion of E Ventana Canyon Dr) , which are scheduled to be repaved by the County in 2023.

Useful Life:
30 years

Remaining Life:
4 years



Best Case: \$ 1,000,000

Worst Case: \$ 1,500,000

Estimate to repave

Higher estimate

Cost Source: ARI Cost Database

Comp #: 205 Asphalt - Patch/Repair**Quantity: Approx 500,000 Sq Ft**

Location: Private streets throughout community

Funded?: Yes.

History:

Evaluation: The HOA anticipates spending approximately \$10,000 per year in patchwork and repairs until the asphalt is repaved. This component provides an annual allowance for patchwork and repairs through 2022. Funding for this component will terminate beginning in 2023, which is when the asphalt is scheduled to be repaved.

Useful Life:
1 years

Remaining Life:
0 years



Best Case: \$ 8,000

Worst Case: \$ 12,000

Allowance to patch/repair

Higher allowance

Cost Source: Estimate Provided by Client

Comp #: 209 Asphalt - Crack Fill**Quantity: Approx 500,000 Sq Ft**

Location: Private streets throughout community

Funded?: Yes.

History:

Evaluation: Proactive maintenance will help to achieve an extended life span of the asphalt. This component provides funding for crack filling every couple years throughout the community. Remaining life is greater than the useful life, which reflects crack filling will not be needed until after repaving the asphalt is completed.

Useful Life:
2 years

Remaining Life:
6 years



Best Case: \$ 10,000

Worst Case: \$ 15,000

Allowance to crack fill

Higher allowance

Cost Source: ARI Cost Database

Comp #: 212 Asphalt - Seal/Repair**Quantity: Approx 500,000 Sq Ft**

Location: Private streets throughout community

Funded?: Yes.

History:

Evaluation: Seal coat asphalt surfaces periodically to prevent premature cracking and deterioration. Remaining life is greater than the useful life, which reflects seal coating will not be needed until after repaving the asphalt is completed.

Useful Life:

4 years

Remaining Life:

6 years



Best Case: \$ 26,000

Worst Case: \$ 34,000

Estimate to seal/repair

Higher estimate

Cost Source: ARI Cost Database

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

Location: Private streets throughout community

Funded?: No. Recommend replacing signs individually as-needed using Operating funds.

History:

Evaluation:

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 285 Mailboxes - Replace

Quantity: Approx (367) Boxes

Location: Homeowner front yards
Funded?: No. Mailboxes are the responsibility of each homeowner, not the HOA.
History:
Evaluation:

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 310 Landscape - Maintain

Quantity: Plants, Granite, Etc.

Location: Adjacent to monuments & islands at street cul-de-sacs
Funded?: No. Recommend maintaining the landscaping as part of the annual landscape Operating budget.
History:
Evaluation:

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Comp #: 350 Monuments - Refurbish

Quantity: (2) Monuments

Location: (1) at E Skyline Dr/Evans Mountain Dr & (1) at N Alvernon Way/Evans Mountain Dr

Funded?: Yes.

History: The (2) main monuments were likely installed sometime around 2013-2018, per satellite imagery. The (9) misc. signs were installed prior to 2013.

Evaluation: There are (2) main monuments which read "The Foothills Clusters", and (9) misc. decorative metal signs with quails, coyotes, roadrunners, cacti, etc. There are also (6) ground spotlights with low-voltage transformers. Expect to replace the signage and lighting at both monument areas in the future to update and modernize the appearance. Still generally attractive and in decent shape overall.

Useful Life:
20 years

Remaining Life:
10 years



Best Case: \$ 13,000

Worst Case: \$ 17,000

Estimate to refurbish

Higher estimate

Cost Source: ARI Cost Database