Tuesday, July 16, 2019

Level 1, Platinum Reserve Analysis

Bear Mountain Townhouse HOA
1395 Bear Mountain Dr.
Boulder, CO. 80305

Final Version

Report Period – 01/01/20 – 12/31/20

Client Reference Number – 07771-19

Property Type – Townhomes

Fiscal Year End – December 31st

Number of Units – 10

Date of Property Observation – March 27, 2019

Property Observation Conducted by- Justin Huggins

Project Manager – Justin Huggins

Main Contact Person – Cindy Smith, Community Association Manager

ASSOCIATION OF PROFESSIONAL RESERVE ANALYSTS
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Table of Contents

ARS
Aspen Reserve Specialties

Introduction to the Reserve Analysis –

The elected officials of this association made a wise decision to invest in a Reserve Analysis to get a better understanding of the status of the Reserve funds. This Analysis will be a valuable tool to assist the Board of Directors in making the decision to which the dues are derived. Typically, the Reserve contribution makes up 15% - 40% of the association's total budget. Therefore, Reserves is considered to be a significant part of the overall monthly association payment.

Every association conducts its business within a budget. There are typically two main parts to this budget, Operating and Reserves. The Operating budget includes all expenses that are fixed on an annual basis. These would include management fees, maintenance fees, utilities, etc. The Reserves is primarily made up of Capital Replacement items such as asphalt, roofing, fencing, mechanical equipment, etc., that do not normally occur on an annual basis.

The Reserve Analysis is also broken down into two different parts, the Physical Analysis and the Financial Analysis. The Physical Analysis is information regarding the physical status and replacement cost of major common area components that the association is responsible to maintain. It is important to understand that while the Component Inventory will remain relatively "stable" from year to year, the Condition Assessment and Life/Valuation Estimates will most likely vary from year to year. You can find this information in the ***Component Inventory Section*** (Section 2) of this Reserve Analysis. The ***Financial Analysis Section*** is the evaluation of the association's Reserve balance, income, and expenses. This is made up of a finding of the clients current Reserve Fund Status (measured as Percent Funded) and a recommendation for an appropriate Reserve Allocation rate (also known as the Funding Plan). You can find this information in Section 3 of this Reserve Analysis.

The purpose of this Reserve Analysis is to provide an educated estimate as to what the Reserve Allocation needs to be. The detailed schedules will serve as an advanced warning that major projects will need to be addressed in the future. This will allow the Board of Directors to have ample timing to obtain competitive estimates and bids that will result in cost savings to the individual homeowners. This will also ensure the physical well being of the property and ultimately enhance each owner's investment, while limiting the possibility of unexpected major projects that may lead to Special Assessments.

It is important for the client, homeowners, and potential future homeowners to understand that the information contained in this analysis is based on estimates and assumptions gathered from various sources. Estimated life expectancies and cycles are based upon conditions that were readily visible and accessible at time of the observation. No destructive or intrusive methods (such as entering the walls to inspect the condition of electrical wiring, plumbing lines, and telephone wires) were performed. In addition, environmental hazards (such as lead paint, asbestos, radon, etc.), construction defects, and acts of nature have not been investigated in the preparation of this report. If problem areas were revealed, a reasonable effort has been made to include these items within the report. While every effort has been made to ensure accurate results, this report reflects the judgment of Aspen Reserve Specialties and should not be construed as a guarantee or assurance of predicting future events.

General Information and Answers to Frequently Asked Questions –

Why is it important to perform a Reserve Study?

As previously mentioned, the Reserve allocation makes up a significant portion of the total monthly dues. This report provides the essential information that is needed to guide the Board of Directors in establishing the budget in order to run the daily operations of your association. It is suggested that a third party professionally prepare a Reserve Study since there is no vested interest in the property. Also, a professional knows what to look for and how to properly develop an accurate and reliable component list.

Now that we have "it", what do we do with "it"?

Hopefully, you will not look at this report and think it is too cumbersome to understand. Our intention is to make this Reserve Analysis very easy to read and understand. Please take the time to review it carefully and make sure the "main ingredients" (asset information) are complete and accurate. If there are any inaccuracies, please inform us immediately so we may revise the report.

Once you feel the report is an accurate tool to work from, use it to help establish your budget for the upcoming fiscal year. The Reserve allocation makes up a significant portion of the total monthly dues and this report should help you determine the correct amount of money to go into the Reserve fund. Additionally, the Reserve Study should act as a guide to obtain proposals in advance of pending normal maintenance and replacement projects. This will give you an opportunity to shop around for the best price available.

The Reserve Study should be readily available for Real Estate agents, brokerage firms, and lending institutions for potential future homeowners. As the importance of Reserves becomes more of a household term, people are requesting homeowners associations to reveal the strength of the Reserve fund prior to purchasing a condominium or townhome.

How often do we update or review "it"?

Unfortunately, there is a misconception that these reports are good for an extended period of time since the report has projections for the next 30 years. Just like any major line item in the budget, the Reserve Analysis should be reviewed *each year* before the budget is established. Invariably, some assumptions have to be made during the compilation of this analysis. Anticipated events may not materialize and unpredictable circumstances could occur. Aging rates and repair/replacement costs will vary from causes that are unforeseen. Earned interest rates may vary from year to year. These variations could alter the content of the Reserve Analysis. Therefore, this analysis should be reviewed annually, and a property observation should be conducted at least once every three years.

Is it the law to have a Reserve Study conducted?

The Government requires reserve analyses in approximately 20 states. The State of Colorado currently requires all associations to adopt a Reserve policy, but does not currently enforce a Reserve Study be completed. Despite enacting this current law, the chances are also very good the documents of the association require the association to have a Reserve fund established. This may not mean a Reserve Analysis is required, but how are you going to know there are enough funds in the account if you don't have the proper information? Hypothetically, some associations look at the Reserve fund and think $150,000 is a lot of money and they are in good shape. What they don't know is a large project will need to be replaced within 5 years, and the cost of the project is going to exceed $175,000. So while $150,000 may sound like a lot of money, in reality it won't even cover the cost of this project, let alone all the other amenities the association is responsible to maintain.

What makes an asset a "Reserve" item versus an "Operating" item?

A "Reserve" asset is an item that is the responsibility of the association to maintain, has a limited Useful Life, predictable Remaining Useful Life expectancies, typically occurs on a cyclical basis that exceeds 1 year, and costs above a minimum threshold cost. An "operating" expense is typically a fixed expense that occurs on an annual basis. For instance, minor repairs to a roof for damage caused by high winds or other weather elements would be considered an "operating" expense. However, if the entire roof needs to be replaced because it has reached the end of its life expectancy, then the replacement would be considered a Reserve expense.

The GREY area of "maintenance" items that are often seen in a Reserve Study –

One of the most popular questions revolves around major "maintenance" items, such as painting the buildings or seal coating the asphalt. You may hear from your accountant that since painting or seal coating is not replacing a "capital" item, then it cannot be considered a Reserve issue. However, it is the opinion of several major Reserve Study providers that these items are considered to be major expenses that occur on a cyclical basis. Therefore, it makes it very difficult to ignore a major expense that meets the criteria to be considered a Reserve component. Once explained in this context, many accountants tend to agree and will include any expenses, such as these examples, as a Reserve component.

The Property Observation –

The Property Observation was conducted following a review of the documents that were established by the developer identifying all common area assets. In some cases, the Board of Directors at some point may have revised the documents. In either case, the most current set of documents was reviewed prior to inspecting the property. In addition, common area assets may have been reported to Aspen Reserve Specialties by the client, or by other parties.

Estimated life expectancies and life cycles are based upon conditions that were readily accessible and visible at the time of the observation. We did not destroy any landscape work, building walls, or perform any methods of intrusive investigation during the observation. In these cases, information may have been obtained by contacting the contractor or vendor that has worked on the property.

The Reserve Fund Analysis –

We projected the starting balance from taking the most recent balance statement, adding expected Reserve contributions for the rest of the year, and subtracting any pending projects for the rest of the year. We compared this number to the ideal Reserve Balance and arrived at the Percent funded level. Measures of strength are as follows:

0% - 30% Funded – Is considered to be a "weak" financial position. Associations that fall into this category are subject to Special Assessments and deferred maintenance, which could lead to lower property values. If the association is in this position, actions should be taken to improve the financial strength of the Reserve Fund.

31% - 69% Funded – The majority of associations are considered to be in this "fair" financial position. While this doesn't represent financial strength and stability, the likelihood of Special Assessments and deferred maintenance is diminished. Effort should be taken to continue strengthening the financial position of the Reserve fund.

70% - 99% Funded – This indicates financial strength of a Reserve fund and every attempt to maintain this level should be a goal of the association.

100% Funded – This is the ideal amount of Reserve funding. This means that the association has the exact amount of funds in the Reserve account that should be at any given time.

Summary of Bear Mountain Townhouse HOA - Assoc. ID #07771-19

Projected Starting Balance as of January 1, 2020 -	**$15,919**
Ideal Reserve Balance as of January 1, 2020 -	**$104,430**
Percent Funded as of January 1, 2020 -	**15%**
Recommended Reserve Allocation (per month) -	**$2,520**
Minimum Reserve Allocation (per month) -	**$2,300**
Recommended Special Assessments -	**$0**

Information to complete this Reserve Analysis was gathered during a property observation of the common area elements on March 27th, 2019. In addition, we obtained information by contacting local vendors and contractors, as well as communicating with the property representatives (Community Manager). To the best of our knowledge, the conclusions and suggestions of this report are considered reliable and accurate insofar as the information obtained from these sources.

This condominium community contains 10 townhome style units within 2 buildings that were built in 1975. The maintenance responsibilities of the association include roofs and gutters, building exterior surfaces, private asphalt road, sidewalks, landscaping, and a moderate irrigation system. Please refer to the *Projected Reserve Expenditure* table of the Financial Analysis section for a list of when other components are scheduled to be addressed.

In comparing the projected balance of $15,919 versus the ideal Reserve Balance of $104,430, we find the association Reserve fund to be in a poor financial position at this point in time (approximately 15% funded of ideal). As a result of the information contained in this report, we find the current budgeted Reserve allocation ($897.92 per month) to be less than adequate in increasing the strength of the Reserve fund to prepare for future projects. Therefore, we are recommending a major increase of the Reserve contribution to $2,520 (representing an increase of approximately $162.21 per unit) per month starting in 2020, with nominal annual increases of 2.75% thereafter to help offset the effects of inflation. By following the recommendation, the plan will maintain the Reserve account in a positive manner, while gradually increasing to a fully funded position within the thirty-year period.

In the percent Funded graph, you will see we have also provided a “minimum Reserve contribution” of $2,300 per month. If the Reserve contribution falls below this rate, then the Reserve fund will fall into a situation where Special Assessments, deferred maintenance, and lower property values are possible at some point in the future. The minimum Reserve allocation follows the “threshold” theory of Reserve funding where the ”percent funded” status is not allowed to dip below 30% funded at any point during the thirty-year period.

This was provided for one purpose only, to show the association how small the difference is between the two scenarios and how it would not make financial sense to contribute less money (approximately 9% in this case) to the Reserve fund to only stay above a certain threshold. As you can see, the difference between the two scenarios is considered to be minimal, and based on the risk, we strongly suggest the recommended Reserve Allocation is followed.

Comp #: 105 Comp Shingle Roof - Replace

Observations:

- The roofs appeared to be in fair condition at the time of the site observation.
- It appears this roof material is rated as a 30 - 40 year product. Despite this rating, a life expectancy of 18 - 20 years is expected in this environment.
- Due to the potentially harsh winters, extensive freeze/thaw cycle, and likelihood of hail events over the useful life of the roof, we typically see associations replacing roofs sooner than the manufacturer's suggested useful life.
- Remaining life has been extended to 10 years based on the reports a roofer will maintain as needed until replacement.

Location: ***Unit Bldgs and Garage Roofs***

Quantity: ***Approx. 230 Squares***

Life Expectancy: ***20*** *Remaining Life:* ***10***

Best Cost: ***$97,750***

$425/square; Estimate to remove and replace

Worst Cost: ***$115,000***

$500/square; Higher estimate for more labor costs

Source of Information: Cost Database

General Notes:

Buildings:
95 through 99: Approx. 75 Squares
100 through 104: Approx. 75 Squares

Garages:
95: Approx. 8 Squares
96 & 97: Approx. 16 Squares
98 & 99: Approx. 16 Squares
100 & 101: Approx. 16 Squares
102 & 103: Approx. 16 Squares
104: Approx. 8 Squares

Comp #: 120 Gutters/Downspouts - Replace

Observations:

- There were some dents and other signs of damage noted, however, the overall condition of the gutters and downspouts was fair.
- It is typical to replace gutters and downspouts at the same time as roofing materials.
- Therefore, the remaining life reflects the remaining life of the roof as well.
- We recommend cleaning debris out of lines at least once a year to prevent clogging and moisture retention that can lead to advanced deterioration.

Location: ***Unit Bldgs and Garage Roofs***

Quantity: ***Approx. 1,560 LF***

Life Expectancy: ***20*** *Remaining Life:* ***10***

Best Cost: ***$10,925***

$7.00/LF; Estimate to replace

Worst Cost: ***$12,500***

$8.00/LF: Higher estimate for larger lines

Source of Information: Cost Database

General Notes:

Buildings:
95 through 99: Approx. 430 LF
100 through 104: Approx. 430 LF

Garages:
95: Approx. 60 LF
96 & 97: Approx. 155 LF
98 & 99: Approx. 135 LF
100 & 101: Approx. 135 LF
102 & 103: Approx. 155 LF
104: Approx. 60 LF

Comp #: 204 Building Ext Surfaces - Repaint

Observations:

- The paint on the exteriors of the unit buildings and garages was in good condition at the time of the site observation.
- In this climate, it is recommended that exterior surfaces are painted every 5 - 6 years.
- The exact timeframe depends on the color chosen and the level of exposure to elements, as well as the quality of past paint jobs.
- The remaining life is based on the observed conditions.

Location: ***Unit Bldg and Garage Exteriors***

Quantity: ***(10) Units***

Life Expectancy: ***7*** *Remaining Life:* ***5***

Best Cost: ***$24,000***

$2,400/unit; Estimate to repaint

Worst Cost: ***$30,000***

$3,000/unit; Hhigher estimate for more labor

Source of Information: Cost Database

General Notes:

Project History:
- 2018: Repainted - $24,000

Comp #: 207 Iron Handrails - Repaint

Observations:

- Funding is included with Component 204.
- Separate Reserve funding is not necessary at this time.

Location: ***Front porch and window wells***

Quantity: ***Approx. 235 LF***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Front Porches:
95 through 99: Approx. 45 LF
100 through 104: Approx. 45 LF

Window wells: Approx. 145 LF

Comp #: 303 Wood Siding - Major Repairs

Observations:

- The siding appeared to be in good to fair conditions with minimal signs of damage noted.
- In order to keep up the appearance of the community and to ensure a maximum life of siding, we have established a Reserve allowance for major repairs and some replacement every other painting cycle.
- Remaining life based on paint cycle.

Location: ***Unit Bldg and Garage Exteriors***

Quantity: ***Approx. 16,850 GSF***

Life Expectancy: ***7*** *Remaining Life:* ***5***

Best Cost: ***$42,075***

Estimate for major repairs

Worst Cost: ***$51,425***

Higher estimate for upgraded material

Source of Information: Cost Database

General Notes:

Buildings:
95 through 99: Approx. 5,770 GSF
100 through 104: Approx. 5,770 GSF

Garages:
95: Approx. 755 GSF
96 & 97: Approx. 950 GSF
98 & 99: Approx. 950 GSF
100 & 101: Approx. 950 GSF
102 & 103: Approx. 950 GSF
104: Approx. 755 GSF

Project History:
- 2018: Major Repairs - $42,500

Comp #: 306 Flagstone/Moss Rock - Replace

Observations:

- Typically, this material has an extended life expectancy and complete replacement is unlikely.
- There are times where minor repairs may become necessary, but this is unpredictable when and how much would occur.
- Repairs should be handled as a maintenance issue on an as needed basis.
- Reserve funding is not required for this component at this time.
- If it later turns out that frequent repairs are necessary, then funding could be added in future Reserve Study updates.

Location: ***Unit Bldg and Garage Exteriors***

Quantity: ***Approx. 380 GSF***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

95 through 99: Approx. 190 GSF
100 through 104: Approx. 190 GSF

Comp #: 401 Asphalt - Overlay

Observations:

- The asphalt was in very good condition at the time of the site observation.
- The average life expectancy for asphalt surfaces ranges between 20 - 27 years for surfaces that are maintained on a regular schedule.
- Maintenance includes crack fill and repairing small potholes annually as an operating expense.
- In addition, asphalt should be seal coated every 3 - 4 years, depending on the level of traffic and snow removing techniques.

Location: ***Common drive***

Quantity: ***Approx. 11,950 GSF***

Life Expectancy: ***24*** *Remaining Life:* ***20***

Best Cost: ***$23,900***

$2.00/GSF; Est. to rotomill and 2" overlay

Worst Cost: ***$26,900***

$2.25/GSF; Higher estimate for more repairs

Source of Information: Cost Database

General Notes:

Project History:
- 2016: Complete Replacement - $68,090

Comp #: 402 Asphalt - Seal Coat/crack fill

Observations:

- In this environment, expect to seal asphalt every 2 - 4 years, depending on traffic levels and effects from weather.
- Sealcoating is applied to protect the asphalt from ultra-violet rays and water.
- This helps in slowing the process of oxidation and raveling.
- While acting as a protective barrier, it also maintains the appearance of the community to maintain or improve property values.

Location: ***Common drive***

Quantity: ***Approx. 11,950 GSF***

Life Expectancy: ***4*** *Remaining Life:* ***1***

Best Cost: ***$2,000***

Estimate for seal coat only

Worst Cost: ***$2,400***

Higher estimate includes repairs

Source of Information: Cost database

General Notes:

Project History:
- 2006: (45) patches - $2,115, crackseal/sealcoat - $2500
- 2017: Sealcoat - $1,700

Comp #: 403 Concrete - Partial Replace

Observations:

- At the time of the inspections, there were a many areas showing signs of significant cracking.
- Since it is unlikely that all surfaces will need to be replaced at the same time, we suggest establishing a Reserve fund to repair 20% of area (370 GSF) every 8 years.
- Coordinate future repairs with other concrete repairs and asphalt work to obtain the best cost.

Location: ***Throughout Property***

Quantity: ***Approx. 1,840 GSF***

Life Expectancy: ***8*** *Remaining Life:* ***5***

Best Cost: ***$4,450***

Estimate to repair 20% of area every 8 years

Worst Cost: ***$5,200***

Higher estimate for more repairs

Source of Information: Cost Database

General Notes:

Curb and Gutter: Approx. 750 GSF

Drain Pan: Approx. 1,090 GSF

Comp #: 502 Garage Doors - Replace

Observations:

- The garage doors appeared to be in fair condition.
- According to the declarations, Article 4, subsection IV, the garage doors are the responsibility of the association.
- The average life expectancy for these types of garage doors should range between 20 - 25 years with proper use and care.
- It was requested the remaining useful life be extended to 12 years. We believe that is too long based on the observed conditions. We did extend the useful life from 4 years to 7 years.

Location: ***Garage units***

Quantity: ***(10) 16x7 garage doors***

Life Expectancy: ***22*** *Remaining Life:* ***7***

Best Cost: ***$12,000***

$1,200/door; Estimate to replace doors

Worst Cost: ***$15,000***

$1,500/door; Higher estimate for better quality

Source of Information: Cost Database

General Notes:

Comp #: 601 Concrete Sidewalks/Decks - Repair

Observations:

- At the time of the site observation, there were some areas of concrete sidewalks with trip hazards and signs of deterioration noted.
- While it is unlikely that all concrete surfaces will fail and need to be replaced at the same time, frequent repairs and replacement to a percentage of the area (20% or 700 GSF), should be anticipated every 4 years.

Location: ***Throughout community***

Quantity: ***Approx. 3,440 GSF***

Life Expectancy: ***4*** *Remaining Life:* ***3***

Best Cost: ***$7,700***

Allowance to repair 20% of area every 4 years

Worst Cost: ***$9,100***

Higher estimate for more repairs

Source of Information: Cost Database

General Notes:

95 through 99: Approx. 1,480 GSF
100 through 104: Approx. 1,554 GSF
from unit 100 to parking lot: Approx. 405 GSF

Project History:
- 2019: Repairs - No cost or scope provided

Comp #: 801 Monument - Rebuild

Observations:

- This stone should have an indefinite life expectancy.
- Repaint lettering as needed with operating funds.
- Separate Reserve funding is not required for this component.

Location: ***Entrance to Property***

Quantity: ***(1) Stone Monument***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 803 Mailboxes - Replace

Observations:

Boxes are generally in fair condition with no unusual conditions observed. There were no signs of any broken boxes observed. The average life expectancy for this type of box ranges between 15 - 20 years to maintain appearance and function. Remaining life based on observed condition.

Location: ***Garage 100 & 101***

Quantity: ***(2) Vertical CBUs***

Life Expectancy: ***18*** *Remaining Life:* ***16***

Best Cost: ***$1,250***
Estimate to replace

Worst Cost: ***$2,000***
Higher estimate for better quality

Source of Information: Cost database

General Notes:

(1) 5-Box CBU
(1) 6-Box CBU

Project History:
- 2018: Replaced - No cost provided

Comp #: 1002 Handrails - Replace

Observations:

The handrails on the front porches are showing signs of deterioration at the bottom with some rusting and faded paint noted.
- The rails around the window wells are a different material and appeared to be in better condition.
- There were no major rusting or structural problems noted at the time of inspection.
- We suggest treating any small repairs as a maintenance issue.
- Due to the small area, Reserve funding is not required for replacement of this component.

Location: ***Front porches, window wells***

Quantity: ***Approx. 235 LF***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Front Porches:
95 through 99: Approx. 45 LF
100 through 104: Approx. 45 LF

Window wells: Approx. 145 LF

Comp #: 1010 Trash Enclosures - Major Repairs

Observations:

- Painting is included with separate components.
- Expect frequent repairs and replacement to the gates and possibly the siding due to the exposure to elements and probability of abuse from rubbish companies.
- In our experience, we typically see the need for repairs every 5 - 10 years, depending on the level of abuse.

Location: ***North side of property***

Quantity: ***(1) enclosure***

Life Expectancy: ***10*** *Remaining Life:* ***4***

Best Cost: ***$4,500***

Allowance for major repairs

Worst Cost: ***$7,000***

Higher allowance for more repairs

Source of Information: Cost Database

General Notes:

Project History:
- 2014: Replaced - No cost provided

Comp #: 1307 Benches - Replace

Observations:

- We were able to locate only one bench during the site observation.
- Due to the small quantity of benches and the relatively low individual replacement cost, we recommend replacing as needed with operating funds.

Location: ***West and north side of community***

Quantity: ***(1) Bench***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1602 Exterior Wall Mount - Replace

Observations:

- It was reported during the revision period the association is responsible for the lights on the garages.
- While replacement can occur on an as needed basis, it is our opinion and recommendation to replace all lights at the same time every 15 - 20 years to maintain a consistent appearance throughout the property.
- In addition, by replacing multiple fixtures, the association will be able to obtain a quantity discount for the fixtures.

Location: ***Building and garage exteriors***

Quantity: ***(14) Wall Lights***

Life Expectancy: ***18*** *Remaining Life:* ***0***

Best Cost: ***$1,550***

$110/light; Estimate to replace

Worst Cost: ***$1,825***

$130/light; Higher estimate for better quality

Source of Information: Client provided cost information

General Notes:

Buildings:
95 through 99: (5) Lights
100 through 104: (5) Lights

Garages:
95: (2) Lights
96 & 97: (2) Lights
98 & 99: (2) Lights
100 & 101: (2) Lights
102 & 103: (4) Lights
104: (2) Lights

Comp #: 1701 Irrigation System - Major Repairs

Observations:

- This line item is for repairs and replacement that lies outside the scope of routine maintenance: bulk sprinkler head replacement, bulk valve replacement, rerouting lateral lines, rewiring, etc.
- In order to ensure the funds are available for major repairs, we recommend reserving funds for these projects every 4 - 5 years.
- Per the request of the current Board of Directors, we have removed funding for this line item because it will be handled using operating funds.

Location: ***Throughout community***

Quantity: ***(1) Small system***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information: Cost Database

General Notes:

Comp #: 1703 Irrigation Controllers - Replace

Observations:

- The overall life expectancy of irrigation controllers typically ranges between 10 - 12 years if properly maintained and under normal conditions.
- This controller was replaced after the site observation was completed and was reportedly replaced for $200 or $300.
- Due to the low replacement cost, we have removed funding. This should be replaced as needed using operating funds.

Location: ***Fence of unit 100***

Quantity: ***(1) timeclock***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

(1) RainBird ESP Modular
- S/N: 3474825
Date: 05MY11
7 Station

Project History:
- 2019: Replaced after site observation - $200- $300

Comp #: 1801 Groundcover - Replenish

Observations:

- This line item, similar to irrigation repairs, is for projects that lie outside the scope of routine maintenance.
- In order to preserve an attractive curb appeal and to maintain the health of the plants and shrubs, we recommend reserving for refurbishment projects every 2 - 3 years.
- Per the request of the current Board of Directors, we have removed funding for this line item.
- It was reported costs associated with this line item will be handled as needed with operating funds.

Location: ***Throughout community***

Quantity: ***Extensive area***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

Source of Information:

General Notes:

Comp #: 1804 Tree - Replacement/Major Maintenance

Observations:

- It is very difficult to predict a replacement cycle for trees as there are several factors such as disease, infestation of insects, heavy snow storms, etc. can all attribute to eventual tree replacement.
- Since it is difficult to predict when the replacement will be necessary, Reserve funding is typically not a factor.
- Therefore, unless requested by the association, Reserve funding will not be included as part of the study for this component.

Location: ***Throughout Property***

Quantity: ***Numerous Types and Sizes***

Life Expectancy: ***N/A*** *Remaining Life:*

Best Cost: ***$0***

Worst Cost: ***$0***

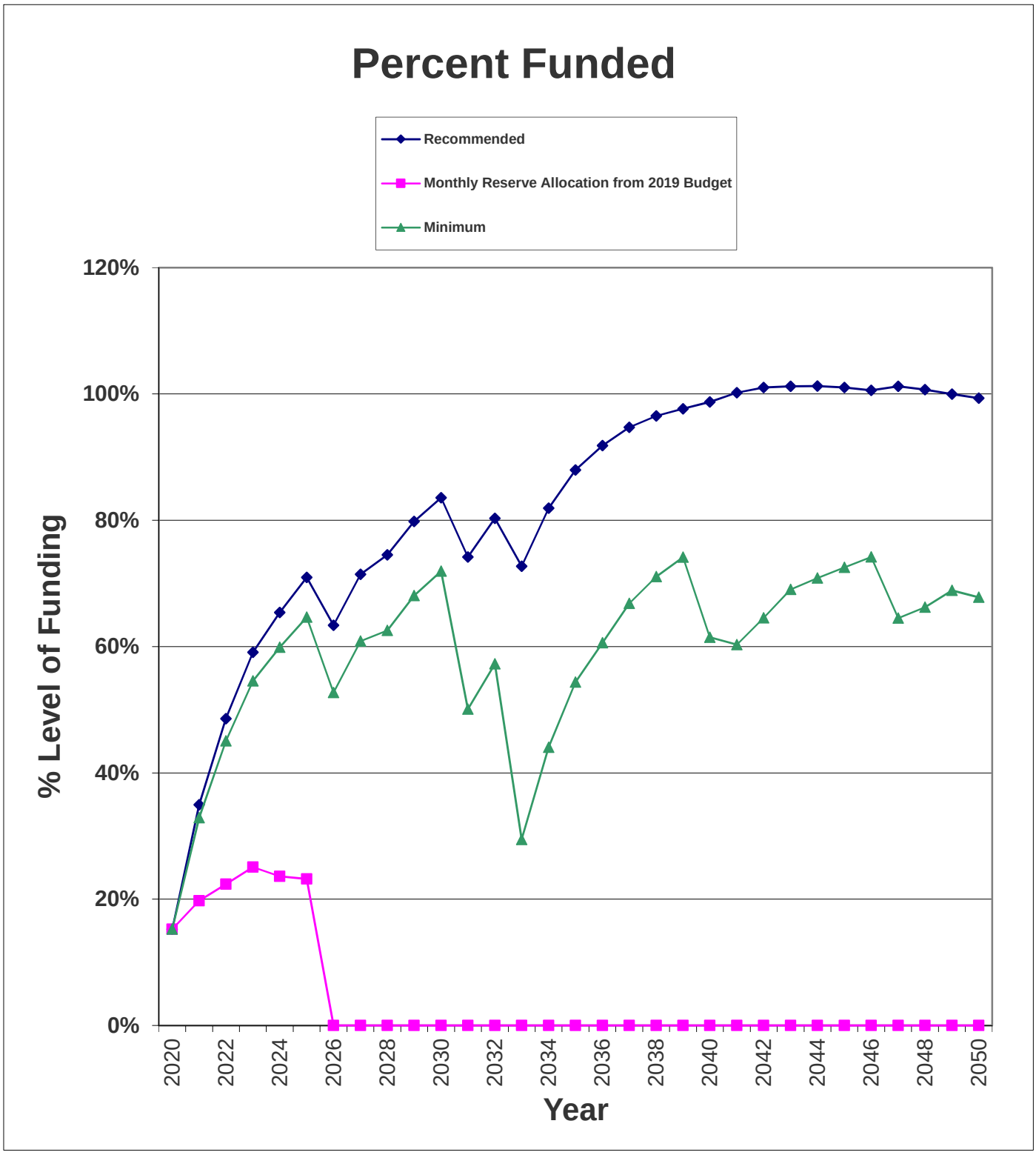
Source of Information:

General Notes:

Funding Summary For Bear MountainTownhouse HOA

Beginning Assumptions	
Financial Information Source	Research With Client
# of units	10
Fiscal Year End	December 31, 2020
Monthly Dues from 2019 budget	$4,500.00
Monthly Reserve Allocation from 2019 Budget	$897.92
Projected Starting Reserve Balance (as of 1/1/2020)	$15,919
Reserve Balance: Average Per Unit	$1,592
Ideal Starting Reserve Balance (as of 1/1/2020)	$104,430
Ideal Reserve Balance: Average Per Unit	$10,443
Economic Factors	
Past 20 year Average Inflation Rate (Based on CCI)	3.75%
Client Requested Interest Rate	2.70%
Current Reserve Status	
Current Balance as a % of Ideal Balance	15%
Recommendations for 2020 Fiscal Year	
Monthly Reserve Allocation	$2,520
Per Unit	$252.00
Minimum Monthly Reserve Allocation	$2,300
Per Unit	$230.00
Primary Annual Increases	2.75%
# of Years	30
Special Assessment	$0
Per Unit	$0
Changes From Prior Year (2019 to 2020)	
Increase/Decrease to Reserve Allocation	$1,622
as Percentage	181%
Average Per Unit	$162.21

Percent Funded Graph For Bear MountainTownhouse HOA



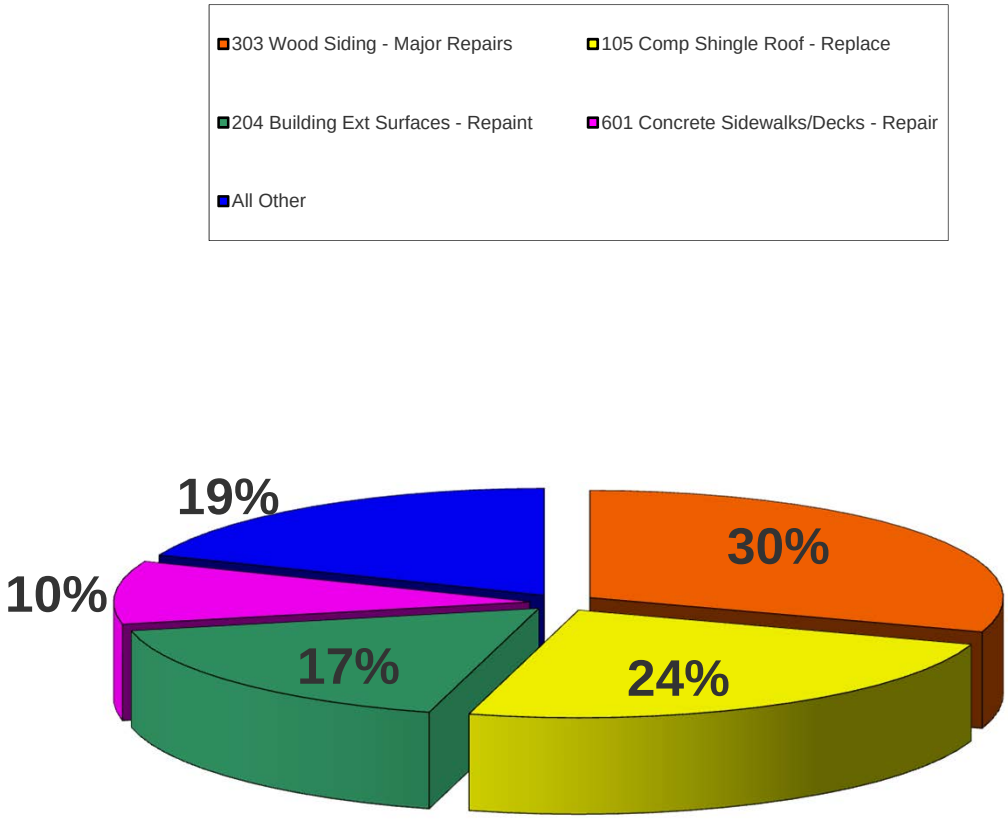
Component Inventory for Bear Mountain Townhouse HOA

Category	Asset #	Asset Name	UL	RUL	Best Cost	Worst Cost
Roofing	105	Comp Shingle Roof - Replace	20	10	$97,750	$115,000
	120	Gutters/Downspouts - Replace	20	10	$10,925	$12,500
Painted Surfaces	204	Building Ext Surfaces - Repaint	7	5	$24,000	$30,000
	207	Iron Handrails - Repaint	N/A		$0	$0
Siding Materials	303	Wood Siding - Major Repairs	7	5	$42,075	$51,425
	306	Flagstone/Moss Rock - Replace	N/A		$0	$0
Drive Materials	401	Asphalt - Overlay	24	20	$23,900	$26,900
	402	Asphalt - Seal Coat/crack fill	4	1	$2,000	$2,400
	403	Concrete - Partial Replace	8	5	$4,450	$5,200
Property Access	502	Garage Doors - Replace	22	7	$12,000	$15,000
Walking Surfaces	601	Concrete Sidewalks/Decks - Repair	4	3	$7,700	$9,100
Prop. Identification	801	Monument - Rebuild	N/A		$0	$0
	803	Mailboxes - Replace	18	16	$1,250	$2,000
Fencing/Walls	1002	Handrails - Replace	N/A		$0	$0
	1010	Trash Enclosures - Major Repairs	10	4	$4,500	$7,000
Recreation Equip.	1307	Benches - Replace	N/A		$0	$0
Light Fixtures	1602	Exterior Wall Mount - Replace	18	0	$1,550	$1,825
Irrig. System	1701	Irrigation System - Major Repairs	N/A		$0	$0
	1703	Irrigation Controllers - Replace	N/A		$0	$0
Landscaping	1801	Groundcover - Replenish	N/A		$0	$0
	1804	Tree - Replacement/Major Maintenance	N/A		$0	$0

Significant Components For Bear MountainTownhouse HOA

ID	Asset Name	UL	RUL	Ave Curr Cost	Significance: (Curr Cost/UL) As $	As %
105	Comp Shingle Roof - Replace	20	10	$106,375	$5,319	24.0404%
120	Gutters/Downspouts - Replace	20	10	$11,713	$586	2.6470%
204	Building Ext Surfaces - Repaint	7	5	$27,000	$3,857	17.4340%
303	Wood Siding - Major Repairs	7	5	$46,750	$6,679	30.1867%
401	Asphalt - Overlay	24	20	$25,400	$1,058	4.7836%
402	Asphalt - Seal Coat/crack fill	4	1	$2,200	$550	2.4860%
403	Concrete - Partial Replace	8	5	$4,825	$603	2.7261%
502	Garage Doors - Replace	22	7	$13,500	$614	2.7736%
601	Concrete Sidewalks/Decks - Repair	4	3	$8,400	$2,100	9.4919%
803	Mailboxes - Replace	18	16	$1,625	$90	0.4080%
1010	Trash Enclosures - Major Repairs	10	4	$5,750	$575	2.5990%
1602	Exterior Wall Mount - Replace	18	0	$1,688	$94	0.4237%

Significant Components Graph For Bear MountainTownhouse HOA

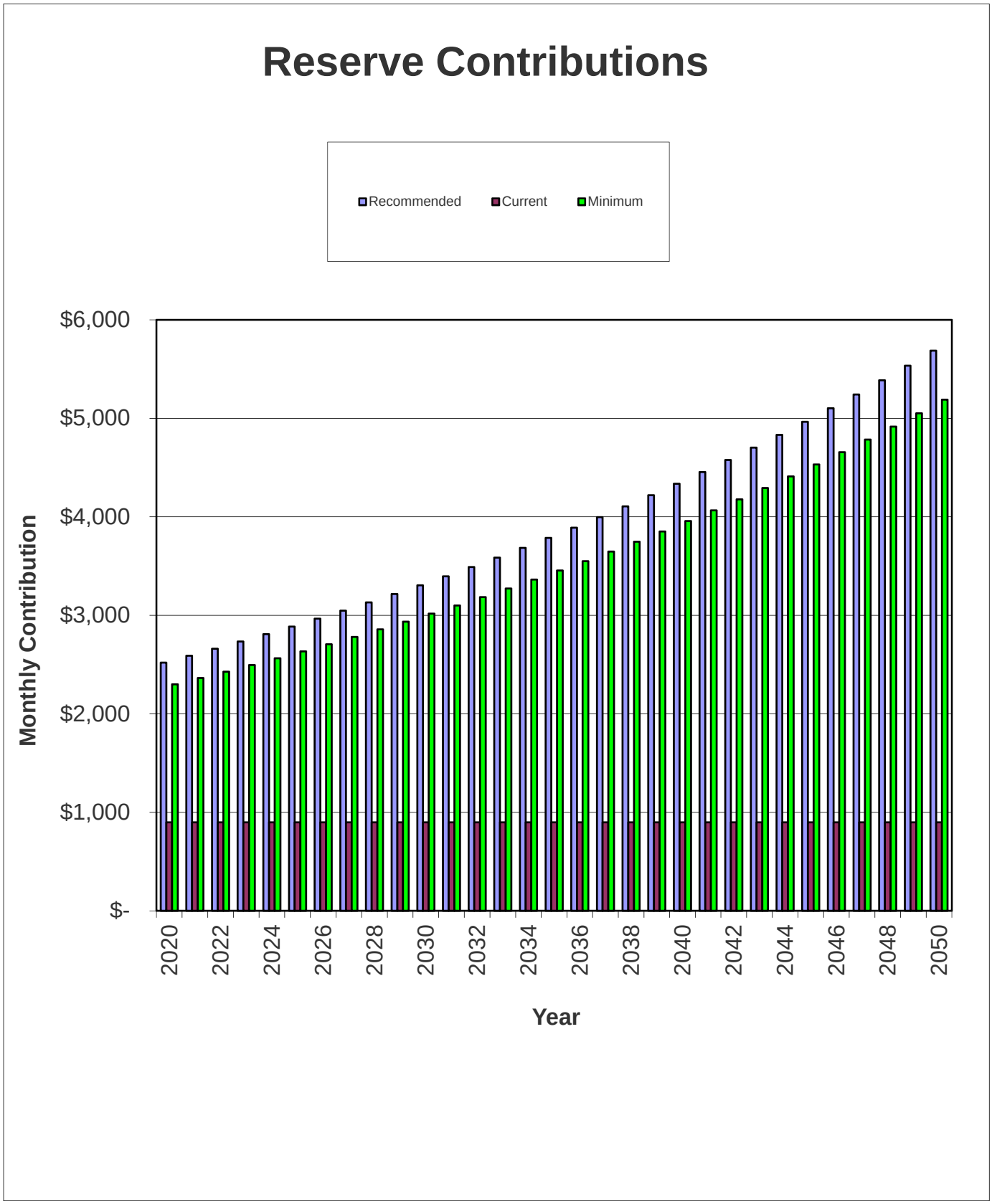


Asset ID	Asset Name	UL	RUL	Average Curr. Cost	Significance: (Curr Cost/UL) As $	As %
303	Wood Siding - Major Repairs	7	5	$46,750	$6,679	30%
105	Comp Shingle Roof - Replace	20	10	$106,375	$5,319	24%
204	Building Ext Surfaces - Repaint	7	5	$27,000	$3,857	17%
601	Concrete Sidewalks/Decks - Repair	4	3	$8,400	$2,100	9%
All Other	See Expanded Table on Page 4 For Additional Breakdown				$4,170	19%

Yearly Summary For Bear MountainTownhouse HOA

Fiscal Year Start	Fully Funded Balance	Starting Reserve Balance	Percent Funded	Annual Reserve Contribs	Rec. Special Ass'mnt	Interest Income	Reserve Expenses
2020	$104,430	$15,919	15%	$30,240	$0	$825	$1,688
2021	$129,550	$45,297	35%	$31,072	$0	$1,632	$2,283
2022	$155,854	$75,718	49%	$31,926	$0	$2,506	$0
2023	$186,407	$110,150	59%	$32,804	$0	$3,331	$9,381
2024	$209,298	$136,905	65%	$33,706	$0	$4,112	$6,662
2025	$236,831	$168,061	71%	$34,633	$0	$3,740	$97,100
2026	$172,564	$109,335	63%	$35,585	$0	$3,475	$0
2027	$207,662	$148,396	71%	$36,564	$0	$4,169	$28,337
2028	$215,751	$160,791	75%	$37,570	$0	$4,909	$0
2029	$254,656	$203,270	80%	$38,603	$0	$6,042	$3,064
2030	$292,997	$244,851	84%	$39,664	$0	$4,903	$170,642
2031	$160,113	$118,777	74%	$40,755	$0	$3,632	$12,594
2032	$187,465	$150,570	80%	$41,876	$0	$3,120	$114,715
2033	$111,182	$80,852	73%	$43,027	$0	$2,643	$11,337
2034	$140,632	$115,186	82%	$44,211	$0	$3,621	$9,627
2035	$174,349	$153,391	88%	$45,426	$0	$4,615	$14,592
2036	$205,621	$188,840	92%	$46,676	$0	$5,760	$2,929
2037	$251,662	$238,348	95%	$47,959	$0	$7,115	$4,114
2038	$299,751	$289,308	97%	$49,278	$0	$8,538	$3,274
2039	$352,124	$343,850	98%	$50,633	$0	$7,832	$165,341
2040	$239,986	$236,974	99%	$52,026	$0	$6,464	$53,039
2041	$241,888	$242,425	100%	$53,456	$0	$7,150	$15,219
2042	$284,897	$287,812	101%	$54,927	$0	$8,619	$0
2043	$347,174	$351,357	101%	$56,437	$0	$10,109	$19,589
2044	$393,398	$398,314	101%	$57,989	$0	$11,491	$13,912
2045	$449,253	$453,882	101%	$59,584	$0	$13,147	$5,522
2046	$517,988	$521,090	101%	$61,222	$0	$12,456	$192,067
2047	$397,922	$402,702	101%	$62,906	$0	$11,558	$22,696
2048	$451,317	$454,469	101%	$64,636	$0	$13,307	$0
2049	$532,588	$532,412	100%	$66,413	$0	$14,646	$59,695

Reserve Contributions For Bear MountainTownhouse HOA



Component Funding Information For Bear MountainTownhouse HOA

ID	Component Name	Ave Current Cost	Ideal Balance	Current Fund Balance	Monthly
105	Comp Shingle Roof - Replace	$106,375	$53,188	$0	$605.82
120	Gutters/Downspouts - Replace	$11,713	$5,856	$0	$66.70
204	Building Ext Surfaces - Repaint	$27,000	$7,714	$7,032	$439.34
303	Wood Siding - Major Repairs	$46,750	$13,357	$0	$760.71
401	Asphalt - Overlay	$25,400	$4,233	$0	$120.55
402	Asphalt - Seal Coat/crack fill	$2,200	$1,650	$1,650	$62.65
403	Concrete - Partial Replace	$4,825	$1,809	$0	$68.70
502	Garage Doors - Replace	$13,500	$9,205	$0	$69.89
601	Concrete Sidewalks/Decks - Repair	$8,400	$2,100	$2,100	$239.19
803	Mailboxes - Replace	$1,625	$181	$0	$10.28
1010	Trash Enclosures - Major Repairs	$5,750	$3,450	$3,450	$65.49
1602	Exterior Wall Mount - Replace	$1,688	$1,688	$1,688	$10.68

Yearly Cash Flow For Bear MountainTownhouse HOA

Year	2020	2021	2022	2023	2024
Starting Balance	$15,919	$45,297	$75,718	$110,150	$136,905
Reserve Income	$30,240	$31,072	$31,926	$32,804	$33,706
Interest Earnings	$825	$1,632	$2,506	$3,331	$4,112
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$46,985	$78,001	$110,150	$146,286	$174,723
Reserve Expenditures	$1,688	$2,283	$0	$9,381	$6,662
Ending Balance	$45,297	$75,718	$110,150	$136,905	$168,061

Year	2025	2026	2027	2028	2029
Starting Balance	$168,061	$109,335	$148,396	$160,791	$203,270
Reserve Income	$34,633	$35,585	$36,564	$37,570	$38,603
Interest Earnings	$3,740	$3,475	$4,169	$4,909	$6,042
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$206,434	$148,396	$189,129	$203,270	$247,915
Reserve Expenditures	$97,100	$0	$28,337	$0	$3,064
Ending Balance	$109,335	$148,396	$160,791	$203,270	$244,851

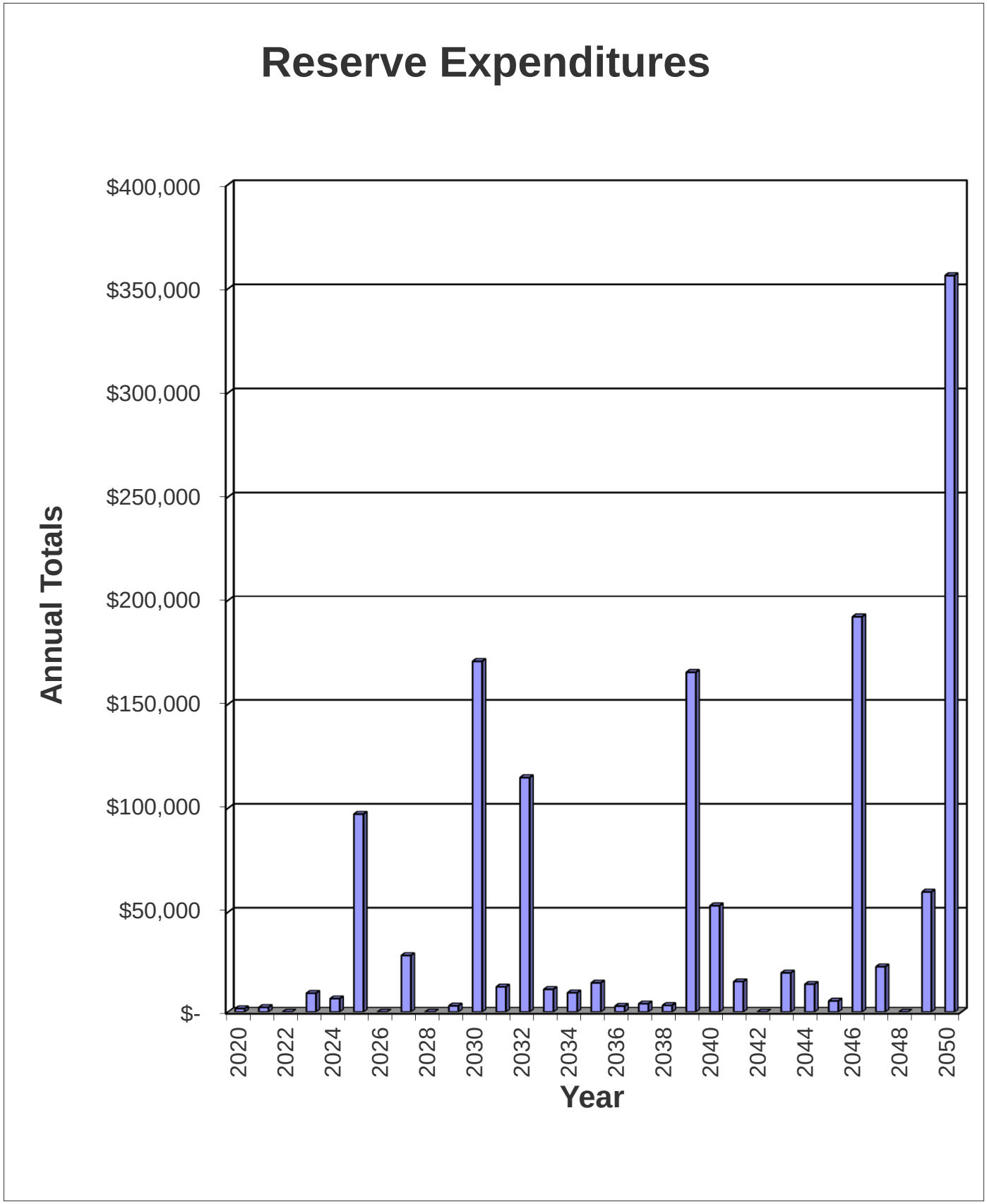
Year	2030	2031	2032	2033	2034
Starting Balance	$244,851	$118,777	$150,570	$80,852	$115,186
Reserve Income	$39,664	$40,755	$41,876	$43,027	$44,211
Interest Earnings	$4,903	$3,632	$3,120	$2,643	$3,621
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$289,418	$163,164	$195,566	$126,523	$163,018
Reserve Expenditures	$170,642	$12,594	$114,715	$11,337	$9,627
Ending Balance	$118,777	$150,570	$80,852	$115,186	$153,391

Year	2035	2036	2037	2038	2039
Starting Balance	$153,391	$188,840	$238,348	$289,308	$343,850
Reserve Income	$45,426	$46,676	$47,959	$49,278	$50,633
Interest Earnings	$4,615	$5,760	$7,115	$8,538	$7,832
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$203,432	$241,276	$293,422	$347,124	$402,316
Reserve Expenditures	$14,592	$2,929	$4,114	$3,274	$165,341
Ending Balance	$188,840	$238,348	$289,308	$343,850	$236,974

Year	2040	2041	2042	2043	2044
Starting Balance	$236,974	$242,425	$287,812	$351,357	$398,314
Reserve Income	$52,026	$53,456	$54,927	$56,437	$57,989
Interest Earnings	$6,464	$7,150	$8,619	$10,109	$11,491
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$295,464	$303,031	$351,357	$417,903	$467,794
Reserve Expenditures	$53,039	$15,219	$0	$19,589	$13,912
Ending Balance	$242,425	$287,812	$351,357	$398,314	$453,882

Year	2045	2046	2047	2048	2049
Starting Balance	$453,882	$521,090	$402,702	$454,469	$532,412
Reserve Income	$59,584	$61,222	$62,906	$64,636	$66,413
Interest Earnings	$13,147	$12,456	$11,558	$13,307	$14,646
Special Assessments	$0	$0	$0	$0	$0
Funds Available	$526,612	$594,769	$477,166	$532,412	$613,472
Reserve Expenditures	$5,522	$192,067	$22,696	$0	$59,695
Ending Balance	$521,090	$402,702	$454,469	$532,412	$553,777

Yearly Expenditures Graph For Bear MountainTownhouse HOA



Projected Reserve Expenditures For Bear MountainTownhouse HOA

Year	Asset ID	Asset Name	Projected Cost	Total Per Annum
2020	1602	Exterior Wall Mount - Replace	$1,688	$1,688
2021	402	Asphalt - Seal Coat/crack fill	$2,283	$2,283
2022		No Expenditures Projected		$0
2023	601	Concrete Sidewalks/Decks - Repair	$9,381	$9,381
2024	1010	Trash Enclosures - Major Repairs	$6,662	$6,662
2025	204	Building Ext Surfaces - Repaint	$32,457	
	303	Wood Siding - Major Repairs	$56,198	
	402	Asphalt - Seal Coat/crack fill	$2,645	
	403	Concrete - Partial Replace	$5,800	$97,100
2026		No Expenditures Projected		$0
2027	502	Garage Doors - Replace	$17,468	
	601	Concrete Sidewalks/Decks - Repair	$10,869	$28,337
2028		No Expenditures Projected		$0
2029	402	Asphalt - Seal Coat/crack fill	$3,064	$3,064
2030	105	Comp Shingle Roof - Replace	$153,717	
	120	Gutters/Downspouts - Replace	$16,925	$170,642
2031	601	Concrete Sidewalks/Decks - Repair	$12,594	$12,594
2032	204	Building Ext Surfaces - Repaint	$41,997	
	303	Wood Siding - Major Repairs	$72,717	$114,715
2033	402	Asphalt - Seal Coat/crack fill	$3,550	
	403	Concrete - Partial Replace	$7,787	$11,337
2034	1010	Trash Enclosures - Major Repairs	$9,627	$9,627
2035	601	Concrete Sidewalks/Decks - Repair	$14,592	$14,592
2036	803	Mailboxes - Replace	$2,929	$2,929
2037	402	Asphalt - Seal Coat/crack fill	$4,114	$4,114
2038	1602	Exterior Wall Mount - Replace	$3,274	$3,274
2039	204	Building Ext Surfaces - Repaint	$54,342	
	303	Wood Siding - Major Repairs	$94,093	
	601	Concrete Sidewalks/Decks - Repair	$16,906	$165,341
2040	401	Asphalt - Overlay	$53,039	$53,039
2041	402	Asphalt - Seal Coat/crack fill	$4,766	
	403	Concrete - Partial Replace	$10,453	$15,219
2042		No Expenditures Projected		$0
2043	601	Concrete Sidewalks/Decks - Repair	$19,589	$19,589
2044	1010	Trash Enclosures - Major Repairs	$13,912	$13,912
2045	402	Asphalt - Seal Coat/crack fill	$5,522	$5,522
2046	204	Building Ext Surfaces - Repaint	$70,316	
	303	Wood Siding - Major Repairs	$121,751	$192,067
2047	601	Concrete Sidewalks/Decks - Repair	$22,696	$22,696
2048		No Expenditures Projected		$0
2049	402	Asphalt - Seal Coat/crack fill	$6,398	
	403	Concrete - Partial Replace	$14,033	
	502	Garage Doors - Replace	$39,263	$59,695
2050	105	Comp Shingle Roof - Replace	$320,984	
	120	Gutters/Downspouts - Replace	$35,342	$356,326

Glossary of Commonly used Words and Phrases (provided by the National Reserve Study Standards of the Community Associations Institute)

Asset or Component – 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) have predictable Remaining Life expectancies, 4) above a minimum threshold cost, and 5) required by local codes.

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 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 representatives.

Deficit – An actual (or projected) Reserve Balance, which is less than the Fully Funded Balance.

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 the 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 the Reserve Study.

Component Full Funding – When the actual (or projected) cumulative Reserve balance for all components is equal to the Fully Funded Balance.

Fully Fund Balance (aka – Ideal Balance) – 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, and then summed together for an association total.

FFB = Replacement Cost X Effective Age / Useful 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 Balance above zero.
- **Component Full Funding:** Setting a Reserve funding goal of attaining and maintaining cumulative Reserves at or near 100% funded.
- **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 the "Component Fully Funding" method.

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 accrued *Fund 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 "0" 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 (typically the beginning of the fiscal year) that the association has identified for use to defray the future repair or replacement of those major components in which the association is obligated to maintain. Also known as Reserves, Reserve Accounts, Cash Reserves. This is based upon information provided and is not audited.

Reserve Provider – An individual that prepares Reserve Studies. Also known as ***Aspen Reserve Specialties.***

Reserve Study – A budget-planning tool that 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.

Special Assessment – An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

Surplus – An actual (or projected) Reserve Balance that is greater that the Fully Funded Balance.

Useful Life (UL) – Also known as "Life Expectancy", or "Depreciable Life". The estimated time, in years, that a Reserve component can be expected to serve its intended function if properly constructed and maintained in its present application or installation.