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## "Full" Reserve Study



### **Wolf Creek Owners Association Longmont, CO**

**Report #: 34785-0**  
**For Period Beginning: January 1, 2018**  
**Expires: December 31, 2018**

**Date Prepared: July 12, 2018**



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**Hello, and welcome to your Reserve Study!**

**T**his 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.

**W**ith 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?**

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## Table of Contents

<b>3-Minute Executive Summary</b>	<b>1</b>
Reserve Study Summary	1
Executive Summary (Component List)	2
<b>Introduction, Objectives, and Methodology</b>	<b>3</b>
Which Physical Assets are Funded by Reserves?	4
How do we establish Useful Life and Remaining Useful Life estimates?	4
How do we establish Current Repair/Replacement Cost Estimates?	4
How much Reserves are enough?	5
How much should we contribute?	6
What is our Recommended Funding Goal?	6
<b>Projected Expenses</b>	<b>8</b>
Annual Reserve Expenses Graph	8
<b>Reserve Fund Status &amp; Recommended Funding Plan</b>	<b>9</b>
Annual Reserve Funding Graph	9
30-Yr Cash Flow Graph	10
Percent Funded Graph	10
<b>Table Descriptions</b>	<b>11</b>
Budget Summary	12
Reserve Component List Detail	13
Fully Funded Balance	14
Component Significance	15
30-Year Reserve Plan Summary	16
30-Year Income/Expense Detail	17
<b>Accuracy, Limitations, and Disclosures</b>	<b>23</b>
<b>Terms and Definitions</b>	<b>24</b>
<b>Component Details</b>	<b>25</b>

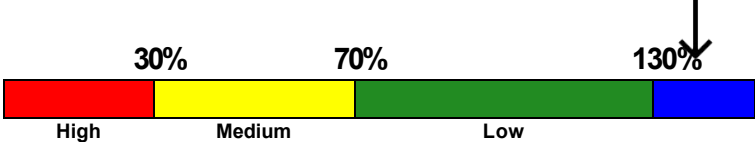
## 3- Minute Executive Summary

**Association:** Wolf Creek Owners Association **Assoc. #: 34785-0**  
**Location:** Longmont, CO **# of Units:486**  
**Report Period:** January 1, 2018 through December 31, 2018

**Findings/Recommendations as-of: January 1, 2018**

Projected Starting Reserve Balance .....	\$313,222
Current Fully Funded Reserve Balance .....	\$159,422
Average Reserve Deficit or (Surplus) Per Unit .....	(\$316)
Percent Funded .....	196.5 %
Recommended 2018 Quarterly "Fully Funding" Contributions .....	\$3,825
Alternate Quarterly Minimum Contributions to Keep Reserves Above \$0 .....	\$2,960
Recommended 2018 Special Assessments for Reserves .....	\$0
Most Recent Quarterly Reserve Contribution Rate .....	\$0

**Reserves % Funded: 196.5%**



**Special Assessment Risk:**

**Economic Assumptions:**

**Net Annual "After Tax" Interest Earnings Accruing to Reserves .....** 1.25 %  
**Annual Inflation Rate .....** 3.00 %

- This is a "Full" Reserve Study,(original, created "from scratch"), based on our site inspection on 6/14/2018.
- The Reserve Study was reviewed by a credentialed Reserve Specialist (RS #260).
- Your Reserve Fund is currently 196.5 % Funded. This means the client's special assessment & deferred maintenance risk is currently Low. The objective of your multi-year Funding Plan is to fund your Reserves to a level where you will enjoy a low risk of such Reserve cash flow problems.
- Based on this starting point and your anticipated future expenses, our recommendation is to budget the Quarterly Reserve contributions at \$3,825 with 3% annual increases in order to be within the 70% to 130% level as noted above. 100% "Full" contribution rates are designed to achieve these funding objectives by the end of our 30-year report scope.
- No assets appropriate for Reserve designation were excluded. See photo appendix for component details; the basis of our assumptions.
- We recommend that this Reserve Study be updated annually, with an on-site inspection update every three years.

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
<b>Sites &amp; Grounds</b>			
2115 Concrete Walkways - Repair - 5%	5	3	\$10,100
2151 Site Fencing: Wood - Repair/Paint	7	7	\$9,250
2155 Site Fencing: Wood - Replace	25	0	\$52,900
2157 Fencing: Split Rail - Replace - 20%	5	1	\$42,950
2179 Mailboxes - Replace	30	11	\$56,550
2181 Sign/Monument - Refurbish/Replace	30	11	\$11,800
2183 Pet Stations - Replace	5	2	\$1,400
2191 Outdoor/Site Furniture - Replace	30	11	\$2,200
2193 Trees - Trim/Remove	1	0	\$20,000
<b>Mechanical</b>			
2581 Irrigation Clocks - Replace - 33%	5	0	\$2,600

**10 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?



RESERVE FUNDING PRINCIPLES

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

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

## What is our Recommended Funding Goal?

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



FUNDING OBJECTIVES

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

**Site Inspection Notes**

During our site visit on 6/14/2018 we visually inspected the common area assets and were able to see a majority of the common areas.

Please see photo appendix for component details; the basis of our assumptions.



## Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses as defined by your Reserve Component List. A summary of these expenses are shown in the 30-yr Summary Table, while details of the projects that make up these expenses are shown in the Cash Flow Detail Table.

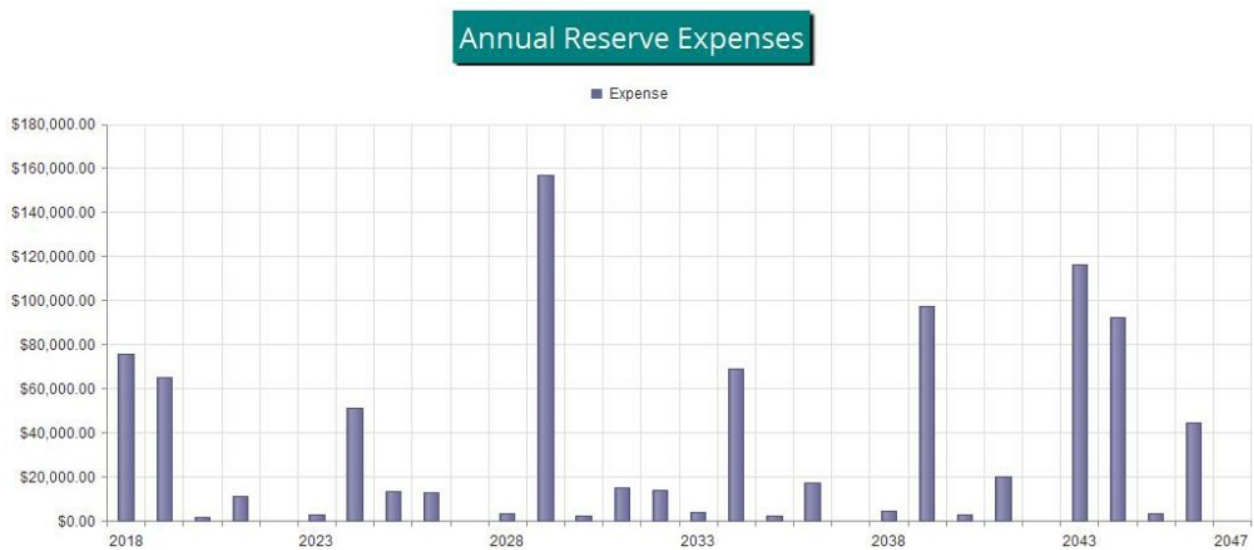


Figure 1

## Reserve Fund Status

As of 1/1/2018 your Reserve Fund balance is projected to be \$313,222 and your Fully Funded Balance is computed to be \$159,422 (see the Fully Funded Balance Table). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 196.5 % Funded.

## Recommended Funding Plan

Based on your current Percent Funded and your near-term and long-term Reserve needs, we are recommending Quarterly budgeted contributions of \$3,825. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary Table and the Cash Flow Detail Table.

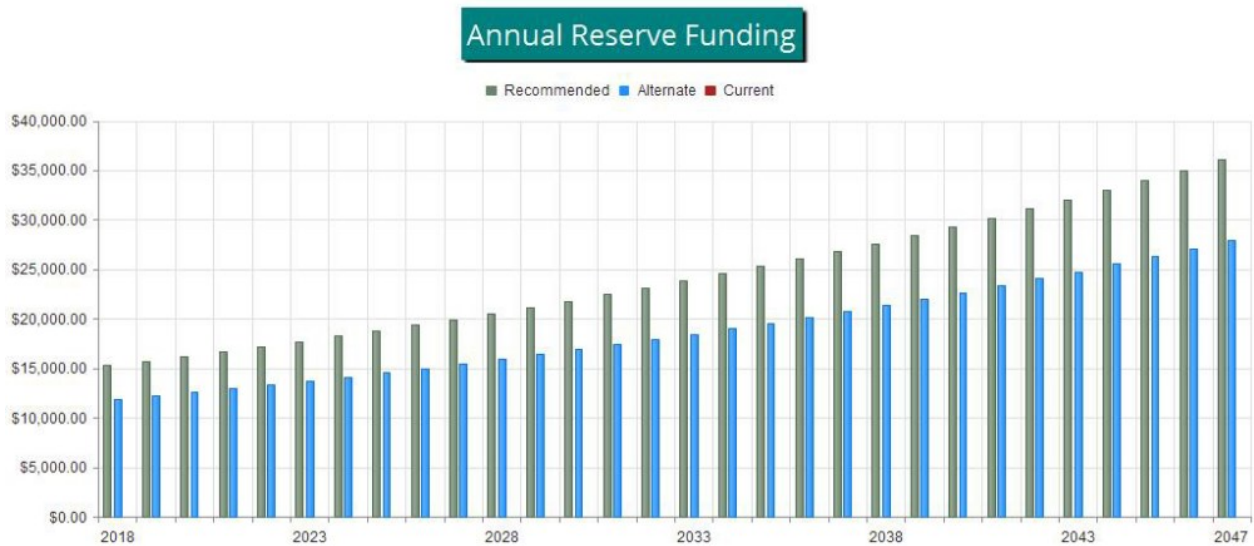


Figure 2

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

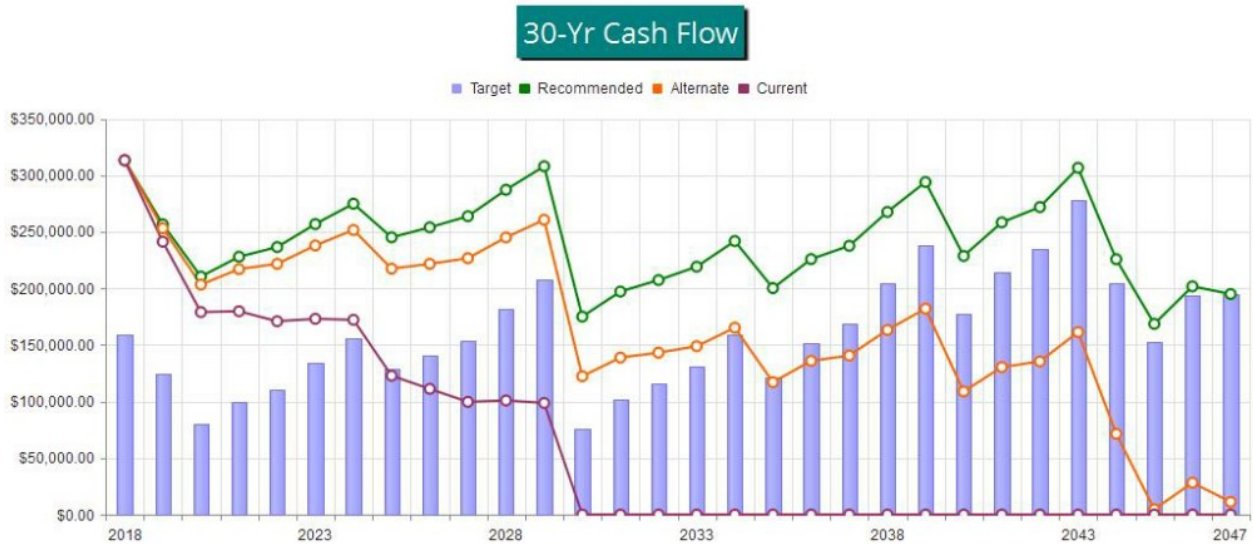


Figure 3

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



Figure 4

## Table Descriptions

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.

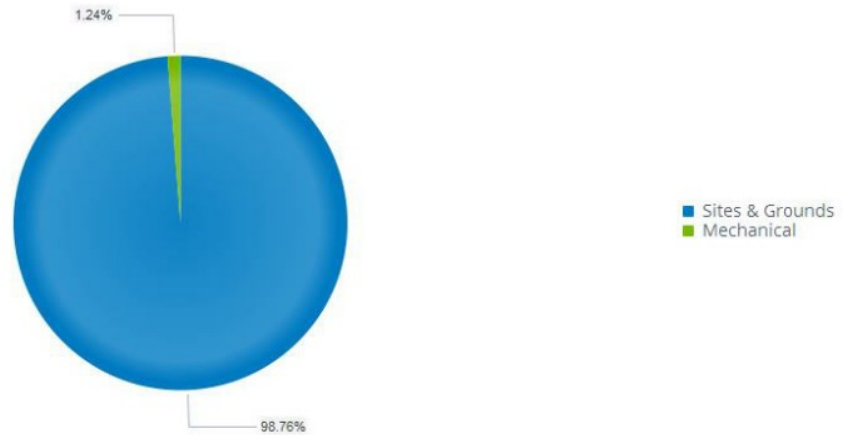
30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.



	Useful Life		2018 Rem. Useful Life		Estimated Replacement Cost in 2018	2018 Expenditures	01/01/2018	01/01/2018	Remaining Bal. to be Funded	2018 Contributions
	Min	Max	Min	Max			Current Fund Balance	Fully Funded Balance		
Sites & Grounds	1	30	0	11	\$207,150	\$72,900	\$308,114	\$156,822	\$100,964)	\$15,086
Mechanical	5	5	0	0	\$2,600	\$2,600	\$5,108	\$2,600	\$2,508)	\$214
					\$209,750	\$75,500	\$313,222	\$159,422	\$(103,472)	\$15,300

Percent Funded: 196.5%

**Budget Summary**





# Reserve Component List Detail

34785-0  
Full

# Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate		
				Best Case	Worst Case	
<b>Sites &amp; Grounds</b>						
2115 Concrete Walkways - Repair - 5%	5% of ~ 16100 GSF	5	3	\$8,100	\$12,100	
2151 Site Fencing: Wood - Repair/Paint	~ 1300 LF	7	7	\$7,900	\$10,600	
2155 Site Fencing: Wood - Replace	~ 1300 LF	25	0	\$46,300	\$59,500	
2157 Fencing: Split Rail - Replace - 20%	20% of ~ 13400 LF	5	1	\$37,600	\$48,300	
2179 Mailboxes - Replace	~ (39) CBUs	30	11	\$50,700	\$62,400	
2181 Sign/Monument - Refurbish/Replace	~ (2) Monuments	30	11	\$10,000	\$13,600	
2183 Pet Stations - Replace	~ (12) Signs	5	2	\$1,100	\$1,700	
2191 Outdoor/Site Furniture - Replace	~ (4) Benches	30	11	\$1,600	\$2,800	
2193 Trees - Trim/Remove	Numerous Trees	1	0	\$16,000	\$24,000	
<b>Mechanical</b>						
2581 Irrigation Clocks - Replace - 33%	33% of ~ (11) Clocks	5	0	\$2,000	\$3,200	

10 Total Funded Components

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
<b>Sites &amp; Grounds</b>								
2115	Concrete Walkways - Repair - 5%	\$10,100	X	2	/	5	=	\$4,040
2151	Site Fencing: Wood - Repair/Paint	\$9,250	X	0	/	7	=	\$0
2155	Site Fencing: Wood - Replace	\$52,900	X	25	/	25	=	\$52,900
2157	Fencing: Split Rail - Replace - 20%	\$42,950	X	4	/	5	=	\$34,360
2179	Mailboxes - Replace	\$56,550	X	19	/	30	=	\$35,815
2181	Sign/Monument - Refurbish/Replace	\$11,800	X	19	/	30	=	\$7,473
2183	Pet Stations - Replace	\$1,400	X	3	/	5	=	\$840
2191	Outdoor/Site Furniture - Replace	\$2,200	X	19	/	30	=	\$1,393
2193	Trees - Trim/Remove	\$20,000	X	1	/	1	=	\$20,000
<b>Mechanical</b>								
2581	Irrigation Clocks - Replace - 33%	\$2,600	X	5	/	5	=	\$2,600
								\$159,422

# Component Significance

34785-0  
Full

#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
Sites & Grounds					
2115	Concrete Walkways - Repair - 5%	5	\$10,100	\$2,020	5.43 %
2151	Site Fencing: Wood - Repair/Paint	7	\$9,250	\$1,321	3.55 %
2155	Site Fencing: Wood - Replace	25	\$52,900	\$2,116	5.69 %
2157	Fencing: Split Rail - Replace - 20%	5	\$42,950	\$8,590	23.09 %
2179	Mailboxes - Replace	30	\$56,550	\$1,885	5.07 %
2181	Sign/Monument - Refurbish/Replace	30	\$11,800	\$393	1.06 %
2183	Pet Stations - Replace	5	\$1,400	\$280	0.75 %
2191	Outdoor/Site Furniture - Replace	30	\$2,200	\$73	0.20 %
2193	Trees - Trim/Remove	1	\$20,000	\$20,000	53.76 %
Mechanical					
2581	Irrigation Clocks - Replace - 33%	5	\$2,600	\$520	1.40 %
10	Total Funded Components			\$37,199	100.00 %

# 30-Year Reserve Plan Summary

34785-0  
Full

Fiscal Year Start: 2018

Interest:

1.25 %

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.			
2018	\$313,222	\$159,422	196.5 %	Low	0.00 %	\$15,300	\$0	\$3,559	\$75,500
2019	\$256,581	\$124,754	205.7 %	Low	3.00 %	\$15,759	\$0	\$2,917	\$64,839
2020	\$210,419	\$79,960	263.2 %	Low	3.00 %	\$16,232	\$0	\$2,738	\$1,485
2021	\$227,904	\$99,623	228.8 %	Low	3.00 %	\$16,719	\$0	\$2,901	\$11,037
2022	\$236,487	\$110,602	213.8 %	Low	3.00 %	\$17,220	\$0	\$3,081	\$0
2023	\$256,788	\$133,858	191.8 %	Low	3.00 %	\$17,737	\$0	\$3,321	\$3,014
2024	\$274,832	\$155,306	177.0 %	Low	3.00 %	\$18,269	\$0	\$3,248	\$51,285
2025	\$245,064	\$128,295	191.0 %	Low	3.00 %	\$18,817	\$0	\$3,117	\$13,098
2026	\$253,900	\$140,440	180.8 %	Low	3.00 %	\$19,382	\$0	\$3,233	\$12,794
2027	\$263,720	\$153,916	171.3 %	Low	3.00 %	\$19,963	\$0	\$3,441	\$0
2028	\$287,124	\$181,647	158.1 %	Low	3.00 %	\$20,562	\$0	\$3,717	\$3,494
2029	\$307,909	\$207,305	148.5 %	Low	3.00 %	\$21,179	\$0	\$3,017	\$157,111
2030	\$174,994	\$76,222	229.6 %	Low	3.00 %	\$21,814	\$0	\$2,325	\$1,996
2031	\$197,136	\$101,711	193.8 %	Low	3.00 %	\$22,469	\$0	\$2,526	\$14,832
2032	\$207,299	\$115,500	179.5 %	Low	3.00 %	\$23,143	\$0	\$2,664	\$13,991
2033	\$219,114	\$131,349	166.8 %	Low	3.00 %	\$23,837	\$0	\$2,879	\$4,051
2034	\$241,779	\$158,717	152.3 %	Low	3.00 %	\$24,552	\$0	\$2,761	\$68,922
2035	\$200,170	\$120,916	165.5 %	Low	3.00 %	\$25,289	\$0	\$2,661	\$2,314
2036	\$225,805	\$151,441	149.1 %	Low	3.00 %	\$26,047	\$0	\$2,894	\$17,195
2037	\$237,552	\$168,432	141.0 %	Low	3.00 %	\$26,829	\$0	\$3,155	\$0
2038	\$267,536	\$204,549	130.8 %	Low	3.00 %	\$27,634	\$0	\$3,508	\$4,696
2039	\$293,981	\$237,844	123.6 %	Low	3.00 %	\$28,463	\$0	\$3,264	\$97,107
2040	\$228,601	\$177,914	128.5 %	Low	3.00 %	\$29,316	\$0	\$3,041	\$2,683
2041	\$258,276	\$214,432	120.4 %	Low	3.00 %	\$30,196	\$0	\$3,312	\$19,933
2042	\$271,850	\$235,296	115.5 %	Low	3.00 %	\$31,102	\$0	\$3,613	\$0
2043	\$306,565	\$278,366	110.1 %	Low	3.00 %	\$32,035	\$0	\$3,325	\$116,205
2044	\$225,720	\$204,117	110.6 %	Low	3.00 %	\$32,996	\$0	\$2,463	\$92,626
2045	\$168,553	\$153,041	110.1 %	Low	3.00 %	\$33,986	\$0	\$2,313	\$3,110
2046	\$201,742	\$193,779	104.1 %	Low	3.00 %	\$35,005	\$0	\$2,478	\$44,271
2047	\$194,954	\$194,524	100.2 %	Low	3.00 %	\$36,055	\$0	\$2,678	\$0

# 30-Year Income/Expense Detail

34785-0  
Full

Fiscal Year	2018	2019	2020	2021	2022
Starting Reserve Balance	\$313,222	\$256,581	\$210,419	\$227,904	\$236,487
Annual Reserve Contribution	\$15,300	\$15,759	\$16,232	\$16,719	\$17,220
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,559	\$2,917	\$2,738	\$2,901	\$3,081
<b>Total Income</b>	<b>\$332,081</b>	<b>\$275,257</b>	<b>\$229,389</b>	<b>\$247,523</b>	<b>\$256,788</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$11,037	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$0	\$0
2155 Site Fencing: Wood - Replace	\$52,900	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$44,239	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$1,485	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$0	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$20,000	\$20,600	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$2,600	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$75,500</b>	<b>\$64,839</b>	<b>\$1,485</b>	<b>\$11,037</b>	<b>\$0</b>
Ending Reserve Balance	\$256,581	\$210,419	\$227,904	\$236,487	\$256,788

<b>Fiscal Year</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Starting Reserve Balance	\$256,788	\$274,832	\$245,064	\$253,900	\$263,720
Annual Reserve Contribution	\$17,737	\$18,269	\$18,817	\$19,382	\$19,963
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,321	\$3,248	\$3,117	\$3,233	\$3,441
<b>Total Income</b>	<b>\$277,846</b>	<b>\$296,348</b>	<b>\$266,998</b>	<b>\$276,515</b>	<b>\$287,124</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$12,794	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$0	\$11,376	\$0	\$0
2155 Site Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$51,285	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$1,722	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$0	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$0	\$0	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$3,014	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$3,014</b>	<b>\$51,285</b>	<b>\$13,098</b>	<b>\$12,794</b>	<b>\$0</b>
<b>Ending Reserve Balance</b>	<b>\$274,832</b>	<b>\$245,064</b>	<b>\$253,900</b>	<b>\$263,720</b>	<b>\$287,124</b>

<b>Fiscal Year</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>	<b>2032</b>
Starting Reserve Balance	\$287,124	\$307,909	\$174,994	\$197,136	\$207,299
Annual Reserve Contribution	\$20,562	\$21,179	\$21,814	\$22,469	\$23,143
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,717	\$3,017	\$2,325	\$2,526	\$2,664
<b>Total Income</b>	<b>\$311,403</b>	<b>\$332,104</b>	<b>\$199,132</b>	<b>\$222,131</b>	<b>\$233,105</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$14,832	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$0	\$13,991
2155 Site Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$59,453	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$78,278	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$16,334	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$1,996	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$3,045	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$0	\$0	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$3,494	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$3,494</b>	<b>\$157,111</b>	<b>\$1,996</b>	<b>\$14,832</b>	<b>\$13,991</b>
Ending Reserve Balance	\$307,909	\$174,994	\$197,136	\$207,299	\$219,114



<b>Fiscal Year</b>	<b>2033</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>
Starting Reserve Balance	\$219,114	\$241,779	\$200,170	\$225,805	\$237,552
Annual Reserve Contribution	\$23,837	\$24,552	\$25,289	\$26,047	\$26,829
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,879	\$2,761	\$2,661	\$2,894	\$3,155
<b>Total Income</b>	<b>\$245,830</b>	<b>\$269,092</b>	<b>\$228,119</b>	<b>\$254,747</b>	<b>\$267,536</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$17,195	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$0	\$0
2155 Site Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$68,922	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$2,314	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$0	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$0	\$0	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$4,051	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$4,051</b>	<b>\$68,922</b>	<b>\$2,314</b>	<b>\$17,195</b>	<b>\$0</b>
<b>Ending Reserve Balance</b>	<b>\$241,779</b>	<b>\$200,170</b>	<b>\$225,805</b>	<b>\$237,552</b>	<b>\$267,536</b>

<b>Fiscal Year</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>	<b>2041</b>	<b>2042</b>
Starting Reserve Balance	\$267,536	\$293,981	\$228,601	\$258,276	\$271,850
Annual Reserve Contribution	\$27,634	\$28,463	\$29,316	\$30,196	\$31,102
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,508	\$3,264	\$3,041	\$3,312	\$3,613
<b>Total Income</b>	<b>\$298,677</b>	<b>\$325,708</b>	<b>\$260,959</b>	<b>\$291,783</b>	<b>\$306,565</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$19,933	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$17,208	\$0	\$0	\$0
2155 Site Fencing: Wood - Replace	\$0	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$79,900	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$2,683	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$0	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$0	\$0	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$4,696	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$4,696</b>	<b>\$97,107</b>	<b>\$2,683</b>	<b>\$19,933</b>	<b>\$0</b>
<b>Ending Reserve Balance</b>	<b>\$293,981</b>	<b>\$228,601</b>	<b>\$258,276</b>	<b>\$271,850</b>	<b>\$306,565</b>

<b>Fiscal Year</b>	<b>2043</b>	<b>2044</b>	<b>2045</b>	<b>2046</b>	<b>2047</b>
Starting Reserve Balance	\$306,565	\$225,720	\$168,553	\$201,742	\$194,954
Annual Reserve Contribution	\$32,035	\$32,996	\$33,986	\$35,005	\$36,055
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,325	\$2,463	\$2,313	\$2,478	\$2,678
<b>Total Income</b>	<b>\$341,925</b>	<b>\$261,179</b>	<b>\$204,852</b>	<b>\$239,226</b>	<b>\$233,687</b>
# Component					
<b>Sites &amp; Grounds</b>					
2115 Concrete Walkways - Repair - 5%	\$0	\$0	\$0	\$23,108	\$0
2151 Site Fencing: Wood - Repair/Paint	\$0	\$0	\$0	\$21,163	\$0
2155 Site Fencing: Wood - Replace	\$110,761	\$0	\$0	\$0	\$0
2157 Fencing: Split Rail - Replace - 20%	\$0	\$92,626	\$0	\$0	\$0
2179 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
2181 Sign/Monument - Refurbish/Replace	\$0	\$0	\$0	\$0	\$0
2183 Pet Stations - Replace	\$0	\$0	\$3,110	\$0	\$0
2191 Outdoor/Site Furniture - Replace	\$0	\$0	\$0	\$0	\$0
2193 Trees - Trim/Remove	\$0	\$0	\$0	\$0	\$0
<b>Mechanical</b>					
2581 Irrigation Clocks - Replace - 33%	\$5,444	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$116,205</b>	<b>\$92,626</b>	<b>\$3,110</b>	<b>\$44,271</b>	<b>\$0</b>
<b>Ending Reserve Balance</b>	<b>\$225,720</b>	<b>\$168,553</b>	<b>\$201,742</b>	<b>\$194,954</b>	<b>\$233,687</b>

## 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. Bryan Farley, R.S., president of the Colorado LLC, is a credentialed Reserve Specialist (#260). 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.

## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area). Equivalent to Square Feet
<b>GSY</b>	Gross Square Yards (area). Equivalent to Square Yards
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)
<b>Effective Age</b>	The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.
<b>Fully Funded Balance (FFB)</b>	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.
<b>Inflation</b>	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.
<b>Interest</b>	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.
<b>Percent Funded</b>	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.
<b>Remaining Useful Life (RUL)</b>	The estimated time, in years, that a common area component can be expected to continue to serve its intended function.
<b>Useful Life (UL)</b>	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 photographic appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The photographs herein represent a wide range of elements that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding:

- 1) Common are maintenance, repair & replacement reasonability
- 2) Components must have a limited life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair or replacement cycles to the left of the photo (UL = Useful Life or how often the project is expected to occur, RUL = Remaining Useful Life or how many years from our reporting period) and a representative market cost range termed “Best Cost” and “Worst Cost” below the photo. There are many factors that can result in a wide variety of potential cost; we are attempting to represent a market average for budget purposes. Where there is no UL, the component is expected to be a one-time expense. Where no pricing, the component deemed inappropriate for Reserve Funding.

## Sites & Grounds

**Comp #: 2115 Concrete Walkways - Repair - 5%**

**Quantity: 5% of ~ 16100 GSF**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Concrete sidewalks determined to be in fair condition typically exhibit minor changes in slope and a moderate percentage of cracking and surface wear. Trip hazards may be increasing in frequency and severity and should be closely monitored to prevent further risks. Colorado is home to expansive soils. One of the causes of concrete damage in this type of soil moisture. Expansive soils tend to swell in size when wet and contract as they dry out. As the soil expands and contracts it can create enough force to cause major damage to sidewalks. Repair any trip and fall hazards immediately to ensure safety. As routine maintenance inspect regularly pressure wash for appearance and repair promptly as needed to prevent water penetrating into the base and causing further damage. In our experience larger repair/replacement expenses emerge as the community ages. Although difficult to predict timing cost and scope we suggest a rotating funding allowance to supplement the operating/maintenance budget for periodic larger repairs. Adjust as conditions actual expense patterns dictate within future reserve study updates.

Useful Life:  
5 years

Remaining Life:  
3 years



Best Case: \$ 8,100

Worst Case: \$ 12,100

Cost Source: Allowance

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**Comp #: 2117 Site Drainage System - Clean/Repair**

**Quantity: System**

Location: Common Areas

Funded?: No.

History:

Evaluation: No access to inspect in-ground drainage infrastructure. Annual preventive maintenance work is typically performed as part of an Association's general maintenance/operating fund. Under normal circumstances site drainage components are constructed of very durable materials which should have a very long useful life (often assumed to be 50 years or more). Repairs may occasionally be required but timing and scope of work is too unpredictable for Reserve funding in accordance with National Reserve Study Standards. If there are specific known concerns with drainage system we recommend further investigation using cameras or other means to document and identify conditions. Some Associations consult with civil and/or geotechnical engineers in order to develop scopes of work for repair/replacement. If more comprehensive analysis becomes available findings should be incorporated into Reserve Study updates as appropriate.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

**Comp #: 2151 Site Fencing: Wood - Repair/Paint**

**Quantity: ~ 1300 LF**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Recommend starting paint cycle after the replacement of fencing. Wood fencing determined to be in poor condition typically exhibits more advanced deterioration of coating with notable wear possibly resulting in rotting of wood structure in places. Poor inconsistent curb appeal. Regular uniform professional paint or sealer applications are recommended for appearance protection of wood and maximum design life. Repair as needed and clean prior to application. Plan for regular applications as shown below. Timing of repair/paint cycles may need to be coordinated with eventual fence replacement.

Useful Life:  
7 years

Remaining Life:  
7 years



Best Case: \$ 7,900

Worst Case: \$ 10,600

Cost Source: ARI Cost Database: Similar Project Cost History

**Comp #: 2155 Site Fencing: Wood - Replace**

**Quantity: ~ 1300 LF**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Wood fencing determined to be in poor condition typically exhibits more advanced or extensive surface wear and other signs of age which may include damaged or vandalized sections loose or missing hardware and other obvious concerns. At this stage fencing is often an eyesore and replacement from an aesthetic standpoint should be considered even if fencing is still technically upright and intact. As routine maintenance inspect regularly for any damage repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform professional sealing/painting will help to maintain appearance and maximize life. In our experience wood fencing will typically eventually break down due to a combination of sun and weather exposure which is sometimes exacerbated by other factors such as irrigation overspray abuse and lack of preventive maintenance. Recommendation and costs shown here are based on replacement with similar style and material. However the Association might want to consider replacing with more sturdy lower-maintenance products like composite vinyl etc. Although installation costs are higher total life cycle cost is lower due to less maintenance and longer design life expectancy.

Useful Life:  
25 years

Remaining Life:  
0 years



Best Case: \$ 46,300

Worst Case: \$ 59,500

Cost Source: ARI Cost Database: Similar Project Cost History

**Comp #: 2157 Fencing: Split Rail - Replace - 20%**

**Quantity: 20% of ~ 13400 LF**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Funding is to begin replacing the fence with a rotating allowance, it is not anticipated to replace all of the fencing at once. Fence is rustic in appearance and will maintain its aesthetic value even with visible signs of deterioration. Wood fencing determined to be in fair condition typically exhibits some minor to moderate amounts of surface wear and other signs of age which may include a small percentage of warped split and/or rotted sections. In general appearance is consistent but declining. As routine maintenance inspect regularly for any damage repair as needed and avoid contact with ground and surrounding vegetation wherever possible. Regular cycles of uniform professional sealing/painting will help to maintain appearance and maximize life. In our experience wood fencing will typically eventually break down due to a combination of sun and weather exposure which is sometimes exacerbated by other factors such as irrigation overspray abuse and lack of preventive maintenance. Recommendation and costs shown here are based on replacement with similar style and material. However the Association might want to consider replacing with more sturdy lower-maintenance products like composite vinyl etc. Although installation costs are higher total life cycle cost is lower due to less maintenance and longer design life expectancy.

Useful Life:  
5 years

Remaining Life:  
1 years



Best Case: \$ 37,600

Worst Case: \$ 48,300

Cost Source: Allowance

**Comp #: 2179 Mailboxes - Replace**

**Quantity: ~ (39) CBUs**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Rust noted on pedestal. Mailbox kiosks determined to be in fair condition typically exhibit minor to moderate surface wear at this stage. All components and hardware appear to function properly but appearance is diminishing. Inspect regularly and clean by wiping down exterior surfaces. If necessary change lock cylinders lubricate hinges and repair as an Operating expense. Best to plan for total replacement at roughly the time frame below due to constant exposure usage and wear over time. Note USPS has a limited budget for replacement and should not be relied upon for purposes of long term planning.

Useful Life:  
30 years

Remaining Life:  
11 years



Best Case: \$ 50,700

Worst Case: \$ 62,400

Cost Source: ARI Cost Database: Similar Project Cost History

**Comp #: 2181 Sign/Monument - Refurbish/Replace**

**Quantity: ~ (2) Monuments**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Monument signage determined to be in fair condition typically exhibits acceptable appearance and aesthetics in keeping with local area but with more weathering and wear showing on surfaces. If present landscaping and lighting are still in serviceable condition. At this stage signage may be becoming more dated and diminishing in appeal. As routine maintenance inspect regularly clean/touch-up and repair as an Operating expense. Plan to refurbish or replace at the interval below. Timing and scope of refurbishing or replacement projects is subjective but should always be scheduled in order to maintain good curb appeal. In our experience most Associations choose to refurbish or replace signage periodically in order to maintain good appearance and aesthetics in keeping with local area often before signage is in poor physical condition. If present concrete walls are expected to be painted and repaired as part of refurbishing but not fully replaced unless otherwise noted. Costs can vary significantly depending on style/type desired and may include additional costs for design work landscaping lighting water features etc. Reserve Study updates should incorporate any estimates or information collected regarding potential projects.

Useful Life:  
30 years

Remaining Life:  
11 years



Best Case: \$ 10,000

Worst Case: \$ 13,600

Cost Source: Allowance



**Comp #: 2183 Pet Stations - Replace**

**Quantity: ~ (12) Signs**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Directional and street signs determined to be in fair condition typically exhibit somewhat faded surface finish and may have minor damage to their supports/posts/hardware. Panels are clean but reflectiveness and contrasting of lettering or symbols may be diminished. Decorative street signs and posts are generally replaced at longer intervals due to weathering or style changes or to coincide with other exterior projects such as replacement of entry signage street lighting etc. Signs should be inspected regularly to make sure visibility is adequate including at night. Repair any damaged or leaning posts as needed. Costs for replacement can vary greatly depending on style selected unless otherwise noted costs shown here are based on replacement with a comparable type as are currently in place.

Useful Life:  
5 years

Remaining Life:  
2 years



Best Case: \$ 1,100

Worst Case: \$ 1,700

Cost Source: ARI Cost Database: Similar Project Cost History

**Comp #: 2191 Outdoor/Site Furniture - Replace**

**Quantity: ~ (4) Benches**

Location: Common areas

Funded?: Yes.

History:

Evaluation: Outdoor/site furniture determined to be in good condition typically exhibits little to no significant signs of wear or age. Style is attractive and appropriate for the local aesthetic standards of the development. Inspect regularly, clean for appearance and repair as needed from general Operating funds. Cost to replace individual pieces may not meet threshold for Reserve funding. We recommend planning for regular intervals of complete replacement at the time frame indicated below, to maintain a good, consistent appearance in the common areas. Costs shown are based on replacement with comparable types unless otherwise noted.

Useful Life:  
30 years

Remaining Life:  
11 years



Best Case: \$ 1,600

Worst Case: \$ 2,800

Cost Source: ARI Cost Database: Similar Project Cost History

**Comp #: 2193 Trees - Trim/Remove**

**Quantity: Numerous Trees**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Client requested a one time cost for the replacement of trees due to the invasive asian ash bore. This component may be utilized for larger tree removal/trimming projects which do not occur on an annual basis. If the community has not already done so consult with a qualified arborist or other landscaping professional for a long term plan for the care and management of the trees within the community balancing aesthetics with protection of Association assets. Reserve funding recommend at level indicated below for periodic larger tree removal/trimming needs. Track actual expenses and adjust in reserve study updates if needed.

Useful Life:  
1 years

Remaining Life:  
0 years



Best Case: \$ 16,000

Worst Case: \$ 24,000

Cost Source: Estimate Provided by Client

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## Mechanical

**Comp #: 2581 Irrigation Clocks - Replace - 33%**

**Quantity: 33% of ~ (11) Clocks**

Location: Common Areas

Funded?: Yes.

History:

Evaluation: Minimal or no subjective/aesthetic value for this component. Useful life is based primarily on normal expectations for service/performance life in this location. Unless otherwise noted remaining useful life expectancy is based primarily on original installation or last replacement/purchase date our experience with similar systems/components and assuming normal amount of usage and good preventive maintenance. Irrigation controllers should have a relatively long life expectancy under normal circumstances. Replacement is often required due to lack of available replacement parts lightning strikes etc. as opposed to complete failure of existing equipment. Exposure to the elements can affect overall life expectancy and controllers should be located in protected areas or within protective enclosures whenever possible. When evaluating replacement options the Association should consider replacement with smart" models (i.e. respond to projected weather data) to minimize unnecessary water usage. Payback period for efficient controllers that minimize water use is typically very short

Useful Life:  
5 years

Remaining Life:  
0 years



Best Case: \$ 2,000

Worst Case: \$ 3,200

Cost Source: Estimate Provided by Client

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