

RESERVE STUDY

Component Analysis and Reserve Fund Plan

Annual Review Study 2017

For

Balboa Terrace Homes Association

San Francisco, CA

Prepared By

RESERVE ANALYSIS CONSULTING, LLC

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Balboa Terrace Homes Association
Santa Ana Ave & Darien Way
San Francisco, CA

ATTN: Board of Directors

RE: Balboa Terrace Homes Association - Annual Review Study 2017

Please find enclosed the Reserve Fund Analysis prepared for your Association. The purpose of this analysis is to quantify the major components the Association is responsible to maintain, and to project funding requirements adequate to repair/replace or maintain these components in conformance with California Civil Codes § 5300, 5500-5570 ((old 1365, 1365.5, & 1365.2.5)). The underlying principle of these Code requirements is that current owners should pay their appropriate share for components as they are being used and not transfer these costs to future owners.

TERMS & CONDITIONS OF STUDY

This Reserve Fund Analysis, undertaken by Reserve Analysis Consulting, L.L.C., has been conducted in compliance with California Civil Codes § 5300, 5500-5570 ((old 1365, 1365.5, & 1365.2.5)) and in compliance with standards established by the Association of Professional Reserve Analysts (APRA) and the California Association Institute (CAI).

Components that meet the following criteria are included in this report:

- 1) The component maintenance is the responsibility of the Association.
- 2) The component is not covered by the Association's annual operating budget.
- 3) The component's estimated remaining life is less than thirty (30) years from the date of this study.
- 4) Components with a remaining useful life in excess of thirty (30) years may be included for the benefit of knowledge of these components, but will not be factored into the funding plan.

All components listed in this report are those that have been selected and approved by the Board as prescribed by the Association's CC&Rs. Component useful life and remaining life projections are based on industry standards, manufacturer information, date and maintenance information provided by the Contractee and/or its management and staff. However, as a result of construction methodology, maintenance by the facility staff or other specific local conditions, component useful life and/or remaining life may vary from standard. Repair or replacement schedules and the resulting assessment schedules are derived by combining the resources described above. Reliance on these schedules is at the Contractee's discretion. Reserve Analysis Consulting, L.L.C. makes no guarantee as to the actual performance of any of the components. Each component's condition, life expectancy, and replacement cost evaluation is based on visual inspection only. Inspection was limited to areas accessible to the inspectors. Where components were not accessible, assumptions were made based on available component statistical data. There was no disassembly of components or demolition involved.

This report does not address any factory defects or any damage due to improper maintenance, system design, or installation. The analysis of these components, for which the Association has responsibility, does not employ methods used for forensic or defect investigation or actual construction. It is also assumed that all components covered by this report receive reasonable maintenance by the Contractee. Reserve Analysis Consulting, L.L.C. makes no statement of warranty, either specific or implied, as to the actual future performance of any component.

The costs for components included in this report are based on current published construction industry repair or replacement costs and local cost conditions. Due to component cost changes in the future over which Reserve Analysis Consulting, L.L.C. has no control, we advise the Contractee to have this study reviewed on an annual basis and make any necessary adjustment regarding component performance and/or costs. The reliance on costs included in this Component Analysis is at the discretion and acceptance of the Contractee and/or its management. Reserve Analysis Consulting, L.L.C. makes no guarantee that projected costs will represent actual job costs at the time of component repair or replacement. An inflation factor based on current construction industry index information is used and provided to the Contractee for approval prior to inclusion in the Final Report.

The cash flow projections made within this report could vary significantly due to future conditions. Without regular, periodic updates, the Contractee should not rely on these cash flow projections beyond the first funding year of this report.

GENERAL DEFINITIONS OF STUDY**RESERVE STUDY:**

A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Component Inventory and the Funding Analysis.

COMPONENT INVENTORY and ANALYSIS:

The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of the association design and organizational documents, a review of established association precedents, and discussion with appropriate representative(s) of the association or cooperative.

FUNDING ANALYSIS :

The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented.

FUNDING PRINCIPLES:

- Sufficient funds to defray future repair and replacement requirements.
- Consistent contribution rate throughout the 30 year Funding Plan.
- Appropriate contribution levels to ensure that current owners pay their share for component usage.
- Fiscally responsible.

FUNDING GOALS:

Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding: Establishing a Reserve funding goal of keeping the Reserve cash balances above zero.

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount.

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

PERCENT FUNDED:

The ratio, at a particular point in time (typically the ending of the Fiscal Year) of the actual (or projected) Reserve balance to the Fully Funded balance, expressed as a percentage.

CASH FLOW FUNDING METHOD:

A method of developing a Reserve Funding Plan where consistent contributions to the Reserve fund are designed to offset the variable annual expenditures. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

ASSUMED LONG-TERM INTEREST AND INFLATION

"Assumed Long-Term" (as used in the Davis-Stirling Act) is interpreted to mean an approximate 30 Year average. When assigning the interest rate, per Statute 5300(b)(7) ((old 1365(a)(4)), the rate may not be in excess of 2% above the current Federal Reserve Rate.

INFORMATION REFERENCE

TRADE:	Financial Information	TRADE:	Component Replacement Dates
NAME:	Mr. Kevin Bulivant	NAME:	Mr. Kevin Bulivant
COMPANY:	Balboa Terrace Homes Association	COMPANY:	Balboa Terrace Homes Association
ADDRESS:	Santa Ana Ave & Darien Way	ADDRESS:	Santa Ana Ave & Darien Way
CITY, STATE:	San Francisco, CA 94127	CITY, STATE:	San Francisco, CA 94127
PHONE:	(415) 577-8490	PHONE:	(415) 577-8490

PROPERTY INFORMATION

PROPERTY NAME: Balboa Terrace Homes Association
STREET ADDRESS: Santa Ana Ave & Darien Way
CITY, STATE, ZIP: San Francisco, CA
GOVERNING ENTITY: Board of Directors
YEAR CONSTRUCTED: 1920 **NUMBER OF CONSTRUCTION PHASES:** 1
NUMBER OF UNITS: 288 **NUMBER OF RESIDENTIAL BUILDINGS:**

CONTACT INFORMATION

CURRENT PROPERTY CONTACT: Mr. Kevin Bulivant
 Balboa Terrace Homes Association
 Santa Ana Ave & Darien Way
 San Francisco, CA 94127
 Phone: (415) 577-8490 Email: kevin@smvsf.org

RESERVE STUDY INFORMATION

TYPE OF STUDY: Annual Review Study 2017 (no site inspection performed with this review)
BEGINNING YEAR OF STUDY: 2017
YEAR OF LAST PHYSICAL INSPECTION: 2015
YEAR OF NEXT PHYSICAL INSPECTION: 2018 (as required by the Davis-Stirling Act)
RESERVE STUDY PREPARER: Reserve Analysis Consulting, L.L.C.
 1750 Bridgeway, Suite B106 • Sausalito, CA 94965
 Sausalito, California 94965
 Office Phone: (415) 332-7800 FAX: (415) 332-7801
PERFORMED BY: Casey O'Neill
 Direct Phone: (415) 289-7443
 Email: caseyo@reserveanalysis.com

RESERVE FUND FINANCIAL INFORMATION

BUDGET YEAR ENDING DATE:	12/31	2016	2017
ANNUAL RESERVE CONTRIBUTION:		\$23,175	\$23,870
MONTHLY RESERVE CONTRIBUTION:		\$1,931	\$1,989
PER UNIT MONTHLY (AVG.) CONTRIBUTION:		\$6.71	\$6.91
TOTAL SPECIAL ASSESSMENT:		N/A	N/A
PER UNIT (AVG.) SPECIAL ASSESSMENT:		N/A	N/A
PROPOSED RESERVE FUND EXPENDITURES:			(\$47,441)
ESTIMATED YEAR ENDING BALANCE:		\$111,510	\$89,016
REQUESTED MINIMUM "THRESHOLD" FUTURE BALANCE:			N/A

RESERVE PERCENT FUNDED CALCULATION

AMOUNT NEEDED TO BE 100% FUNDED:	\$74,725	\$61,219
THEORETICAL PER UNIT UNDERFUNDED:	\$0	\$0
CALCULATED PERCENT FUNDED:	100.00%	100.00%

RESERVE PROJECTED INTEREST & INFLATION

"ASSUMED LONG-TERM INTEREST RATE":	2.00%
"ASSUMED LONG-TERM INFLATION RATE":	3.00%

PROPERTY DESCRIPTION & COMPONENT INCLUSION:

Balboa Terrace Homes Association is a 288-member association located in San Francisco, CA. The Association is responsible for common areas only that were originally built in 1 phase in 1920. The Association is responsible for all components as the Board of Directors has interpreted the CC&Rs. For specific component inclusion based on that interpretation please refer to the Component Data or Schedule Sections.

5300(b)(4) - COMPONENT CONDITION:

The property is composed of a variety of components that are in a range of conditions due to their various ages and expected lives. The projections in this Reserve Study intend to maintain these components at an appropriate condition in the future; however, it is the Board's responsibility to investigate and cause the actual maintenance, repair and replacement projects at the appropriate time(s).

Per Davis-Stirling Section 5500 ((old 1365.5)), on a quarterly basis the Board will review actual reserve expenses compared to the year's proposed reserve expenses. Depending on each component's condition and available information at that time, the Board will determine to undertake repair and replacement projects as appropriate. Please refer to the Sections of Component Data and/or Component Schedule for specific details on component ages, expected lives, and remaining lives. A component with a negative remaining life does not necessarily mean the component is being deferred, but rather signifies that the component is past its statistically average life and will be reviewed annually until it is appropriate for replacement. If the Board has specifically determined to defer or not undertake a component's repair or replacement, that decision and its justification is required to be in meeting minutes and disclosed separately in the Annual Budget Report.

5300(b)(3,5,6,7,8) - FUNDING PLAN ANALYSIS & CALCULATIONS:

5300(b)(3) - "the association shall provide the full reserve study plan upon request."

Specific Details regarding the following statements can be viewed in the "30 YEAR FUNDING PLAN" (included with this Reserve Summary).

5300(b)(5) - If applicable, the amount and commencement date of Board determined or anticipated special assessments will be shown and if a vote of the membership is required.

5300(b)(6) - The mechanism(s) by which the board will fund the reserves, including assessments, borrowing, and/or use of other assets. Refer to 5300(b)(4) above for deferral/selected repair/replacements.

5300(b)(7) - Procedures & methodology used for these calculations can be found in section "Procedures & Methodologies" (included with this Reserve Summary).

5300(b)(8) - If applicable, details regarding outstanding loans can be found in the 5570 "Reserve Summary and Disclosure" (included with this summary) and/or separately in the Annual Budget Report.

The Reserve Study is a SERIES OF PROJECTIONS, and consequently the estimated lives and costs of components will likely CHANGE OVER TIME depending on a variety of factors such as future inflation rates, the level of preventative maintenance completed by future boards, unknown material defects, changes in technology, efficiency, and/or government regulations.

The Reserve Study is an evolving document that represents a moment in time covering a 30 year period. As required by The Davis-Stirling Act, we recommend that the Association review and update this Reserve Analysis on an annual basis to make adjustments for component expenditures and fluctuations in annual revenue, interest, and inflation.

4.00

30 YEAR RESERVE FUNDING PLAN

2016 Average unit per month reserve contribution *1 = \$6.71

2016 Total annual reserve contribution *1 = \$23,175

** All future numbers are PROPOSED and/or PROJECTED.*

DESCRIPTION - 1ST 10 YEARS	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Projected Beginning Fund Balance *1	\$111,510	\$89,016	\$92,914	\$97,940	\$104,209	\$111,846	\$117,764	\$94,233	\$106,372	\$120,484
Contribution % increase over previous yr.	3.00%	3.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Contribution avg. unit/month \$ increase	\$0.20	\$0.21	\$0.50	\$0.53	\$0.57	\$0.61	\$0.65	\$0.70	\$0.75	\$0.80
Contribution avg. per unit/month	\$6.91	\$7.11	\$7.61	\$8.14	\$8.72	\$9.33	\$9.98	\$10.68	\$11.42	\$12.22
Reserve Contribution - Annual	\$23,870	\$24,586	\$26,307	\$28,149	\$30,119	\$32,228	\$34,484	\$36,897	\$39,480	\$42,244
Does increase require membership vote?										
Proposed avg. special assess per unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Assessment - Total Proposed										
Does special assessment require vote?										
Income from other sources										
Total Reserve Fund Available	\$135,380	\$113,602	\$119,221	\$126,088	\$134,328	\$144,074	\$152,248	\$131,130	\$145,853	\$162,728
Projected Expenditures - inflated	-\$47,441	-\$21,812	-\$22,466	-\$23,140	-\$23,834	-\$27,734	-\$59,154	-\$26,044	-\$26,826	-\$27,630
Balance after expenditures	\$87,939	\$91,790	\$96,755	\$102,948	\$110,494	\$116,340	\$93,093	\$105,086	\$119,027	\$135,098
Interest on balance after tax	\$1,076	\$1,124	\$1,184	\$1,260	\$1,352	\$1,424	\$1,139	\$1,286	\$1,457	\$1,654
Minimum requested balance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent funded (if implemented) *2	100.00%	100.00%	100.00%	99.61%	92.66%	87.47%	78.42%	77.13%	76.92%	77.55%
Projected Year Ending Balance *3	\$89,016	\$92,914	\$97,940	\$104,209	\$111,846	\$117,764	\$94,233	\$106,372	\$120,484	\$136,751

** All future numbers are PROPOSED and/or PROJECTED.*

DESCRIPTION - 2ND 10 YEARS	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Projected Beginning Fund Balance *1	\$136,751	\$155,372	\$176,559	\$162,636	\$185,116	\$206,895	\$240,204	\$277,411	\$318,848	\$319,612
Contribution % increase over previous yr.	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Contribution avg. unit/month \$ increase	\$0.86	\$0.92	\$0.98	\$1.05	\$1.12	\$1.20	\$1.28	\$1.37	\$1.47	\$1.57
Contribution avg. per unit/month	\$13.08	\$13.99	\$14.97	\$16.02	\$17.14	\$18.34	\$19.63	\$21.00	\$22.47	\$24.05
Reserve Contribution - Annual	\$45,201	\$48,365	\$51,751	\$55,373	\$59,249	\$63,397	\$67,835	\$72,583	\$77,664	\$83,100
Does increase require membership vote?										
Proposed avg. special assess per unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Assessment - Total Proposed										
Does special assessment require vote?										
Income from other sources										
Total Reserve Fund Available	\$181,952	\$203,737	\$228,309	\$218,010	\$244,365	\$270,292	\$308,038	\$349,994	\$396,512	\$402,712
Projected Expenditures - inflated	-\$28,459	-\$29,313	-\$67,639	-\$35,132	-\$39,972	-\$32,992	-\$33,982	-\$35,001	-\$80,765	-\$339,160
Balance after expenditures	\$153,493	\$174,424	\$160,670	\$182,878	\$204,393	\$237,299	\$274,057	\$314,993	\$315,747	\$63,552
Interest on balance after tax	\$1,879	\$2,135	\$1,967	\$2,238	\$2,502	\$2,905	\$3,354	\$3,856	\$3,865	\$778
Minimum requested balance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent funded (if implemented) *2	78.83%	80.64%	78.85%	82.09%	85.45%	89.86%	94.43%	99.14%	100.00%	100.00%
Projected Year Ending Balance *3	\$155,372	\$176,559	\$162,636	\$185,116	\$206,895	\$240,204	\$277,411	\$318,848	\$319,612	\$64,329

4.00**30 YEAR RESERVE FUNDING PLAN**

* All future numbers are PROPOSED and/or PROJECTED.

DESCRIPTION - 3RD 10 YEARS	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Projected Beginning Fund Balance *1	\$64,329	\$110,519	\$150,940	\$191,759	\$235,919	\$225,306	\$267,300	\$308,461	\$348,739	\$388,082
Contribution % increase over previous yr.	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Contribution avg. unit/month \$ increase	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Contribution avg. per unit/month	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05	\$24.05
Reserve Contribution - Annual	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100	\$83,100
Does increase require membership vote?										
Proposed avg. special assess per unit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Assessment - Total Proposed										
Does special assessment require vote?										
Income from other sources										
Total Reserve Fund Available	\$147,430	\$193,619	\$234,041	\$274,860	\$319,019	\$308,406	\$350,400	\$391,561	\$431,839	\$471,182
Projected Expenditures - inflated	-\$38,247	-\$44,504	-\$44,600	-\$41,793	-\$96,438	-\$44,339	-\$45,669	-\$47,039	-\$48,450	-\$63,800
Balance after expenditures	\$109,183	\$149,115	\$189,441	\$233,066	\$222,581	\$264,067	\$304,731	\$344,522	\$383,389	\$407,382
Interest on balance after tax	\$1,336	\$1,825	\$2,319	\$2,853	\$2,724	\$3,232	\$3,730	\$4,217	\$4,693	\$4,986
Minimum requested balance	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent funded (if implemented) *2	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Projected Year Ending Balance *3	\$110,519	\$150,940	\$191,759	\$235,919	\$225,306	\$267,300	\$308,461	\$348,739	\$388,082	\$412,369

***1. Current Year Financial Information**

The Association has provided current financial information including reserve account balance, total annual assessment amount and total annual reserve contribution. Reserve Analysis Consulting, L.L.C. assumes no responsibility for the accuracy of current or projected budget figures provided by others.

***2. Percent Funded**

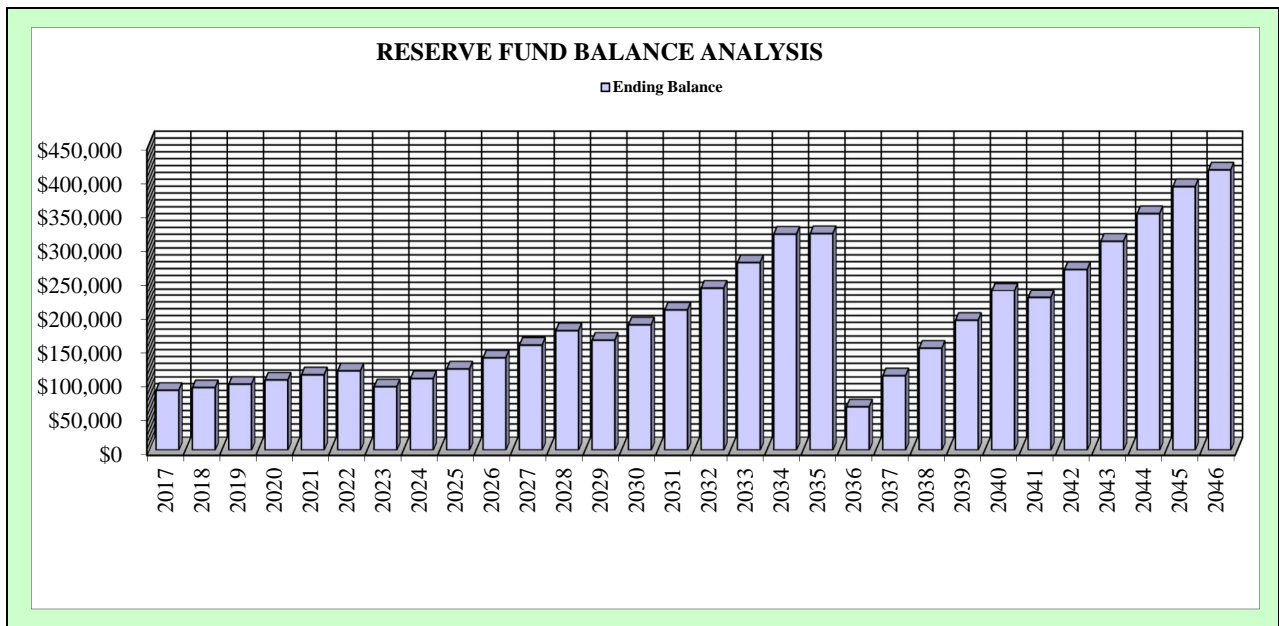
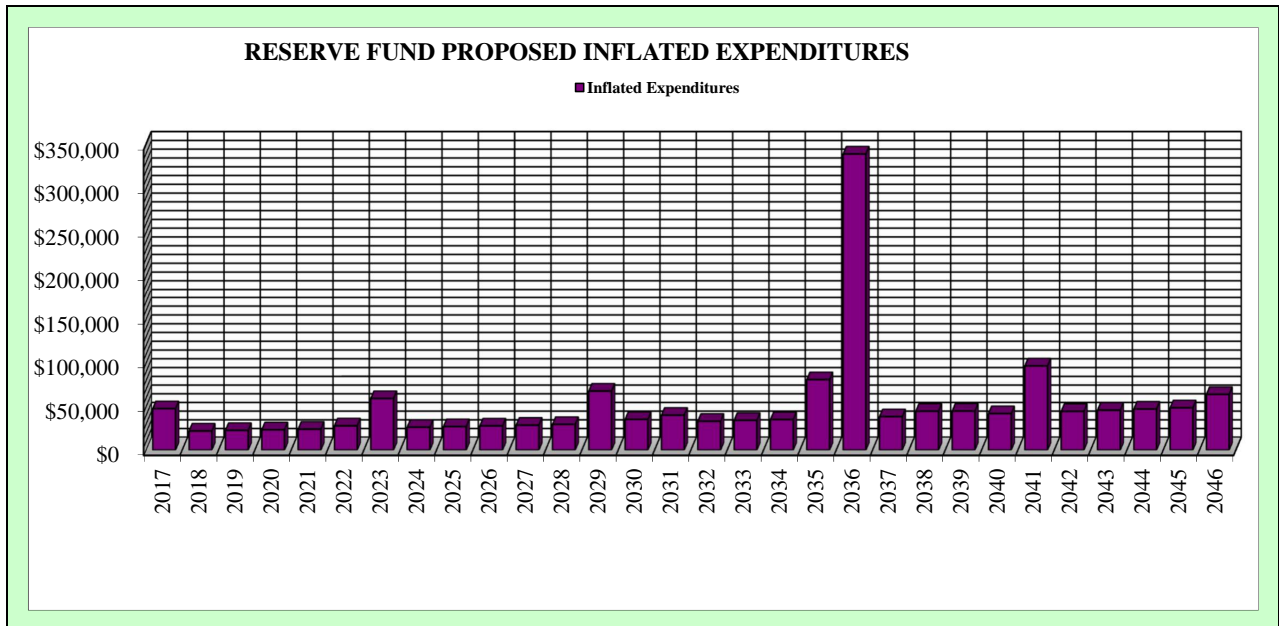
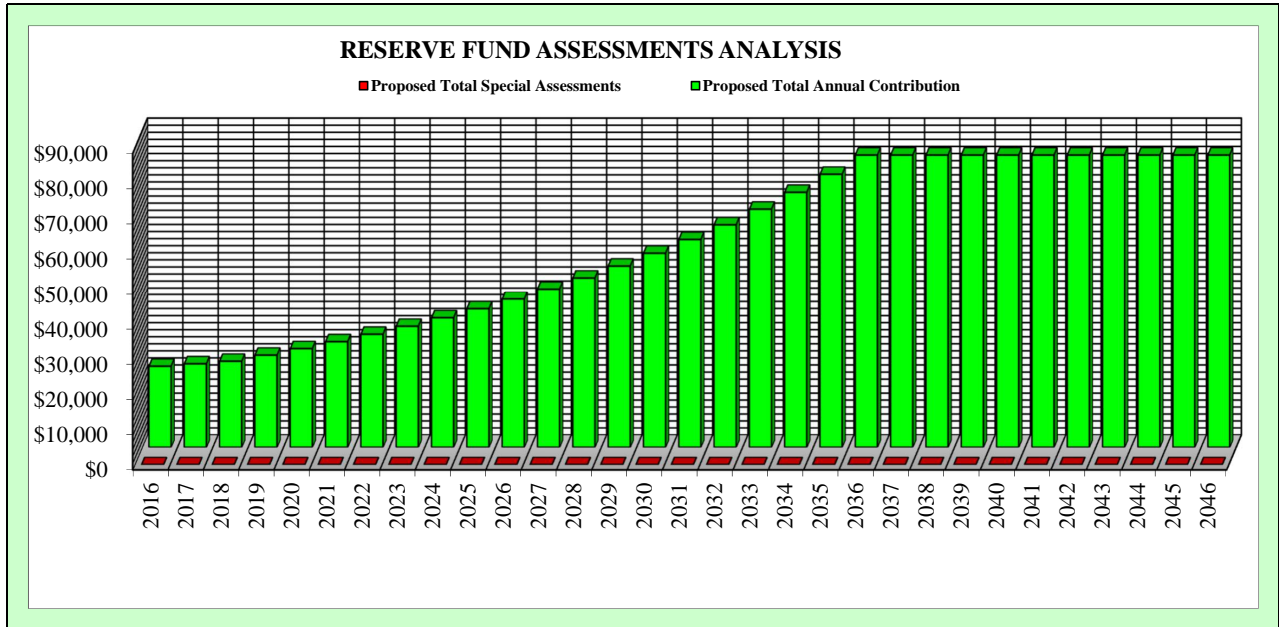
The percent funded figure is calculated as defined by the Davis-Stirling Act, which states in 5570(b)(4) ((old 1365.2.5)) that the amount projected to be in reserves at a given time be divided by the amount "required to be fully funded" at that time. The amount required is defined in 5570(b)(4) ((old 1365.2.5)) as "the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component." The data required to calculate this amount for the current year is located in Section 11.00, Percent Funded Calculation. The percent funding method of calculation for future years includes estimated interest earned in the projected reserve account balances, as well as an estimated inflation of costs in the amount "required." The final sentence in 5570(b)(4) ((old 1365.2.5)) states "**This shall not be construed to require the board to fund reserves in accordance with this calculation.**"

*** 3. Projected Year Ending Balance.**

The Davis-Stirling Act does not require a minimum funding level other than to say in 5550(b)(5) ((old 1365.5)) that the association "plans...to meet" its 30 year obligations of repair and replacement. Through the Reserve Study preparation process, the Association and its Management have reviewed the preliminary funding plan(s) and have approved the plan as shown here to be sufficient at this time.

General Notes:

- 1) The cash flow projections shown are based on current economic conditions. These projections are based upon future variables that cannot be controlled. Therefore, reliance on these projections beyond the first year of this study is not recommended. As required by the Davis-Stirling Act, we recommend the Association review its Reserve Fund accounts quarterly and cause the Reserve Study to be reviewed and adjustments integrated annually.
- 2) Additionally, California Civil Code § 5550 ((old 1365.5)) states in part, "At least once every three years the board of directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore or maintain as part of a study of the reserve account requirements."



6.00	NEXT 3 YEARS PROJECTED EXPENDITURES
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Year 1 - 2017

1.00 ASPHALT	
1.01 Asphalt Sealing	\$14,217
1.02 Striping & Designations	\$1,228
1.03 Asphalt Repairs - Minor ~ 5%	\$9,569
2.00 CONCRETE	
2.01 Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,168
3.00 IRRIGATION/LANDSCAPING/TREES	
3.01 Irrigation Replacement Allowance	\$4,000
3.02 Landscape Replacement Allowance	\$8,500
3.03 Tree Maintenance/Removal/Replanting	\$2,500
Unscheduled Expenses Related to Each Year's Projects	\$2,259
Year 1 - 2017 Total Proposed Expenditures:	\$47,441

Year 2 - 2018

2.00 CONCRETE	
2.01 Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,323
3.00 IRRIGATION/LANDSCAPING/TREES	
3.01 Irrigation Replacement Allowance	\$4,120
3.02 Landscape Replacement Allowance	\$8,755
3.03 Tree Maintenance/Removal/Replanting	\$2,575
Unscheduled Expenses Related to Each Year's Projects	\$1,039
Year 2 - 2018 Total Proposed Expenditures:	\$21,812

Year 3 - 2019

2.00 CONCRETE	
2.01 Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,483
3.00 IRRIGATION/LANDSCAPING/TREES	
3.01 Irrigation Replacement Allowance	\$4,244
3.02 Landscape Replacement Allowance	\$9,018
3.03 Tree Maintenance/Removal/Replanting	\$2,652
Unscheduled Expenses Related to Each Year's Projects	\$1,070
Year 3 - 2019 Total Proposed Expenditures:	\$22,466

7.00 A PROJECTED EXPENDITURE SCHEDULE - FIRST TEN YEARS																
COMPONENT		CURRENT COST	YEAR NEW	USEFL LIFE	RMNG LIFE	YR. 1 2017	YR. 2 2018	YR. 3 2019	YR. 4 2020	YR. 5 2021	YR. 6 2022	YR. 7 2023	YR. 8 2024	YR. 9 2025	YR. 10 2026	TOTAL 10 YRS.
CODE	DESCRIPTION															
1.00	ASPHALT															
1.01	Asphalt Sealing	\$14,217	2011	6	0	\$14,217						\$16,976				\$31,192
1.02	Striping & Designations	\$1,228	2011	6	0	\$1,228						\$1,466				\$2,694
1.03	Asphalt Repairs - Minor - 5%	\$9,569	2011	6	0	\$9,569						\$11,426				\$20,995
1.04	Asphalt Repairs/Replacement/Overlay - Major	\$164,040	2011	25	19											
2.00	CONCRETE															
2.01	Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,168	2016	1	0	\$5,168	\$5,323	\$5,483	\$5,647	\$5,817	\$5,991	\$6,171	\$6,356	\$6,547	\$6,743	\$59,245
3.00	IRRIGATION/LANDSCAPING/TREES															
3.01	Irrigation Replacement Allowance	\$4,000	2016	1	0	\$4,000	\$4,120	\$4,244	\$4,371	\$4,502	\$4,637	\$4,776	\$4,919	\$5,067	\$5,219	\$45,856
3.02	Landscape Replacement Allowance	\$8,500	2016	1	0	\$8,500	\$8,755	\$9,018	\$9,288	\$9,567	\$9,854	\$10,149	\$10,454	\$10,768	\$11,091	\$97,443
3.03	Tree Maintenance/Removal/Replanting	\$2,500	2016	1	0	\$2,500	\$2,575	\$2,652	\$2,732	\$2,814	\$2,898	\$2,985	\$3,075	\$3,167	\$3,262	\$28,660
4.00	SITE COMPONENTS															
4.01	Entry Portal Column Top Lights Repair/Refurb Allowance	\$3,000	2016	15	14											
4.02	Entry Portal - Paint & Minor Concrete	\$2,616	2014	8	5						\$3,033					\$3,033
4.03	Bus Stop - Paint & Minor Repair Allowance	\$2,000	2015	8	6							\$2,388				\$2,388
UNSCHEDULED EXPENSES RELATED TO EACH YEAR'S PROJECTS			5.00%			\$2,259	\$1,039	\$1,070	\$1,102	\$1,135	\$1,321	\$2,817	\$1,240	\$1,277	\$1,316	\$0
INFLATION FACTOR			3.00%			1.00	1.03	1.06	1.09	1.13	1.16	1.19	1.23	1.27	1.30	
TOTAL PROJECTED INFLATED REPAIR/REPLACEMENT EXPENSE						\$47,441	\$21,812	\$22,466	\$23,140	\$23,834	\$27,734	\$59,154	\$26,044	\$26,826	\$27,630	\$291,506

7.00 B PROJECTED EXPENDITURE SCHEDULE - SECOND TEN YEARS																
COMPONENT		REPLACE/REPAIR CST	YEAR NEW	USEFUL LIFE	RMNG LIFE	YR. 11 2027	YR. 12 2028	YR. 13 2029	YR. 14 2030	YR. 15 2031	YR. 16 2032	YR. 17 2033	YR. 18 2034	YR. 19 2035	YR. 20 2036	TOTAL 2nd 10 Yrs
1.00	ASPHALT															
1.01	Asphalt Sealing	\$14,217	2011	6	0			\$20,270						\$24,203		\$44,473
1.02	Striping & Designations	\$1,228	2011	6	0			\$1,751						\$2,091		\$3,841
1.03	Asphalt Repairs - Minor - 5%	\$9,569	2011	6	0			\$13,643						\$16,291		\$29,934
1.04	Asphalt Repairs/Replacement/Overlay - Major	\$164,040	2011	25	19										\$287,645	\$287,645
2.00	CONCRETE															
2.01	Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,168	2016	1	0	\$6,945	\$7,154	\$7,368	\$7,589	\$7,817	\$8,052	\$8,293	\$8,542	\$8,798	\$9,062	\$79,621
3.00	IRRIGATION/LANDSCAPING/TREES															
3.01	Irrigation Replacement Allowance	\$4,000	2016	1	0	\$5,376	\$5,537	\$5,703	\$5,874	\$6,050	\$6,232	\$6,419	\$6,611	\$6,810	\$7,014	\$61,626
3.02	Landscape Replacement Allowance	\$8,500	2016	1	0	\$11,423	\$11,766	\$12,119	\$12,483	\$12,857	\$13,243	\$13,640	\$14,049	\$14,471	\$14,905	\$130,955
3.03	Tree Maintenance/Removal/Replanting	\$2,500	2016	1	0	\$3,360	\$3,461	\$3,564	\$3,671	\$3,781	\$3,895	\$4,012	\$4,132	\$4,256	\$4,384	\$38,516
4.00	SITE COMPONENTS															
4.01	Entry Portal Column Top Lights Repair/Refurb Allowance	\$3,000	2016	15	14					\$4,538						\$4,538
4.02	Entry Portal - Paint & Minor Concrete	\$2,616	2014	8	5				\$3,842							\$3,842
4.03	Bus Stop - Paint & Minor Repair Allowance	\$2,000	2015	8	6					\$3,025						\$3,025
UNSCHEDULED EXPENSES RELATED TO EACH YEAR'S PROJECTS			5.00%			\$1,355	\$1,396	\$3,221	\$1,673	\$1,903	\$1,571	\$1,618	\$1,667	\$3,846	\$16,150	\$0
INFLATION FACTOR			3.00%			1.34	1.38	1.43	1.47	1.51	1.56	1.60	1.65	1.70	1.75	
TOTAL PROJECTED INFLATED REPAIR/REPLACEMENT EXPENSE						\$28,459	\$29,313	\$67,639	\$35,132	\$39,972	\$32,992	\$33,982	\$35,001	\$80,765	\$339,160	\$688,016

7.00 C PROJECTED EXPENDITURE SCHEDULE - THIRD TEN YEARS																
COMPONENT		REPLACE/REPAIR CST	YEAR NEW	USEFUL LIFE	RMNG LIFE	YR. 21 2037	YR. 22 2038	YR. 23 2039	YR. 24 2040	YR. 25 2041	YR. 26 2042	YR. 27 2043	YR. 28 2044	YR. 29 2045	YR. 30 2046	TOTAL 3rd 10 Yrs
1.00	ASPHALT															
1.01	Asphalt Sealing	\$14,217	2011	6	0					\$28,900						\$28,900
1.02	Striping & Designations	\$1,228	2011	6	0					\$2,496						\$2,496
1.03	Asphalt Repairs - Minor - 5%	\$9,569	2011	6	0					\$19,452						\$19,452
1.04	Asphalt Repairs/Replacement/Overlay - Major	\$164,040	2011	25	19											
2.00	CONCRETE															
2.01	Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,168	2016	1	0	\$9,334	\$9,614	\$9,902	\$10,199	\$10,505	\$10,821	\$11,145	\$11,480	\$11,824	\$12,179	\$107,004
3.00	IRRIGATION/LANDSCAPING/TREES															
3.01	Irrigation Replacement Allowance	\$4,000	2016	1	0	\$7,224	\$7,441	\$7,664	\$7,894	\$8,131	\$8,375	\$8,626	\$8,885	\$9,152	\$9,426	\$82,820
3.02	Landscape Replacement Allowance	\$8,500	2016	1	0	\$15,352	\$15,813	\$16,287	\$16,775	\$17,279	\$17,797	\$18,331	\$18,881	\$19,447	\$20,031	\$175,993
3.03	Tree Maintenance/Removal/Replanting	\$2,500	2016	1	0	\$4,515	\$4,651	\$4,790	\$4,934	\$5,082	\$5,234	\$5,391	\$5,553	\$5,720	\$5,891	\$51,763
4.00	SITE COMPONENTS															
4.01	Entry Portal Column Top Lights Repair/Refurb Allowance	\$3,000	2016	15	14										\$7,070	\$7,070
4.02	Entry Portal - Paint & Minor Concrete	\$2,616	2014	8	5		\$4,867								\$6,165	\$11,031
4.03	Bus Stop - Paint & Minor Repair Allowance	\$2,000	2015	8	6			\$3,832								\$3,832
UNSCHEDULED EXPENSES RELATED TO EACH YEAR'S PROJECTS			5.00%			\$1,821	\$2,119	\$2,124	\$1,990	\$4,592	\$2,111	\$2,175	\$2,240	\$2,307	\$3,038	\$0
INFLATION FACTOR			3.00%			1.81	1.86	1.92	1.97	2.03	2.09	2.16	2.22	2.29	2.36	
TOTAL PROJECTED INFLATED REPAIR/REPLACEMENT EXPENSE						\$38,247	\$44,504	\$44,600	\$41,793	\$96,438	\$44,339	\$45,669	\$47,039	\$48,450	\$63,800	\$490,360

8.00 PROCEDURES & METHODOLOGIES

DAVIS-STIRLING ACT PROCEDURES & REQUIREMENTS

Current Davis-Stirling statutes 5300 & 5550 ((old 1365 & 1365.5)) require the Association to Review the Reserve Study on an annual basis and implement any necessary adjustments regarding component performance, replacement and/or deferral; as well as recalculation of financial figures based on that review and current financial data. Additionally, Statute 5550 ((old 1365.5)) continues to require a Site Inspection based Update of the complete Study at a minimum every three years. The Reserve Study is to include:

- Identification of the major components.
- Establishment of reasonable life expectancies and remaining life of all components.
- Projected estimated cost of all repair and replacements.
- Development of a 30 year Funding Plan which identifies date and amount of regular and special assessments.
- Calculation of Percent Funded and amount of per unit deficiency.
- Statement of methodology.
- Additionally, calculation of 5570 ((old 1365.2.5)) Reserve Summary and Disclosure Document.

SCOPE OF STUDY

The time frame covered by this analysis is from 2017 through 2046. These are the beginning and ending points for all repairs and replacements included in the 30 Year Funding Plan included in this study.

STATEMENT OF RESERVE STUDY METHODOLOGY

The components included in this analysis were identified by age, quantity, and type. Upon completion of the component list and the Reserve Fund Requirement Analysis, the report was presented to the Homeowners Association's Board for approval. The following sources were used, when applicable, to make our determinations:

- Original plans and specifications
- Original contractors, current contractors and vendors
- Association maintenance staff
- Association management
- Association Board of Directors

While gathering this information there were some assumptions made regarding existing conditions, future conditions and additional circumstances that may occur that would affect the cost of repairs. Some of these assumptions may come true and others may not; therefore, the cost of repairs and life of certain components could vary substantially. Life expectancies of all components were based on industry standard experiences, and on the components being in reasonable and ordinary condition.

All component conditions were based on visual inspection. There was no disassembly of components or demolition involved. This report does not address any factory or product defects or any damage due to improper maintenance, system design, or installation. It's also assumed all components will receive reasonable maintenance for their remaining life.

Only components that met the following criteria were included in this report:

- The component maintenance is the responsibility of the Association.
- The component is not covered by the Association's Annual Operating Budget.
- The component's useful life is greater than one year, except in the case of variable ongoing repair of a major component
- The component has an identifiable expected cost and replacement cost.
- Inclusion in the Funding plan requires the component's remaining estimated useful life is less than 30 years.

The Reserve Study includes a 30 year component expenditure projection from which a Funding Plan was developed which proposes a "schedule of the date and amount of any change in regular or special assessments that would be needed to sufficiently fund the Reserve Funding Plan." The premise of this replacement cost projection is to ensure a positive cash balance in the Reserve Fund Account that will enable the Association to fulfill its "obligation for the repair and replacement of all major components with an expected remaining life of 30 years or less." It is equally important that a positive cash fund be maintained without relying on Special Assessments or overfunding of Reserves. The cost projections in this report are inflated based on an "assumed long-term inflation rate" based on a 30 year average and adjusted for local economies. The Funding Plan in this report includes an "assumed long-term interest rate" which is not to exceed "2% above the discount rate published by the Federal Reserve Bank of San Francisco." Both rates were reviewed in the Preliminary Draft and approved by the Board of Directors.

9.00**COMPONENT DATA**

CODE #	COMPONENT NAME	YEAR NEW	EXPECT. LIFE	CONDITION DESCRIPTION	INCLUDE NOTES	ITEM QUAN.	UM	UNIT COST	TOTAL COST
1.00	ASPHALT								
1.01	Asphalt Sealing	2011	6	FAIR		54680	S.F.	\$0.26	\$14,217
1.02	Striping & Designations	2011	6	FAIR		1228	L.F.	\$1.00	\$1,228
1.03	Asphalt Repairs - Minor ~ 5%	2011	6	AS NEEDED		2734	S.F.	\$3.50	\$9,569
1.04	Asphalt Repairs/Replacement/Overlay - Major	2011	25	GOOD		54680	L.S.	\$3.00	\$164,040
2.00	CONCRETE								
2.01	Sidewalks - Repair/Replace Allowance (Inventory in Note)	2016	1	AS NEEDED	Yes	1	L.S.	\$5,168.00	\$5,168
3.00	IRRIGATION/LANDSCAPING/TREES								
3.01	Irrigation Replacement Allowance	2016	1	ONGOING	Yes	1	L.S.	\$4,000.00	\$4,000
3.02	Landscape Replacement Allowance	2016	1	ONGOING	Yes	1	L.S.	\$8,500.00	\$8,500
3.03	Tree Maintenance/Removal/Replanting	2016	1	ONGOING	Yes	1	L.S.	\$2,500.00	\$2,500
4.00	SITE COMPONENTS								
4.01	Entry Portal Column Top Lights Repair/Refurb Allowance	2016	15	AS NEEDED		4	EA	\$750.00	\$3,000
4.02	Entry Portal - Paint & Minor Concrete	2014	8	GOOD		1308	S.F.	\$2.00	\$2,616
4.03	Bus Stop - Paint & Minor Repair Allowance	2015	8	GOOD		1	L.S.	\$2,000.00	\$2,000

GENERAL NOTES:

1. Where component replacement dates were unavailable, assumptions were made based on the visual condition of the component and its statistical life expectancy.
2. The use of a 0 year life expectancy in this report indicates a project and expenditure intended to occur only one time in the year shown as year new.
3. Per Davis-Stirling Act 5550 ((old 1365.5)), inspections and subsequent condition reports contained within this report were based on visual identification and inspection of accessible areas only. No destructive testing was performed during this inspection.
4. Based on #3, AS APPLICABLE to this property, the Board may want to seek appropriate expert inspection, testing, and opinions for the following component areas. These may include, but are not restricted to:
 - A) Defective construction and component installation
 - B) Dry rot damage
 - C) Pest infestation
 - D) Mold infestation
 - E) Moisture penetration
 - F) Roof inspection and repair
 - G) Balcony, deck and stair condition
 - H) Siding and trim condition
 - I) Window and door installation
5. Units of Measurement abbreviations:
 - L.F. = Linear Feet
 - S.F. = Square Feet
 - S.Y. = Square Yard
 - EA = Each
 - L.S. = Lump Sum
6. Condition Description Rating Guidelines:
 - GOOD = In first ~10% of its Expected Life, and visually in NEW condition.
 - GOOD/FAIR = Between ~10% and 35% of its Expected Life, visually still LIKE new, but not brand new.
 - FAIR = Between ~35% and 65% of its Expected Life, perfectly "operational", but visually showing some deterioration.
 - FAIR/POOR = Between ~65% and 90% of its Expected Life, still functional, but visual deterioration easily found and the need for repair and/or replacement should be monitored closely.
 - POOR = In final ~10% of its Life, is visibly failing, and/or a potential safety hazard -- replace ASAP.
 - AS NEEDED = Component is either a budget allowance of funds for ongoing repair/replacement in the future; or a component that should be replaced whenever it is warranted.
 - PROPOSED = The replacement date for this component has been proposed in the future by the Board of Directors and/or representative.
 - IN PROGRESS = The component is currently being investigated, repaired and/or replaced; and the next Reserve Study Update will incorporate the final details.

Please continue to following page(s) for specific component related inventories and notes:

SPECIFIC NOTES:

MAIN HEADING: 2.00 CONCRETE

SUB HEADING: 2.01 SIDEWALKS - REPAIR/REPLACE ALLOWANCE (INVENTORY IN NOTE

The Association is responsible for the following total approximate square footage of concrete sidewalks, which includes some inlaid brick work along the Junipero Serra area:

320 S.F. Replace - Monterey Blvd. (Northern)	\$15.00	\$4,800.00
10016 S.F. Replace - Main (Middle)	\$15.00	\$150,240.00
5152 S.F. Replace - Southern	\$15.00	\$77,280.00
4021 S.F. Replace - Junipero Serra (Western)	\$15.00	\$60,315.00
		<u>\$155,040.00</u>

However, as a one time replacement is unnecessary and unrealistic, this line item is organized to allow for annual identification and replacement of failed areas. The current annual replacement \$ amount is a budgetary average based on research and recommendations by the Board. This \$ amount will likely fluctuate based on need from year to year, but is intended to be an appropriate average over the next 30 years. The amount should be reviewed and adjusted in the future to reflect evolving conditions.

MAIN HEADING: 3.00 IRRIGATION/LANDSCAPING/TREES

SUB HEADING: 3.01 IRRIGATION REPLACEMENT ALLOWANCE

SUB HEADING: 3.02 LANDSCAPE REPLACEMENT ALLOWANCE

SUB HEADING: 3.03 TREE MAINTENANCE/REMOVAL/REPLANTING

The above three categories are organized as an ongoing allowance of funds to repair and replace the Association's total responsibilities overtime. Through ongoing repair and replacement the need for larger scale removal and replacements should be extended and/or maximized. Operating funds will also be allocated for routine maintenance.

8967 Landscape/Green Strips - Replace - Main Promc	\$10.00	\$89,671.60
4402 Landscape/Green Strips - Replace - Southern Pr	\$10.00	\$44,018.60
3188 Landscape/Green Strips - Replace - Monterey B	\$7.50	\$23,910.00
9400 Landscape/Green Strips - Replace - Junipero Se:	\$7.50	\$70,500.00
		<u>\$133,690.20</u>

However, as a one time replacement is unrealistic, this line items are organized to allow for annual identification and replacement of failed areas. The current annual replacement \$ amount is a budgetary average based on research and recommendations by the Board. This \$ amount will likely fluctuate based on need from year to year, but is intended to be an appropriate average over the next 30 years. The amount should be reviewed and adjusted in the future to reflect evolving conditions.

11.00 PERCENT FUNDED CALCULATION

Code #	Component Description	2016 End Req'd in Bank	Year New	Useful Life	Rmng. (2017)	Current Cost	Annual Allocation	2017 End Req'd in Bank
1.00	ASPHALT							
1.01	Asphalt Sealing	\$11,847	2011	6	0	\$14,217	\$2,369	\$0
1.02	Striping & Designations	\$1,023	2011	6	0	\$1,228	\$205	\$0
1.03	Asphalt Repairs - Minor ~ 5%	\$7,974	2011	6	0	\$9,569	\$1,595	\$0
1.04	Asphalt Repairs/Replacement/Overlay - Major	\$32,808	2011	25	19	\$164,040	\$6,562	\$39,370
	Category Sub-Total	\$53,653				\$189,054	\$10,731	\$39,370
2.00	CONCRETE							
2.01	Sidewalks - Repair/Replace Allowance (Inventory in Note)	\$5,168	2016	1	0	\$5,168	\$5,168	\$5,168
	Category Sub-Total	\$5,168				\$5,168	\$5,168	\$5,168
3.00	IRRIGATION/LANDSCAPING/TREES							
3.01	Irrigation Replacement Allowance	\$4,000	2016	1	0	\$4,000	\$4,000	\$4,000
3.02	Landscape Replacement Allowance	\$8,500	2016	1	0	\$8,500	\$8,500	\$8,500
3.03	Tree Maintenance/Removal/Replanting	\$2,500	2016	1	0	\$2,500	\$2,500	\$2,500
	Category Sub-Total	\$15,000				\$15,000	\$15,000	\$15,000
4.00	SITE COMPONENTS							
4.01	Entry Portal Column Top Lights Repair/Refurb Allowance	\$0	2016	15	14	\$3,000	\$200	\$200
4.02	Entry Portal - Paint & Minor Concrete	\$654	2014	8	5	\$2,616	\$327	\$981
4.03	Bus Stop - Paint & Minor Repair Allowance	\$250	2015	8	6	\$2,000	\$250	\$500
	Category Sub-Total	\$904				\$7,616	\$777	\$1,681
						Total Value of Components:	\$216,838	
						Annual Straight-Line Allocation:	\$31,676	
		2016 End						2017 End
	Total Dollars Necessary to be 100% Funded:	\$74,725						\$61,219
	Actual Dollars In Reserve Fund:	\$111,510						\$89,016
	Current Fund Deficiency:	\$0						\$0
	Current Per Unit Deficiency:	\$0						\$0
	Percent Funded:	100.00%						100.00%

(Actual dollars/Total Dollars Necessary)

STEPS FOR DETERMINING PERCENT FUNDED:

- Step 1: Calculate for each component a required contribution on a "straight-line" funding methodology. (total component cost divided by the life expectancy of the component)
- Step 2: Calculate the required dollars in Reserves for each component. (required annual contribution multiplied by the component's life in service)
- Step 3: Total the required dollars for each component to arrive at "required dollars in bank".
- Step 4: Divide actual dollars in bank by required dollars in bank to arrive at percent funded calculation.

This report includes, but is not limited to*, reserve calculations made using the formula described in section 5570(b)(4) ((old 1365.2.5(b)(4)) of the Davis-Stirling Act:

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. **This shall not be construed to require the board to fund reserves in accordance with this calculation.**

* The future funding levels developed in the Funding Plan of this Reserve Study are derived through cash flow funding calculations.