

RESERVE STUDY

for the

Round Hill Estates - North

PROPERTY OWNERS ASSOCIATION

Date Prepared: **05/09/06** *for Fiscal Year 2006-2007*

Prepared By:

John D. Beatty & Company

111 Deerwood Road, Suite 380

San Ramon, CA 94583

(925) 831-1803

Fax (925) 831-2493

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Reserve Study

This report documents the results of a reserve study performed by John D. Beatty & Company for the Round Hill Estates Property Owners Association in Alamo, California. It provides an analysis of the repair and replacement requirements for the association's major components and recommends a funding plan to meet those obligations. This study was performed in compliance with California Civil Code sections 1365 and 1365.5. The intent of this legislation is to insure that associations maintain a plan to meet all future obligations for major component maintenance. The essential elements of this legislation are:

1. Identification of the major components which the association is obligated to maintain
2. Current estimate of the useful life of each component
3. Current estimate of the remaining life of each component
4. Current estimate of the replacement cost of each component
5. Current estimate of the total annual contribution necessary to maintain the major components
6. Current estimate of the amount of cash reserves necessary to maintain the major components
7. Disclosure of the current amount of accumulated cash reserves actually funded
8. Disclosure of the percentage of reserves actually funded
9. Disclosure of any determined or anticipated special assessments
10. A general statement of methodology

SCOPE

This study is aligned with the association's fiscal year and establishes July 1, 2006 through June 30, 2036 as the period of time for which reserve expenditures and reserve fund balances are projected.

METHODOLOGY

A cash flow methodology was used to determine the annual reserve contribution. The underlying premise of this reserve funding approach is to establish a contribution level that will allow the association to maintain a positive balance in the reserve fund while meeting all anticipated maintenance obligations. The cash flow method allows the association to achieve this goal without the unnecessary overfunding of reserves. Also, as the interest earned on the reserve fund will not totally offset inflation, projections were made using the current inflation factor and an average interest rate on fully insured certificates of deposit.

In preparing this study, a comprehensive list of major components was developed and information was compiled on the type, number, age and cost of each of these components. In gathering this data, certain assumptions were made about costs, conditions, and future events and circumstances that may occur. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations could be material. All life expectancies were based on reasonable industry experience for equipment and material and, unless specifically noted, all components were in a reasonable and ordinary condition.

This study was limited to a visual inspection of the property and as such did not disturb the major components. Therefore, all common areas for which there is no access without defacement are specifically omitted. However, if sufficient historical data were available that would allow a reasonable projection of future expenditures for any unobservable components e.g., plumbing or electrical wiring, those components could be included in this report.

Since no destructive testing was undertaken, this study does not purport to address any latent and/or patent defects, nor does it address any life expectancies that are abnormally short due to either improper design or installation, or to subsequent improper maintenance. It is assumed that all components are to be reasonably maintained for the remainder of their life expectancy.

For a component to be included in this study, the following criteria must be met:

1. The maintenance of the component is the responsibility of the association;
2. The maintenance of the component is not included in the annual operating budget;
3. The estimated useful life of the component is greater than one year; and
4. The estimated remaining life of the component is less than 30 years.

This study is intended to reflect the estimated replacement cost of the components and is not intended to project the actual cost of the work when performed. This limitation is necessary, as it is virtually impossible to predict with any degree of certainty the myriad factors that will impact costs at a future date. Because of this qualification, it is necessary for the results of this study to be reviewed annually to reflect any meaningful changes in use or significant increases in labor and/or materials costs.

The funding for this study has a threshold margin of 10%. This means that the projected ending balance for each fiscal year is at least 10% of the projected expenditures for the same year. This margin provides for any unforeseen or out of the ordinary repair or replacement expense. Additionally, it can be used in subsequent years as a source of funds for reallocation of the life cycles should the aging of any components be abnormally accelerated.

FINDINGS

The findings of this study indicate that it will be necessary to adjust the annual reserve contribution as indicated on pages 6-8 of this report in order to meet projected expenditures and keep pace with inflation. For fiscal year 2006-2007 an increase of 4.0% is required in the reserve contribution. This results in an increase of 1.0% in the overall assessment for that year. These findings are based upon the following:

1. Projected reserve fund balance as of July 1, 2006\$304,179
2. Reserve contribution for fiscal year 2005-2006\$47,792
3. Reserve contribution for fiscal year 2006-2007\$49,704
4. Assumed annual inflation rate 3%
5. All "after tax" interest earned on reserve fund investments will be retained in the reserve fund.

DISCLOSURES

This plan provides adequate funds to meet projected expenditures without relying on special assessments or increases in regular assessments that require a vote of the membership. Based on the assumption that the association will fund reserves in accordance with this plan, which includes those increases indicated above, the percent funded was calculated in the following manner:

<u>Accumulated Cash Reserves (Numerator)</u>	
Projected reserve fund balance as of July 1, 2006.....	\$304,179
<u>Accrued Liability (Denominator)</u> (Refer to page 10 of this report)	
Estimate of the amount of cash necessary to repair, replace, restore or maintain the association's major components as of July 1, 2006	\$204,238
Percent Funded.....	149%

This Reserve Study was reviewed and approved by the Board of Directors for the Round Hill Estates Property Owners Association.

Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
		Repair/Replace Cost	Usfl Life	Rmng Life	Jul 1 Jun 30	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016		
FENCING & WALLS:																	
1 - Entry Monument Repair		2,575	10	3				2,732									
2 - Retaining Wall Repair - Small	10%	3,090	10	3				3,278									
3 - Retaining Wall Repair - Large	10%	12,257	10	3				13,003									
HILLSIDE IMPROVEMENTS:																	
4 - Erosion Control Fund		51,500	10	3				54,636									
5 - Silt Removal Program		5,150	3	3				5,464		5,970				6,524			
6 - Slope Repairs		36,050	10	3				38,245									
7 - V-Ditch Repairs	10%	11,727	10	3				12,441									
LANDSCAPING:																	
8 - Backflow Devices Replace		876	10	10											1,142		
9 - Irrigation Timers		4,635	10	7							5,534						
10 - Irrigation Valves		412	10	3				437									
11 - Plant Stock - Replenishment		2,575	5	3				2,732					3,167				
12 - Tree Stock - Adds / Removals		5,150	5	3				5,464					6,334				
LIGHT FIXTURES:																	
13 - Entry Monument Lights Replace		6,180	20	6						7,164							
14 - Landscape Lighting Upgrades		3,605	20	2			3,713										
PAVED SURFACES:																	
15 - Asphalt Major Repairs	33%	274,639	24	18													
16 - Asphalt Minor Repairs	10%	82,400	12	6						95,524							
17 - Asphalt Sealcoat & Stripe		32,000	6	6						37,097							
18 - Concrete Curb & Gutter Rep.	5%	6,824	6	6						7,911							
MISCELLANEOUS:																	
19 - Reserve Study Updates		1,030	3	3				1,093		1,194				1,305			
TOTAL EXPENDITURES		542,674						2,059	5,834	141,710	2,250	2,318	157,248	7,993	12,034	10,437	3,829

Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Fiscal Year	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
		Repair/Replace Cost	Usfl Life	Rmng Life	Jul 1 Jun 30	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025	2025 2026
FENCING & WALLS:															
1 - Entry Monument Repair		2,575	10	3				3,671							
2 - Retaining Wall Repair - Small	10%	3,090	10	3			4,406								
3 - Retaining Wall Repair - Large	10%	12,257	10	3			17,476								
HILLSIDE IMPROVEMENTS:															
4 - Erosion Control Fund		51,500	10	3				73,427							
5 - Silt Removal Program		5,150	3	3			7,129			7,790		8,512			
6 - Slope Repairs		36,050	10	3				51,399							
7 - V-Ditch Repairs	10%	11,727	10	3				16,719							
LANDSCAPING:															
8 - Backflow Devices Replace		876	10	10											1,535
9 - Irrigation Timers		4,635	10	7							7,438				
10 - Irrigation Valves		412	10	3				587							
11 - Plant Stock - Replenishment		2,575	5	3				3,671					4,256		
12 - Tree Stock - Adds / Removals		5,150	5	3				7,343					8,512		
LIGHT FIXTURES:															
13 - Entry Monument Lights Replace		6,180	20	6											
14 - Landscape Lighting Upgrades		3,605	20	2											
PAVED SURFACES:															
15 - Asphalt Major Repairs	33%	274,639	24	18									453,937		
16 - Asphalt Minor Repairs	10%	82,400	12	6									136,195		
17 - Asphalt Sealcoat & Stripe		32,000	6	6			44,295						52,891		
18 - Concrete Curb & Gutter Rep.	5%	6,824	6	6			9,446						11,279		
MISCELLANEOUS:															
19 - Reserve Study Updates		1,030	3	3			1,426			1,558			1,702		
TOTAL EXPENDITURES		542,674				2,768	65,146	181,635	3,024	12,463	3,208	10,742	680,688	3,506	5,146

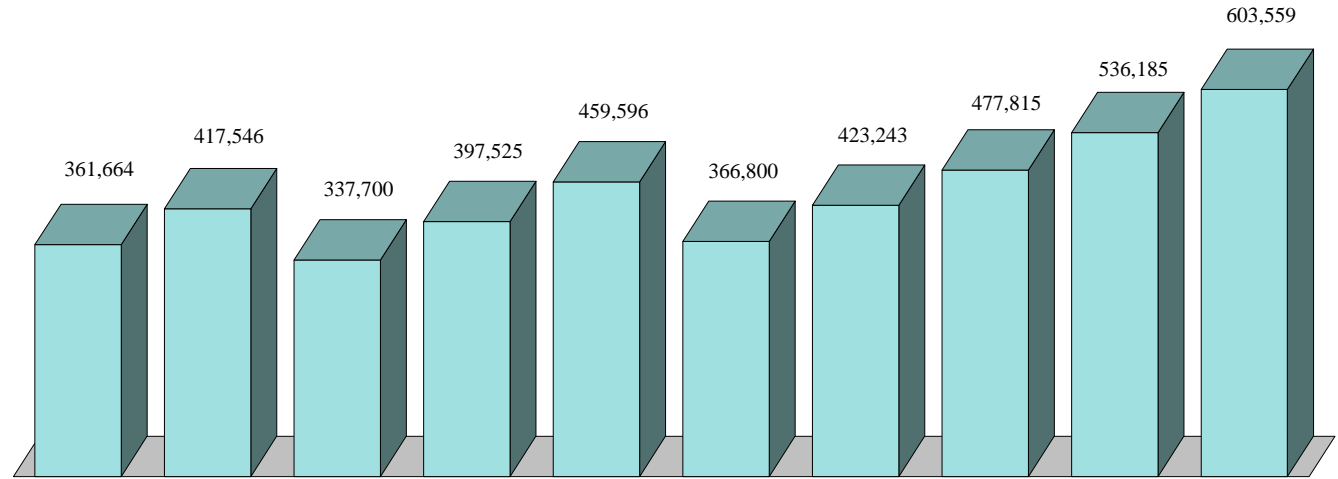
Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Fiscal Year	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
		Repair/Replace Cost	Usfl Life	Rmng Life	Jul 1 Jun 30	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
FENCING & WALLS:															
1 - Entry Monument Repair		2,575	10	3				4,934							
2 - Retaining Wall Repair - Small	10%	3,090	10	3			5,921								
3 - Retaining Wall Repair - Large	10%	12,257	10	3			23,486								
HILLSIDE IMPROVEMENTS:															
4 - Erosion Control Fund		51,500	10	3				98,679							
5 - Silt Removal Program		5,150	3	3		9,301		10,164			11,106				12,136
6 - Slope Repairs		36,050	10	3			69,076								
7 - V-Ditch Repairs	10%	11,727	10	3			22,469								
LANDSCAPING:															
8 - Backflow Devices Replace		876	10	10											2,063
9 - Irrigation Timers		4,635	10	7							9,996				
10 - Irrigation Valves		412	10	3				789							
11 - Plant Stock - Replenishment		2,575	5	3				4,934					5,720		
12 - Tree Stock - Adds / Removals		5,150	5	3				9,868					11,440		
LIGHT FIXTURES:															
13 - Entry Monument Lights Replace		6,180	20	6							12,940				
14 - Landscape Lighting Upgrades		3,605	20	2			6,706								
PAVED SURFACES:															
15 - Asphalt Major Repairs	33%	274,639	24	18											
16 - Asphalt Minor Repairs	10%	82,400	12	6											194,181
17 - Asphalt Sealcoat & Stripe		32,000	6	6				63,155							75,410
18 - Concrete Curb & Gutter Rep.	5%	6,824	6	6				13,467							16,081
MISCELLANEOUS:															
19 - Reserve Study Updates		1,030	3	3		1,860			2,033			2,221			2,427
TOTAL EXPENDITURES		542,674				14,881	10,537	244,102	92,883	4,186	17,251	27,765	21,734	4,712	307,151

Funding Plan

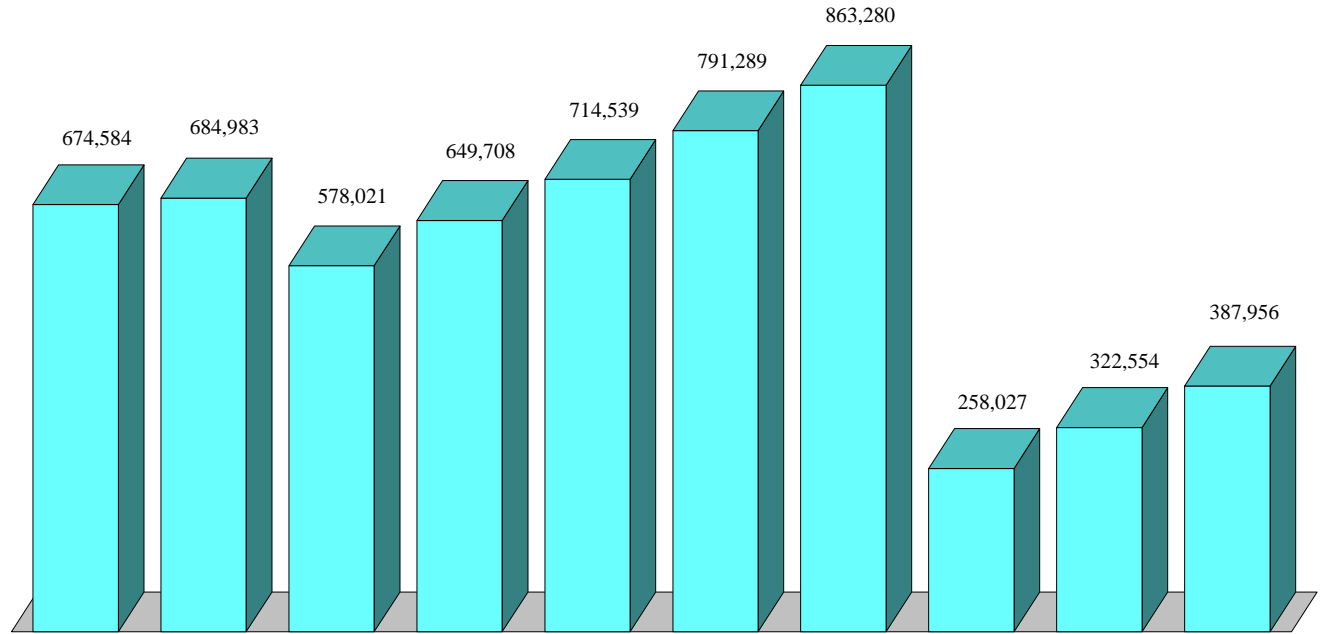
Projected Cash Balance



Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jul 1	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Jun 30	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
BEGINNING BALANCE	304,179	361,664	417,546	337,700	397,525	459,596	366,800	423,243	477,815	536,185
EXPENDITURES (inflated \$)	3.0%	2,059	5,834	141,710	2,250	2,318	157,248	7,993	12,034	10,437
RESERVE CONTRIBUTION	49,704	50,201	50,703	51,210	51,722	52,239	52,761	53,289	53,822	54,360
Per Unit Per Month (154 units)	26.90	27.16	27.44	27.71	27.99	28.27	28.55	28.84	29.12	29.42
Percentage Increase to Reserves	4.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Percentage Increase to Total Assessment	1.0	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
SPECIAL ASSESSMENTS	0	0	0	0	0	0	0	0	0	0
INTEREST	3.0%	9,840	11,515	11,161	10,865	12,667	12,213	11,676	13,316	14,985
ENDING BALANCE	361,664	417,546	337,700	397,525	459,596	366,800	423,243	477,815	536,185	603,559

Funding Plan

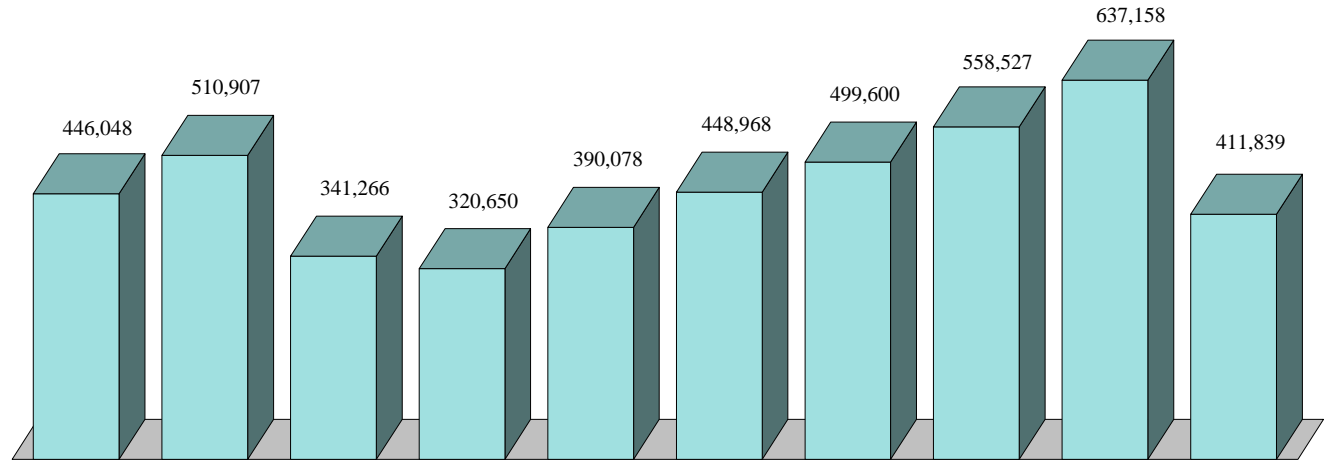
Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jul 1		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Jun 30		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
BEGINNING BALANCE		603,559	674,584	684,983	578,021	649,708	714,539	791,289	863,280	258,027	322,554
EXPENDITURES (inflated \$)	3.0%	2,768	65,146	181,635	3,024	12,463	3,208	10,742	680,688	3,506	5,146
RESERVE CONTRIBUTION		54,904	55,453	56,007	56,567	57,133	57,704	58,281	58,864	59,453	60,047
Per Unit Per Month (154 units)		29.71	30.01	30.31	30.61	30.92	31.23	31.54	31.85	32.17	32.49
Percentage Increase to Reserves		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Percentage Increase to Total Assessment		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	3.0%	18,889	20,092	18,665	18,144	20,161	22,254	24,452	16,571	8,580	10,500
ENDING BALANCE		674,584	684,983	578,021	649,708	714,539	791,289	863,280	258,027	322,554	387,956

Funding Plan

Projected Cash Balance



Fiscal Year		(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Jul 1		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Jun 30		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BEGINNING BALANCE		387,956	446,048	510,907	341,266	320,650	390,078	448,968	499,600	558,527	637,158
EXPENDITURES (inflated \$)	3.0%	14,881	10,537	244,102	92,883	4,186	17,251	27,765	21,734	4,712	307,151
RESERVE CONTRIBUTION		60,648	61,254	61,867	62,486	63,110	63,742	64,379	65,023	65,673	66,330
Per Unit Per Month (154 units)		32.82	33.15	33.48	33.81	34.15	34.49	34.84	35.19	35.54	35.89
Percentage Increase to Reserves		1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Percentage Increase to Total Assessment		0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	3.0%	12,325	14,142	12,594	9,782	10,503	12,400	14,018	15,637	17,670	15,502
ENDING BALANCE		446,048	510,907	341,266	320,650	390,078	448,968	499,600	558,527	637,158	411,839

Component Quantification

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current Repair/Replace Cost	Estimated Usfl Life	Rmng Life	Quantity	Unit of Measurement	Unit Cost	Notes
FENCING & WALLS:								
1 - Entry Monument Repair		2,575	10	3	1	fund	2,575.00	
2 - Retaining Wall Repair - Small	10%	3,090	10	3	500	linear feet	61.80	
3 - Retaining Wall Repair - Large	10%	12,257	10	3	1,400	linear feet	87.55	
HILLSIDE IMPROVEMENTS:								
4 - Erosion Control Fund		51,500	10	3	1	fund	51,500.00	
5 - Silt Removal Program		5,150	3	3	1	fund	5,150.00	
6 - Slope Repairs		36,050	10	3	1	fund	36,050.00	
7 - V-Ditch Repairs	10%	11,727	10	3	6,325	linear feet	18.54	
LANDSCAPING:								
8 - Backflow Devices Replace		876	10	10	1	device	875.50	
9 - Irrigation Timers		4,635	10	7	3	timers	1,545.00	
10 - Irrigation Valves		412	10	3	1	fund	412.00	
11 - Plant Stock - Replenishment		2,575	5	3	1	fund	2,575.00	
12 - Tree Stock - Adds / Removals		5,150	5	3	1	fund	5,150.00	
LIGHT FIXTURES:								
13 - Entry Monument Lights Replace		6,180	20	6	1	package	6,180.00	
14 - Landscape Lighting Upgrades		3,605	20	2	1	package	3,605.00	
PAVED SURFACES:								
15 - Asphalt Major Repairs	33%	274,639	24	18	200,000	square feet	4.12	
16 - Asphalt Minor Repairs	10%	82,400	12	6	200,000	square feet	4.12	
17 - Asphalt Sealcoat & Stripe		32,000	6	6	200,000	square feet	0.16	
18 - Concrete Curb & Gutter Rep.	5%	6,824	6	6	13,250	square feet	10.30	
MISCELLANEOUS:								
19 - Reserve Study Updates		1,030	3	3	1	report	1,030.00	

Accrued Liability

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Annual Liability	Accrued Liability
		Repair/Replace Cost	Usfl Life	Rmng Life		
FENCING & WALLS:						
1 - Entry Monument Repair		2,575	10	3	258	1,803
2 - Retaining Wall Repair - Small	10%	3,090	10	3	309	2,163
3 - Retaining Wall Repair - Large	10%	12,257	10	3	1,226	8,580
HILLSIDE IMPROVEMENTS:						
4 - Erosion Control Fund		51,500	10	3	5,150	36,050
5 - Silt Removal Program		5,150	3	3	1,717	0
6 - Slope Repairs		36,050	10	3	3,605	25,235
7 - V-Ditch Repairs	10%	11,727	10	3	1,173	8,209
LANDSCAPING:						
8 - Backflow Devices Replace		876	10	10	88	0
9 - Irrigation Timers		4,635	10	7	464	1,391
10 - Irrigation Valves		412	10	3	41	288
11 - Plant Stock - Replenishment		2,575	5	3	515	1,030
12 - Tree Stock - Adds / Removals		5,150	5	3	1,030	2,060
LIGHT FIXTURES:						
13 - Entry Monument Lights Replace		6,180	20	6	309	4,326
14 - Landscape Lighting Upgrades		3,605	20	2	180	3,245
PAVED SURFACES:						
15 - Asphalt Major Repairs	33%	274,639	24	18	11,443	68,660
16 - Asphalt Minor Repairs	10%	82,400	12	6	6,867	41,200
17 - Asphalt Sealcoat & Stripe		32,000	6	6	5,333	0
18 - Concrete Curb & Gutter Rep.	5%	6,824	6	6	1,137	0
MISCELLANEOUS:						
19 - Reserve Study Updates		1,030	3	3	343	0
UNSCHEDULED.....	5%					
		542,674			41,187	204,238