

RESERVE STUDY SUMMARY

for

Round Hill Estates - North

PROPERTY OWNERS ASSOCIATION

Date Prepared: *03/09/09 for fiscal year 2009-2010*

Prepared By:

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Reserve Study Summary

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, 2009 through June 30, 2019 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 a contingency 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 4-6 of this report in order to meet projected expenditures and keep pace with inflation. For fiscal year 2009-2010 a decrease of <15.0%> is recommended in the reserve contribution. These findings are based upon the following:

1. Projected reserve fund balance as of July 1, 2009\$431,100
2. Reserve contribution for fiscal year 2008-2009\$62,205
3. Reserve contribution for fiscal year 2009-2010\$52,874
4. Assumed annual inflation rate..... 3.5%
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, 2009.....	\$431,100	
<u>Accrued Liability (Denominator)</u>		
Estimate of the amount of cash necessary to repair, replace, restore or maintain the association's major components as of July 1, 2009	\$284,654	
Percent Funded.....	<table border="1"><tr><td style="text-align: center;">100+%</td></tr></table>	100+%
100+%		

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

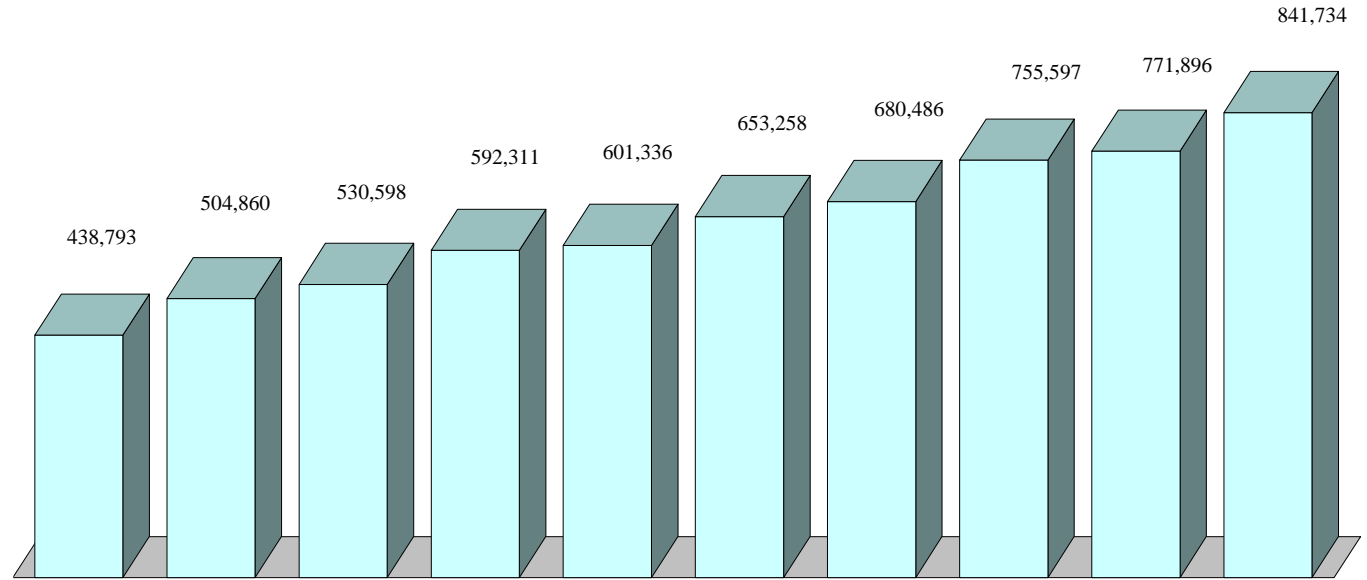
Projected Expenditures

Assumed Annual Inflation Rate..... 3.5%

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	2009 2010	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018
FENCING & WALLS:														
1 - Entry Monument Repair		2,869	10	5					3,292					
2 - Retaining Wall Repair - Small	10%	3,443	10	3			3,688							
3 - Retaining Wall Repair - Large	10%	13,656	10	3			14,628							
HILLSIDE IMPROVEMENTS:														
4 - Erosion Control Fund		51,750	10	5					59,384					
5 - Silt Removal Program		5,738	3	0	5,738			6,361		7,053				7,820
6 - Slope Repairs		46,575	10	9									61,330	
7 - V-Ditch Repairs	10%	13,067	10	3			13,998							
LANDSCAPING:														
8 - Backflow Devices Replace	33%	1,436	5	5					1,647					1,956
9 - Irrigation Timers	33%	1,188	5	4				1,317					1,564	
10 - Irrigation Valves	10%	2,327	2	2		2,408		2,579		2,763		2,960		3,171
11 - Plant Stock Maintenance		2,869	5	0	2,869					3,407				
12 - Tree Stock Maintenance		5,738	5	0	5,738					6,814				
LIGHT FIXTURES:														
13 - Entry Monument Lights Replace		6,885	20	3			7,376							
14 - Landscape Lighting Upgrades		4,016	20	3			4,302							
PAVED SURFACES:														
15 - Asphalt Major Repairs	33%	275,972	24	15										
16 - Asphalt Minor Repairs	10%	82,800	12	1	11,000									
17 - Asphalt Sealcoat & Stripe		34,000	6	1	34,000						41,795			
18 - Concrete Curb & Gutter Rep.	5%	7,606	6	6						9,033				
OTHER:														
19 - Reserve Study Updates		250	1	1	250	259	268	277	287	297	307	318	329	341
20 - Reserve Study Updates Inspection		500	3	3			536			594			658	
UNSCHEDULED.....	5%	2,644	1	1	2,644	2,644	2,644	2,644	2,644	2,644	2,644	2,644	2,644	2,710
TOTAL EXPENDITURES		565,326			62,238	5,310	47,439	13,179	67,254	25,552	51,799	5,922	66,526	15,998

Funding Plan

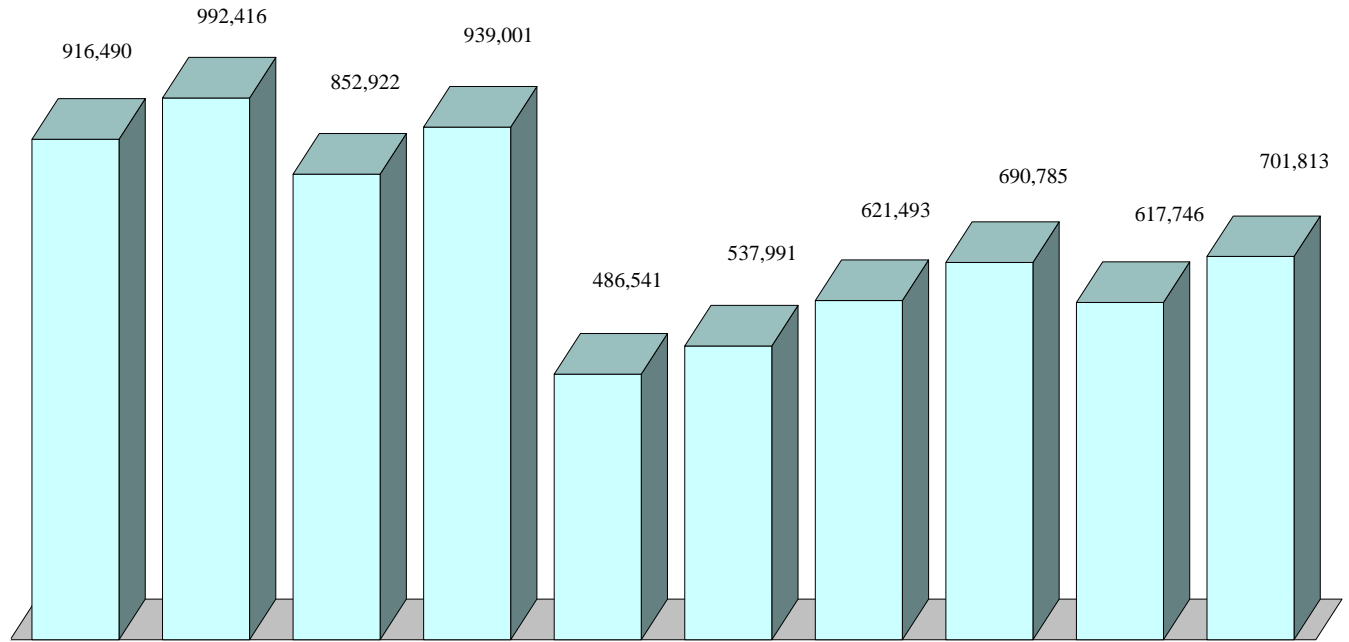
Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jul 1		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Jun 30		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
BEGINNING BALANCE		431,100	438,793	504,860	530,598	592,311	601,336	653,258	680,486	755,597	771,896
EXPENDITURES (inflated \$)	3.5%	62,238	5,310	47,439	13,179	67,254	25,552	51,799	5,922	66,526	15,998
RESERVE CONTRIBUTION		52,874	52,874	52,874	52,874	52,874	52,874	52,874	52,874	52,874	54,196
Per Unit Per Month (154 units)		28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	28.61	29.33
Percentage Increase to Reserves		(15.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	4.0%	17,057	18,503	20,303	22,018	23,405	24,600	26,152	28,158	29,951	31,640
ENDING BALANCE		438,793	504,860	530,598	592,311	601,336	653,258	680,486	755,597	771,896	841,734

Funding Plan

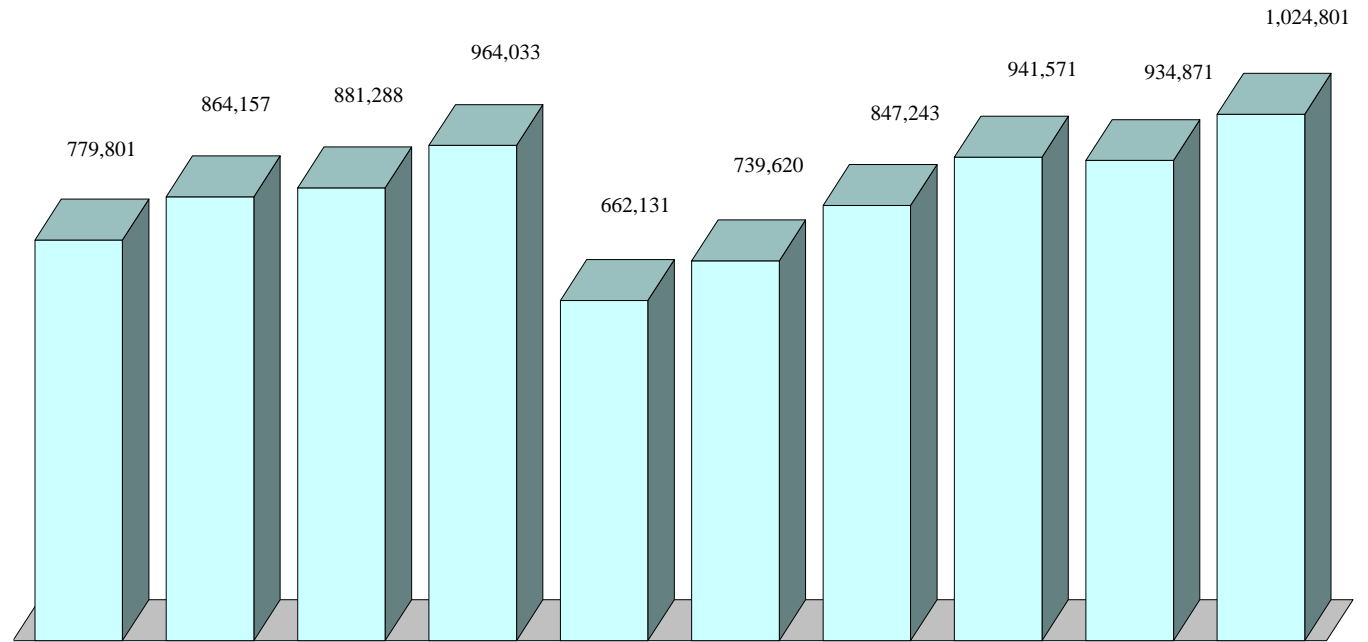
Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jul 1		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Jun 30		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
BEGINNING BALANCE		841,734	916,490	992,416	852,922	939,001	486,541	537,991	621,493	690,785	617,746
EXPENDITURES (inflated \$)	3.5%	15,270	18,442	234,041	8,879	541,730	31,490	3,655	22,472	166,380	11,182
RESERVE CONTRIBUTION		55,551	56,940	58,363	59,822	61,318	62,851	64,422	66,033	67,684	69,376
Per Unit Per Month (154 units)		30.06	30.81	31.58	32.37	33.18	34.01	34.86	35.73	36.63	37.54
Percentage Increase to Reserves		2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	4.0%	34,475	37,430	36,183	35,136	27,952	20,089	22,735	25,731	25,657	25,874
ENDING BALANCE		916,490	992,416	852,922	939,001	486,541	537,991	621,493	690,785	617,746	701,813

Funding Plan

Projected Cash Balance



Fiscal Year		(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Jul 1		2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Jun 30		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
BEGINNING BALANCE		701,813	779,801	864,157	881,288	964,033	662,131	739,620	847,243	941,571	934,871
EXPENDITURES (inflated \$)	3.5%	22,173	20,767	91,803	30,015	412,279	30,451	5,958	25,274	130,134	37,302
RESERVE CONTRIBUTION		71,110	72,888	74,710	76,578	78,492	80,454	82,466	84,527	86,641	88,807
Per Unit Per Month (154 units)		38.48	39.44	40.43	41.44	42.47	43.54	44.62	45.74	46.88	48.06
Percentage Increase to Reserves		2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	4.0%	29,051	32,234	34,224	36,183	31,886	27,485	31,115	35,075	36,793	38,425
ENDING BALANCE		779,801	864,157	881,288	964,033	662,131	739,620	847,243	941,571	934,871	1,024,801

Assessment and Reserve Funding Disclosure Summary

This Summary contains information about the Association's assessments and the status of the reserve fund. The Association may periodically update or supplement the information in this Summary. Please contact the Association to determine if a more recently prepared Summary or supplement is available.

As of the date this Summary was prepared:

- (1) The current **total** assessment per unit is \$_____ per month.

Note: if assessments vary by the size or type of unit, the assessment applicable to this unit may be found on the attached Variable Assessment Report.

- (2) Additional assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the Board and/or Members:

Date assessment is due:	Amount per unit per month (If assessments are variable, see note immediately below):	Purpose of the assessment:
	\$	To adequately fund reserves
	Total:	

Note: if assessments vary by the size or type of unit, the assessment applicable to this unit may be found on the attached Variable Assessment Report.

- (3) Based upon the most recent reserve study and other information available to the Board of Directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes If the Special Assessment in Note (2) is collected No

- (4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

Approximate date assessment will be due:	Amount per unit per month:
	\$
	Total:

- (5) The following major components, which are included in the reserve study, are NOT included in the existing reserve funding:

Major Component:	Useful remaining life in years:	Reason this major component was not included:

Assessment and Reserve Funding Disclosure Summary

- (6) Based on the method of calculation in paragraph (4) or subdivision (b) of Section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$284,654, based in whole or in part on the last reserve study, or update, prepared by John D. Beatty and Company. The projected reserve fund cash balance at the end of the current fiscal year is \$431,100, resulting in reserves being 100+% funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is \$431,100 (beginning balance per management). (See attached explanation)
- (7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is **(listed in the table below)**, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known reserves, is **(listed in the table below)**, leaving the reserve at **(listed in the table below)** percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be **(listed in the table below)**, leaving the reserves at **(listed in the table below)** percent funding.

Year	Estimated amount required in the reserve fund	Projected reserve fund cash balance	Percent Funded
2	\$269,812	\$438,793	100+%
3	\$313,557	\$504,860	100+%
4	\$316,890	\$530,598	100+%
5	\$356,260	\$592,311	100+%
6	\$343,394	\$601,336	100+%

Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change.

This Summary was authorized by the Association based on the information available in the Association's most recent reserve study or annual update dated as of March 9, 2009. This Summary supersedes all earlier issued versions.



John D. Beatty
President

Assessment and Reserve Funding Disclosure Summary

NOTE: The remainder of Civil Code section 1365.2.5 is *not* part of the required Assessment and Reserve Funding Disclosure Summary Form, but is included here because the information is needed to properly complete the form.

For the purposes of preparing a summary pursuant to this section:

- (1) “Estimated remaining useful life” means the time reasonably calculated to remain before a major component will require replacement.
- (2) “Major component” has the meaning used in Section 1365.5. Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.
- (3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.
- (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 like of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.