

RESERVE STUDY UPDATE SUMMARY

for

Round Hill Estates - North

PROPERTY OWNERS ASSOCIATION

Date Prepared: 05/10/10 *for fiscal year 2010-2011*

Prepared By:

John D. Beatty & Company

111 Deerwood Road, Suite 380

San Ramon, CA 94583

(925) 831-1803

Fax (925) 831-2493

Reserve Study Update Summary

This report documents the results of a reserve study performed by John D. Beatty & Company for the following:
Round Hill Estates - North Property Owners Association 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, 2010 through June 30, 2020 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.

No inspection was conducted of the major components. Information utilized to update the reserve study was obtained from management and the association's records.

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 5-7 of this report in order to meet projected expenditures and keep pace with inflation. These findings are based on the following:

- 1 . Projected reserve fund balance as of July 1, 2010 \$ 444,068
- 2 . Reserve contribution for fiscal year 2009-2010..... \$ 52,872
- 3 . Reserve contribution for fiscal year 2010-2011..... \$ 52,872
- 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 a 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, 2010	\$ 444,068
<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, 2010	\$ 232,741
Percent Funded	100+%

This Reserve Study was reviewed and approved by the Association's Board of Directors.

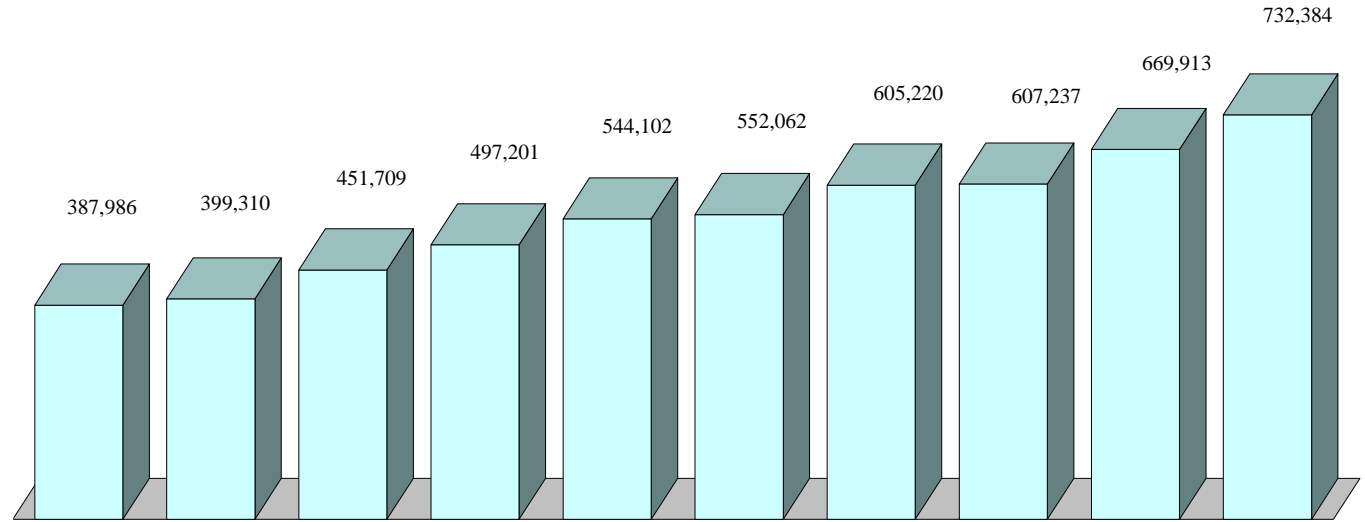
Projected Expenditures

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	2010 2011	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
FENCING & WALLS:															
1 - Entry Monument Repair		2,969	10	4					3,292						
2 - Retaining Wall Repair - Small	10%	3,563	10	2			3,688								
3 - Retaining Wall Repair - Large	10%	14,133	10	2			14,628								
HILLSIDE IMPROVEMENTS:															
4 - Erosion Control Fund		30,000	10	1		30,000									
5 - Silt Removal Program		5,938	3	0		5,938		6,584			7,300				8,093
6 - Slope Repairs		48,205	10	8								61,330			
7 - V-Ditch Repairs	10%	13,523	10	2			13,996								
LANDSCAPING:															
8 - Backflow Devices Replace	33%	1,486	5	4					1,647						1,956
9 - Irrigation Timers	33%	1,230	5	3				1,317					1,564		
10 - Irrigation Valves	10%	2,408	2	1		2,408	2,579			2,763		2,960		3,171	
11 - Plant Stock Maintenance		2,969	5	1		2,969					3,527				
12 - Tree Stock Maintenance		5,938	5	1		5,938					7,053				
LIGHT FIXTURES:															
13 - Entry Monument Lights Replace		7,126	20	2				7,376							
14 - Landscape Lighting Upgrades		4,157	20	2				4,302							
PAVED SURFACES:															
15 - Asphalt Major Repairs	33%	285,305	24	12											
16 - Asphalt Minor Repairs	10%	64,000	12	12											
17 - Asphalt Sealcoat & Stripe		36,000	6	6							42,757				
18 - Concrete Curb & Gutter Rep.	5%	7,871	6	5						9,032					
OTHER:															
19 - Entryway Renovation Project		65,000	1	1		65,000									
20 - Reserve Study Update		250	1	1		250	259	268	277	287	297	307	318	329	341
21 - Reserve Study Update Inspection		500	3	2			518			574			636		
UNSCHEDULED.....	5%	2,644	1	1		2,644	2,644	2,644	2,644	2,727	2,812	2,901	2,992	3,086	3,182
TOTAL EXPENDITURES		605,214				115,148	47,409	6,808	14,444	15,382	56,445	13,468	66,841	8,542	11,617

Funding Plan

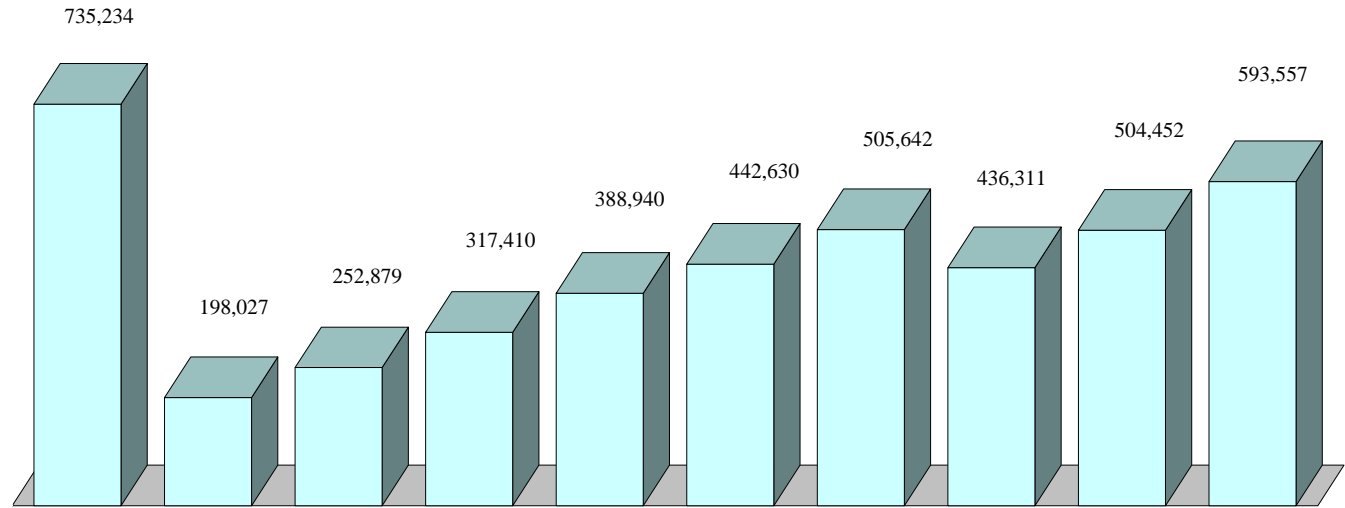
Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jul 1		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jun 30		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
BEGINNING BALANCE		444,068	387,986	399,310	451,709	497,201	544,102	552,062	605,220	607,237	669,913
EXPENDITURES (inflated \$)	3.5%	115,148	47,409	6,808	14,444	15,382	56,445	13,468	66,841	8,542	11,617
RESERVE CONTRIBUTION		52,872	52,872	52,872	52,872	54,532	56,244	58,011	59,832	61,711	63,649
Per Unit Per Month (154 units)		28.61	28.61	28.61	28.61	29.51	30.44	31.39	32.38	33.39	34.44
Percentage Increase to Reserves		0.0	0.0	0.0	0.0	3.1	3.1	3.1	3.1	3.1	3.1
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST AFTER TAX	1.5%	6,194	5,861	6,335	7,064	7,752	8,160	8,615	9,026	9,507	10,439
ENDING BALANCE		387,986	399,310	451,709	497,201	544,102	552,062	605,220	607,237	669,913	732,384

Funding Plan

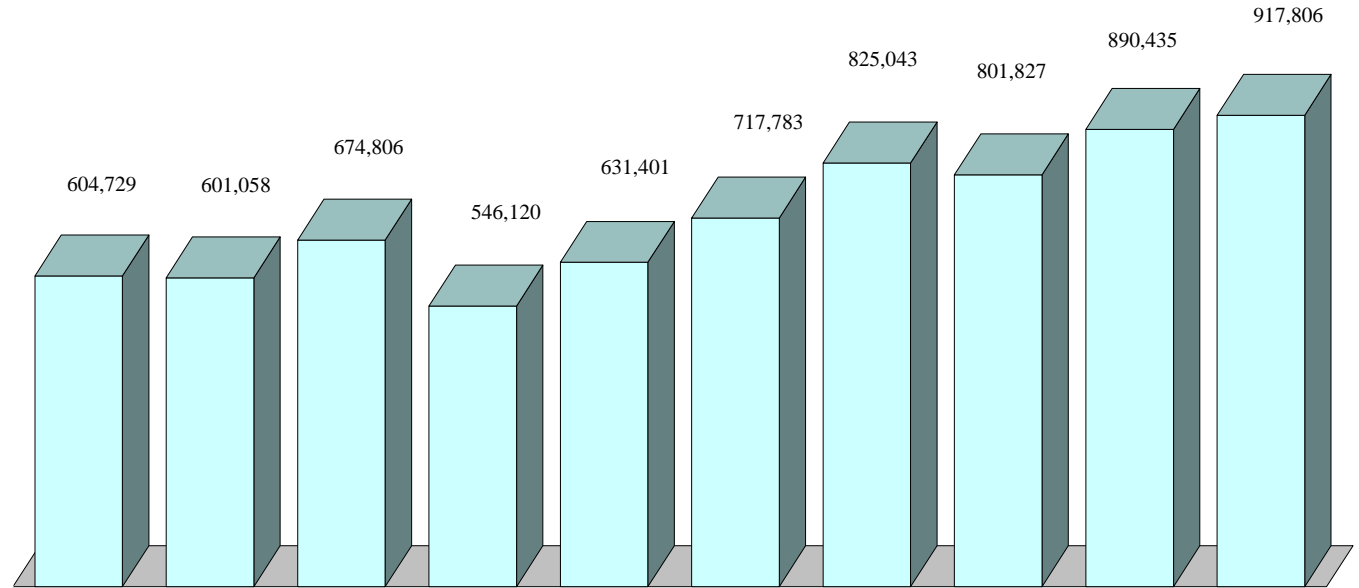
Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jul 1		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Jun 30		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
BEGINNING BALANCE		732,384	735,234	198,027	252,879	317,410	388,940	442,630	505,642	436,311	504,452
EXPENDITURES (inflated \$)	3.5%	73,722	611,862	18,339	11,742	8,017	29,122	23,075	157,852	22,931	5,777
RESERVE CONTRIBUTION		65,647	67,708	69,834	72,027	74,289	76,622	79,028	81,509	84,068	86,708
Per Unit Per Month (154 units)		35.52	36.64	37.79	38.98	40.20	41.46	42.76	44.11	45.49	46.92
Percentage Increase to Reserves		3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST AFTER TAX	1.5%	10,925	6,947	3,357	4,245	5,258	6,190	7,059	7,012	7,003	8,174
ENDING BALANCE		735,234	198,027	252,879	317,410	388,940	442,630	505,642	436,311	504,452	593,557

Funding Plan

Projected Cash Balance



Fiscal Year		(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Jul 1		2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Jun 30		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
BEGINNING BALANCE		593,557	604,729	601,058	674,806	546,120	631,401	717,783	825,043	801,827	890,435
EXPENDITURES (inflated \$)	3.5%	87,178	104,886	30,885	235,897	24,689	28,042	11,884	146,366	38,516	104,212
RESERVE CONTRIBUTION		89,431	92,239	95,135	98,122	101,203	104,381	107,659	111,039	114,526	118,122
Per Unit Per Month (154 units)		48.39	49.91	51.48	53.10	54.76	56.48	58.26	60.09	61.97	63.92
Percentage Increase to Reserves		3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST AFTER TAX	1.5%	8,920	8,976	9,498	9,089	8,766	10,044	11,485	12,111	12,597	13,461
ENDING BALANCE		604,729	601,058	674,806	546,120	631,401	717,783	825,043	801,827	890,435	917,806

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:

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:

- (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 **\$232,741**, based in whole or in part on the the last reserve study or update, prepared by John D. Beatty & Company. The projected reserve fund cash balance at the end of the current fiscal year is **\$444,068**, 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 **\$444,068** (beginning balance per management) (see attached explanation).

Assessment and Reserve Funding Disclosure Summary

(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	\$ 227,498	\$ 387,986	100+%
3	\$ 293,840	\$ 399,310	100+%
4	\$ 404,764	\$ 451,709	100+%
5	\$ 512,173	\$ 497,201	97%
6	\$ 622,909	\$ 544,102	87%

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 **May 10, 2010** . This summary supercedes all earlier issued versions.

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.



John D. Beatty
President

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
- (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.