

# **RESERVE STUDY UPDATE**

*for*

## ***Round Hill Estates - North***

**PROPERTY OWNERS ASSOCIATION**

**REVISED DRAFT**

*Date Prepared:*      *04/07/11 for fiscal year 2011-2012*

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# Reserve Study Update

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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, 2011 through June 30, 2041 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 pages 6-8 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, 2011 ..... \$ 508,115
- 2 . Reserve contribution for fiscal year 2010-2011..... \$ 52,896
- 3 . Reserve contribution for fiscal year 2011-2012..... \$ 52,896
- 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:**

<b><u>Accumulated Cash Reserves (Numerator)</u></b>	
Projected reserve fund balance as of July 1, 2011 .....	\$ 508,115
<b><u>Accrued Liability (Denominator)</u></b>	
(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, 2011 .....	\$ 270,736
Percent Funded .....	<b>100+%</b>

# 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 .....	2011 2012	2012 2013	2013 2014	2014 2015	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020	2020 2021
<b>FENCING &amp; WALLS:</b>															
1 - Entry Monument Repair		3,073	10	3				3,292							
2 - Retaining Wall Repair - Small	10%	3,688	10	1		3,688									
3 - Retaining Wall Repair - Large	10%	14,629	10	1		14,629									
<b>HILLSIDE IMPROVEMENTS:</b>															
4 - Erosion Control Fund		31,050	10	0		31,050									
5 - Silt Removal Program		6,146	3	0		6,146		6,814			7,555				8,377
6 - Slope Repairs		49,892	10	7							61,330				
7 - V-Ditch Repairs	10%	13,997	10	1		13,997									
<b>LANDSCAPING:</b>															
8 - Backflow Devices Replace	33%	1,538	5	3				1,647					1,956		
9 - Irrigation Timers	33%	1,273	5	2			1,317					1,564			
10 - Irrigation Valves	10%	2,492	2	2			2,579	2,763		2,960		3,171			3,397
11 - Plant Stock Maintenance		2,500	5	5					2,869						3,407
12 - Tree Stock Maintenance		5,000	5	5					5,738						6,814
<b>LIGHT FIXTURES:</b>															
13 - Entry Monument Lights Repl		7,376	20	1		7,376									
14 - Landscape Lighting Upgrades		4,302	20	1		4,302									
<b>PAVED SURFACES:</b>															
15 - Asphalt Major Repairs	33%	295,304	24	11											
16 - Asphalt Minor Repairs	10%	66,200	12	11											
17 - Asphalt Sealcoat & Stripe		38,000	6	5					43,606						
18 - Concrete Curb & Gutter Rep.	5%	8,142	6	4				9,027							11,097
19 - Road Stabilization		100,000	30	31											
20 - Road Stabilization (2011-2012 only)		300,000	1	1		300,000									
<b>OTHER:</b>															
21 - Reserve Study Update		259	1	1		259	268	277	287	297	307	318	329	341	353
22 - Reserve Study Update Inspection		518	3	1		518			574			636			705
<b>UNSCHEDULED.....</b>	5%	<b>2,645</b>	<b>1</b>	<b>1</b>		2,645	2,645	2,645	2,872	3,119	3,388	3,679	3,995	4,339	4,712
<b>TOTAL EXPENDITURES</b>		<b>958,023</b>				384,609	6,809	7,861	22,338	55,628	6,655	75,083	9,452	4,680	38,862

# Projected Expenditures

Assumed Annual Inflation Rate..... 3.5%

	Current	Estimated	Fiscal Year	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
	Repair/Replace	Usfl Rmng	Jul 1 .....	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>RESERVE COMPONENTS</b>	Repair %	Cost	Life	Jun 30 .....	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>FENCING &amp; WALLS:</b>													
1 - Entry Monument Repair		3,073	10	3			4,644						
2 - Retaining Wall Repair - Small	10%	3,688	10	1	5,202								
3 - Retaining Wall Repair - Large	10%	14,629	10	1	20,635								
<b>HILLSIDE IMPROVEMENTS:</b>													
4 - Erosion Control Fund		31,050	10	0	43,799								
5 - Silt Removal Program		6,146	3	0			9,287		10,297			11,417	
6 - Slope Repairs		49,892	10	7						86,513			
7 - V-Ditch Repairs	10%	13,997	10	1	19,744								
<b>LANDSCAPING:</b>													
8 - Backflow Devices Replace	33%	1,538	5	3			2,324					2,760	
9 - Irrigation Timers	33%	1,273	5	2		1,858				2,207			
10 - Irrigation Valves	10%	2,492	2	2		3,639		3,898	4,175		4,473		4,791
11 - Plant Stock Maintenance		2,500	5	5				4,047					4,806
12 - Tree Stock Maintenance		5,000	5	5				8,093					9,613
<b>LIGHT FIXTURES:</b>													
13 - Entry Monument Lights Repl		7,376	20	1									
14 - Landscape Lighting Upgrades		4,302	20	1									
<b>PAVED SURFACES:</b>													
15 - Asphalt Major Repairs	33%	295,304	24	11	416,555								
16 - Asphalt Minor Repairs	10%	66,200	12	11	93,382								
17 - Asphalt Sealcoat & Stripe		38,000	6	5	53,603						65,891		
18 - Concrete Curb & Gutter Rep.	5%	8,142	6	4					13,641				
19 - Road Stabilization		100,000	30	31									
20 - Road Stabilization (2011-2012 only)		300,000	1	1									
<b>OTHER:</b>													
21 - Reserve Study Update		259	1	1	365	378	391	405	419	433	449	464	481
22 - Reserve Study Update Inspection		518	3	1			782			867			961
<b>UNSCHEDULED.....</b>	5%	<b>2,645</b>	<b>1</b>	<b>1</b>	<b>5,117</b>	<b>4,094</b>	<b>4,230</b>	<b>4,371</b>	<b>4,516</b>	<b>4,667</b>	<b>4,822</b>	<b>4,983</b>	<b>5,149</b>
<b>TOTAL EXPENDITURES</b>		<b>958,023</b>			<b>658,403</b>	<b>9,968</b>	<b>21,658</b>	<b>8,673</b>	<b>17,076</b>	<b>34,081</b>	<b>159,882</b>	<b>12,680</b>	<b>18,007</b>
													<b>25,028</b>

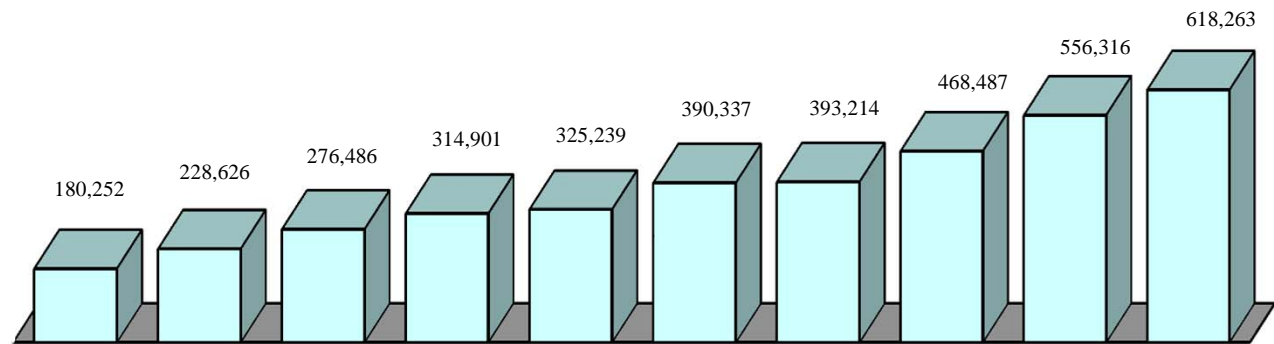
# Projected Expenditures

Assumed Annual Inflation Rate..... 3.5%

		Current	Estimated	Fiscal Year	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
	Repair	Repair/Replace	Usfl	Rmng	Jul 1 .....	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
<b>RESERVE COMPONENTS</b>	%	Cost	Life	Life	Jun 30 .....	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
<b>FENCING &amp; WALLS:</b>															
1 - Entry Monument Repair		3,073	10	3				6,550							
2 - Retaining Wall Repair - Small	10%	3,688	10	1	7,338										
3 - Retaining Wall Repair - Large	10%	14,629	10	1	29,108										
<b>HILLSIDE IMPROVEMENTS:</b>															
4 - Erosion Control Fund		31,050	10	0	61,783										
5 - Silt Removal Program		6,146	3	0		12,658			14,034				15,560		
6 - Slope Repairs		49,892	10	7							122,034				
7 - V-Ditch Repairs	10%	13,997	10	1	27,852										
<b>LANDSCAPING:</b>															
8 - Backflow Devices Replace	33%	1,538	5	3			3,278						3,893		
9 - Irrigation Timers	33%	1,273	5	2		2,621					3,113				
10 - Irrigation Valves	10%	2,492	2	2		5,133		5,498		5,890			6,309		6,759
11 - Plant Stock Maintenance		2,500	5	5					5,708						6,780
12 - Tree Stock Maintenance		5,000	5	5					11,417						13,559
<b>LIGHT FIXTURES:</b>															
13 - Entry Monument Lights Repl		7,376	20	1	14,676										
14 - Landscape Lighting Upgrades		4,302	20	1	8,561										
<b>PAVED SURFACES:</b>															
15 - Asphalt Major Repairs	33%	295,304	24	11											
16 - Asphalt Minor Repairs	10%	66,200	12	11			141,106								
17 - Asphalt Sealcoat & Stripe		38,000	6	5			80,997							99,567	
18 - Concrete Curb & Gutter Rep.	5%	8,142	6	4		16,768						20,612			
19 - Road Stabilization		100,000	30	31											
20 - Road Stabilization (2011-2012 only)		300,000	1	1											
<b>OTHER:</b>															
21 - Reserve Study Update		259	1	1	515	533	552	571	591	611	633	655	678	702	
22 - Reserve Study Update Inspection		518	3	1		1,066			1,182			1,310			
<b>UNSCHEDULED.....</b>	5%	<b>2,645</b>	<b>1</b>	<b>1</b>	5,497	5,680	5,870	6,065	6,267	6,476	6,691	6,914	7,144	7,382	
<b>TOTAL EXPENDITURES</b>		<b>958,023</b>			155,330	44,459	238,353	12,134	39,198	12,977	132,472	55,254	107,389	35,182	

# Funding Plan

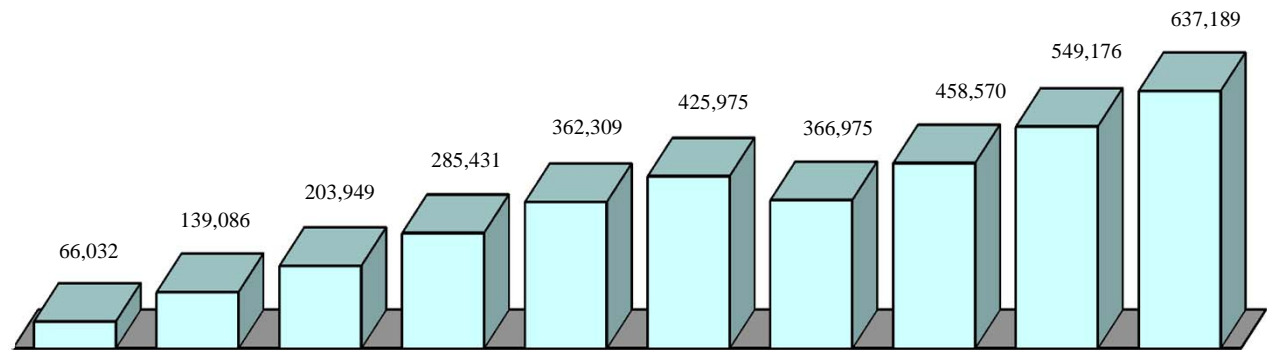
## Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jul 1 .....		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jun 30 .....		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>BEGINNING BALANCE</b>		508,115	180,252	228,626	276,486	314,901	325,239	390,337	393,214	468,487	556,316
<b>EXPENDITURES (inflated \$)</b>	3.5%	384,609	6,809	7,861	22,338	55,628	6,655	75,083	9,452	4,680	38,862
<b>RESERVE CONTRIBUTION</b>		52,896	52,896	52,896	57,445	62,385	67,750	73,577	79,905	86,776	94,239
Per Unit Per Month (154 units)		28.62	28.62	28.62	31.08	33.76	36.66	39.81	43.24	46.96	51.00
Percentage Increase to Reserves		0.0	0.0	0.0	8.6	8.6	8.6	8.6	8.6	8.6	8.6
<b>SPECIAL ASSESSMENTS</b>		0	0	0	0	0	0	0	0	0	0
<b>INTEREST AFTER TAX</b>	1.1%	3,850	2,287	2,825	3,308	3,581	4,003	4,383	4,820	5,732	6,570
<b>ENDING BALANCE</b>		180,252	228,626	276,486	314,901	325,239	390,337	393,214	468,487	556,316	618,263

# Funding Plan

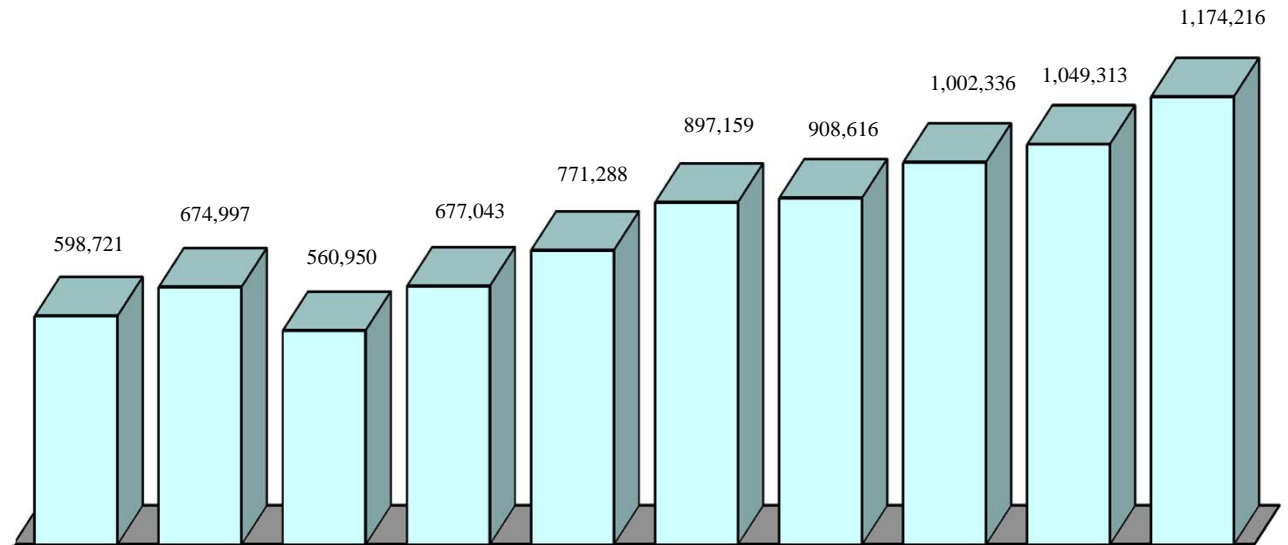
## Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jul 1 .....		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Jun 30 .....		2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>BEGINNING BALANCE</b>		618,263	66,032	139,086	203,949	285,431	362,309	425,975	366,975	458,570	549,176
<b>EXPENDITURES (inflated \$)</b>	3.5%	658,403	9,968	21,658	8,673	17,076	34,081	159,882	12,680	18,007	25,028
<b>RESERVE CONTRIBUTION</b>		102,344	81,875	84,601	87,419	90,330	93,338	96,446	99,658	102,976	106,405
Per Unit Per Month (154 units)		55.38	44.30	45.78	47.30	48.88	50.51	52.19	53.93	55.72	57.58
Percentage Increase to Reserves		8.6	(20.0)	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
<b>SPECIAL ASSESSMENTS</b>		0	0	0	0	0	0	0	0	0	0
<b>INTEREST AFTER TAX</b>	1.1%	3,828	1,147	1,919	2,737	3,623	4,409	4,435	4,618	5,637	6,636
<b>ENDING BALANCE</b>		66,032	139,086	203,949	285,431	362,309	425,975	366,975	458,570	549,176	637,189

# Funding Plan

## Projected Cash Balance



Fiscal Year		(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Jul 1 .....		2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
Jun 30 .....		2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
<b>BEGINNING BALANCE</b>		637,189	598,721	674,997	560,950	677,043	771,288	897,159	908,616	1,002,336	1,049,313
<b>EXPENDITURES (inflated \$)</b>	3.5%	155,330	44,459	238,353	12,134	39,198	12,977	132,472	55,254	107,389	35,182
<b>RESERVE CONTRIBUTION</b>		109,948	113,610	117,393	121,302	125,342	129,515	133,828	138,285	142,890	147,648
Per Unit Per Month (154 units)		59.50	61.48	63.52	65.64	67.83	70.08	72.42	74.83	77.32	79.90
Percentage Increase to Reserves		3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
<b>SPECIAL ASSESSMENTS</b>		0	0	0	0	0	0	0	0	0	0
<b>INTEREST AFTER TAX</b>	1.1%	6,913	7,125	6,913	6,925	8,101	9,333	10,101	10,689	11,476	12,437
<b>ENDING BALANCE</b>		598,721	674,997	560,950	677,043	771,288	897,159	908,616	1,002,336	1,049,313	1,174,216

# Component Quantification

Assumed Annual Inflation Rate..... 3.5%

RESERVE COMPONENTS	Repair %	Current	Estimated		Quantity	Unit of Measurement	Unit Cost	Notes
		Repair/Replace Cost	Usfl Life	Rmng Life				
<b>FENCING &amp; WALLS:</b>								
1 - Entry Monument Repair		3,073	10	3	1	fund	3,073.14	
2 - Retaining Wall Repair - Small	10%	3,688	10	1	500	linear feet	73.76	Allows for 10% of retaining wall repairs to be done every 10 years.
3 - Retaining Wall Repair - Large	10%	14,629	10	1	1,400	linear feet	104.49	Allows for 10% of retaining wall repairs to be done every 10 years.
<b>HILLSIDE IMPROVEMENTS:</b>								
4 - Erosion Control Fund		31,050	10	0	1	fund	31,050.00	
5 - Silt Removal Program		6,146	3	0	1	fund	6,146.28	
6 - Slope Repairs		49,892	10	7	1	fund	49,892.30	
7 - V-Ditch Repairs	10%	13,997	10	1	6,325	linear feet	22.13	Allows for 10% of v-ditch repairs to be done every 10 years.
<b>LANDSCAPING:</b>								
8 - Backflow Devices Replace	33%	1,538	5	3	3	devices	1,553.28	Information provided by Cleary Brothers, estimates only.
9 - Irrigation Timers	33%	1,273	5	2	3	timers	1,285.47	Information provided by Cleary Brothers, estimates only.
10 - Irrigation Valves	10%	2,492	2	2	47	ea	530.26	Information provided by Cleary Brothers, estimates only.
11 - Plant Stock Maintenance		2,500	5	5	1	fund	2,500.00	
12 - Tree Stock Maintenance		5,000	5	5	1	fund	5,000.00	
<b>LIGHT FIXTURES:</b>								
13 - Entry Monument Lights Repl		7,376	20	1	1	package	7,375.53	
14 - Landscape Lighting Upgrades		4,302	20	1	1	package	4,302.39	
<b>PAVED SURFACES:</b>								
15 - Asphalt Major Repairs	33%	295,304	24	11	200,000	square feet	4.43	Allows for 33% of major asphalt repairs to be done every 24 years.
16 - Asphalt Minor Repairs	10%	66,200	12	11	200,000	square feet	3.31	Allows for 10% of minor asphalt repairs to be done every 12 years.
17 - Asphalt Sealcoat & Stripe		38,000	6	5	200,000	square feet	0.19	
18 - Concrete Curb & Gutter Rep.	5%	8,142	6	4	13,250	square feet	12.29	Allows for 5% of concrete curb & gutter repairs to be done every 6 years.
19 - Road Stabilization		100,000	30	31	1	fund	100,000.00	
20 - Road Stabilization (2011-2012 only)		300,000	1	1	1	fund	300,000.00	
<b>OTHER:</b>								
21 - Reserve Study Update		259	1	1	1	fund	258.75	
22 - Reserve Study Update Inspection		518	3	1	1	fund	517.50	

# Accrued Liability

Assumed Annual Inflation Rate..... 3.5%

RESERVE COMPONENTS	Repair %	Current	Estimated		Straight Line		Proration Percentage	PUPM Funding	Cash Flow	
		Repair/Replace Cost	Usfl Life	Rmng Life	Annual Liability	Accrued Liability			Annual Liability	Accrued Liability
<b>FENCING &amp; WALLS:</b>										
1 - Entry Monument Repair		3,073	10	3	307	2,151	0.09%	0.03	47	326
2 - Retaining Wall Repair - Small	10%	3,688	10	1	369	3,319	0.11%	0.03	56	502
3 - Retaining Wall Repair - Large	10%	14,629	10	1	1,463	13,166	0.42%	0.12	221	1,993
<b>HILLSIDE IMPROVEMENTS:</b>										
4 - Erosion Control Fund		31,050	10	0	3,105	31,050	0.89%	0.25	470	4,699
5 - Silt Removal Program		6,146	3	0	2,049	6,146	0.59%	0.17	310	930
6 - Slope Repairs		49,892	10	7	4,989	14,968	1.43%	0.41	755	2,265
7 - V-Ditch Repairs	10%	13,997	10	1	1,400	12,598	0.40%	0.11	212	1,907
<b>LANDSCAPING:</b>										
8 - Backflow Devices Replace	33%	1,538	5	3	308	615	0.09%	0.03	47	93
9 - Irrigation Timers	33%	1,273	5	2	255	764	0.07%	0.02	39	116
10 - Irrigation Valves	10%	2,492	2	2	1,246	0	0.36%	0.10	189	0
11 - Plant Stock Maintenance		2,500	5	5	500	0	0.14%	0.04	76	0
12 - Tree Stock Maintenance		5,000	5	5	1,000	0	0.29%	0.08	151	0
<b>LIGHT FIXTURES:</b>										
13 - Entry Monument Lights Repl		7,376	20	1	369	7,007	0.11%	0.03	56	1,060
14 - Landscape Lighting Upgrades		4,302	20	1	215	4,087	0.06%	0.02	33	619
<b>PAVED SURFACES:</b>										
15 - Asphalt Major Repairs	33%	295,304	24	11	12,304	159,956	3.52%	1.01	1,862	24,209
16 - Asphalt Minor Repairs	10%	66,200	12	11	5,517	5,517	1.58%	0.45	835	835
17 - Asphalt Sealcoat & Stripe		38,000	6	5	6,333	6,333	1.81%	0.52	959	959
18 - Concrete Curb & Gutter Rep.	5%	8,142	6	4	1,357	2,714	0.39%	0.11	205	411
19 - Road Stabilization		100,000	30	31	3,333	0	0.95%	0.27	505	0
20 - Road Stabilization (2011-2012 only)		300,000	1	1	300,000	0	85.84%	24.57	45,405	0
<b>OTHER:</b>										
21 - Reserve Study Update		259	1	1	259	0	0.07%	0.02	39	0
22 - Reserve Study Update Inspection		518	3	1	173	345	0.05%	0.01	26	52
UNSCHEДУLED.....	5%	2,645	1	1	2,645	0	0.76%	0.22	400	0
		<b>958,023</b>			349,494	<b>270,736</b>	100%	28.62	52,896	40,976