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Update "No-Site-Visit" Reserve Study



El Conquistador Resort Patio Homes Oro Valley, AZ

Report #: 20889-4
For Period Beginning: January 1, 2020
Expires: December 31, 2020

Date Prepared: July 17, 2019



Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you "where you are," and "where to go from here."

In this Report, you will find...

- 1) A List of What you're Reserving For**
- 2) An Evaluation of your Reserve Fund Size and Strength**
- 3) A Recommended Multi-Year Reserve Funding Plan**

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

480-361-5340



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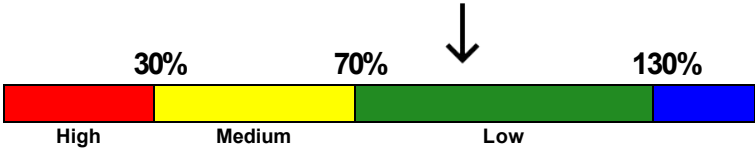
3- Minute Executive Summary

Association: El Conquistador Resort Patio Homes **Assoc. #: 20889-4**
Location: Oro Valley, AZ **# of Units: 192**
Report Period: January 1, 2020 through December 31, 2020

Findings/Recommendations as-of: January 1, 2020

Projected Starting Reserve Balance	\$529,571
Current Fully Funded Reserve Balance	\$567,363
Average Reserve Deficit (Surplus) Per Unit	\$197
Percent Funded	93.3 %
Recommended 2020 Annual Reserve Contribution	\$45,000
Recommended 2020 Special Assessments for Reserves	\$0
Most Recent Reserve Contribution Rate	\$45,000

Reserves % Funded: 93.3%



Special Assessment Risk:

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 1.00 %
Annual Inflation Rate 3.00 %

This is an Update "No-Site-Visit" Reserve Study based on a prior report prepared by Association Reserves for your 2017 Fiscal Year. No site inspection was performed as part of this Reserve Study.

The Reserve expense threshold for this analysis is \$2,000, which means no expenses under that amount are funded in the Reserve Study.

Your Reserve Fund is 93.3 % Funded. This means the Reserve Fund status is Strong, and special assessment risk is currently Low.

The objective of your multi-year Funding Plan is to Fully Fund Reserves, where associations enjoy a low risk of Reserve cash flow problems.

Based on this starting point and anticipated future expenses, we recommend budgeting Annual Reserve contributions of \$45,000 for the 2020 Fiscal Year. Nominal annual increases are scheduled thereafter to help offset inflation (see tables herein for details).

# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost
COMMON AREAS			
103 Concrete - Repair	5	0	\$2,500
201 Asphalt - Resurface	30	0	\$410,000
203 Asphalt - Seal/Repair	4	1	\$21,000
300 Street Signs - Replace	20	8	\$2,350
302 Notice Boxes - Replace	15	1	\$2,950
324 Wall Lights - Replace	30	24	\$31,500
403 Mailboxes - Replace	20	14	\$23,500
405 Benches - Replace	30	2	\$6,000
501 Stucco Walls - Repair	25	2	\$3,000
600 Flag Pole - Refurbish	20	9	\$3,750
701 Monuments - Refurbish (Main)	20	1	\$8,000
701 Monuments - Refurbish (Streets)	30	18	\$6,000
1001 Backflow Valves - Replace	20	7	\$11,250
1002 Irrigation System - Replace	15	3	\$59,500
1003 Irrigation Controllers - Replace	12	1	\$3,250
1005 Landscape Granite - Replenish	7	1	\$50,500
16 Total Funded Components			

Note 1: Yellow highlighted line items are expected to require attention in this initial year.

Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association's Reserve Fund Strength (reported in terms of "Percent Funded"). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not “for the future”. Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

Methodology



For this [Update No-Site-Visit Reserve Study](#), we started with a review of your prior Reserve Study, then looked into recent Reserve expenditures, evaluated how expenditures are handled (ongoing maintenance vs Reserves), and researched any well-established association

precedents. We updated and adjusted your Reserve Component List on the basis of time elapsed since the last Reserve Study and interviews with association representatives.

Which Physical Assets are Funded by Reserves?

There is a national-standard four-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

Components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How do we establish Useful Life and Remaining Useful Life estimates?

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

How do we establish Current Repair/Replacement Cost Estimates?

In this order...

- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% - 130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?



RESERVE FUNDING PRINCIPLES

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association's Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Boardmembers to recommend to their association. Remember, it is the Board's job to provide for the ongoing care of the common areas. Boardmembers invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called "Full Funding" (100% Funded). As each asset ages and becomes "used up," the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70 - 130% range *enjoy a low risk of special assessments or deferred maintenance.*



FUNDING OBJECTIVES

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0 - 30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the "margin of safety" is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all of these expenses will take place as anticipated. This Reserve Study needs to be updated annually, because we expect the timing of expenses to shift and the size of the expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The chart below summarizes the projected future expenses at your association as defined by the Reserve Component List. A summary of these components is shown in the Component Details Table, while a summary of the expenses themselves is shown in the 30-yr Expense Summary Table.

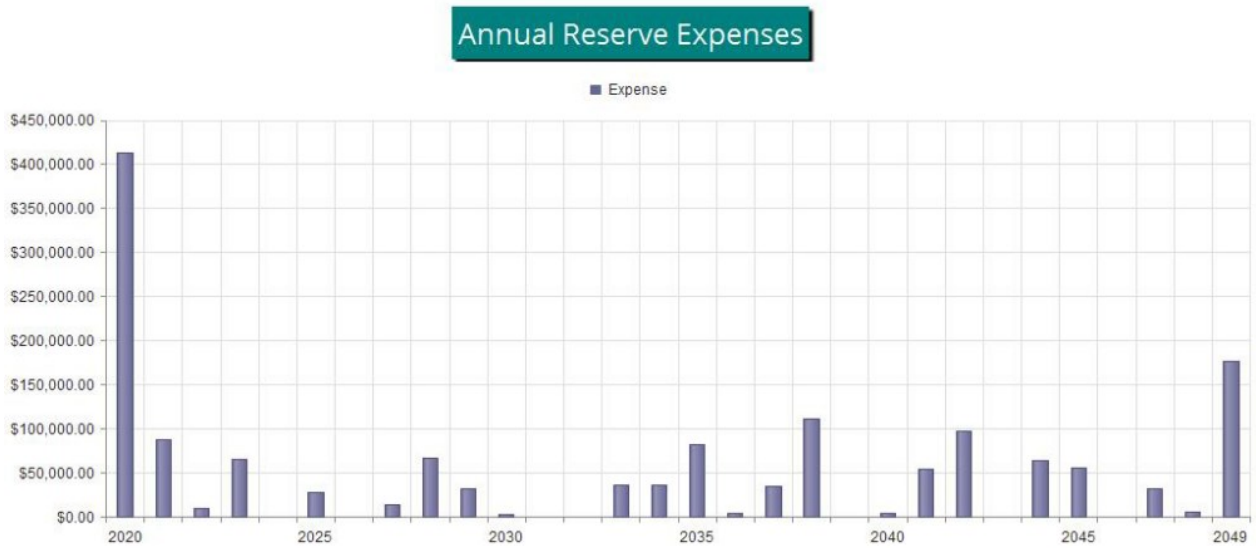


Figure 1

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$529,571 as-of the start of your fiscal year on 1/1/2020. This is based on your actual balance of \$529,571 on 5/11/2019 with no anticipated Reserve contributions or expenses projected through the end of your Fiscal Year. As of 1/1/2020, your Fully Funded Balance is computed to be \$567,363. This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to the Fully Funded Balance indicates Reserves are 93.3 % Funded.

Recommended Funding Plan

Based on your current Percent Funded and cash flow requirements, we recommend budgeting Annual Reserve contributions of \$45,000 this Fiscal Year. The overall 30-year plan, in perspective, is shown below. This same information is shown numerically in both the 30-yr Summary and the Cash Flow Detail tables.



Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your currently budgeted contribution rate, compared to the always-changing Fully Funded Balance target.

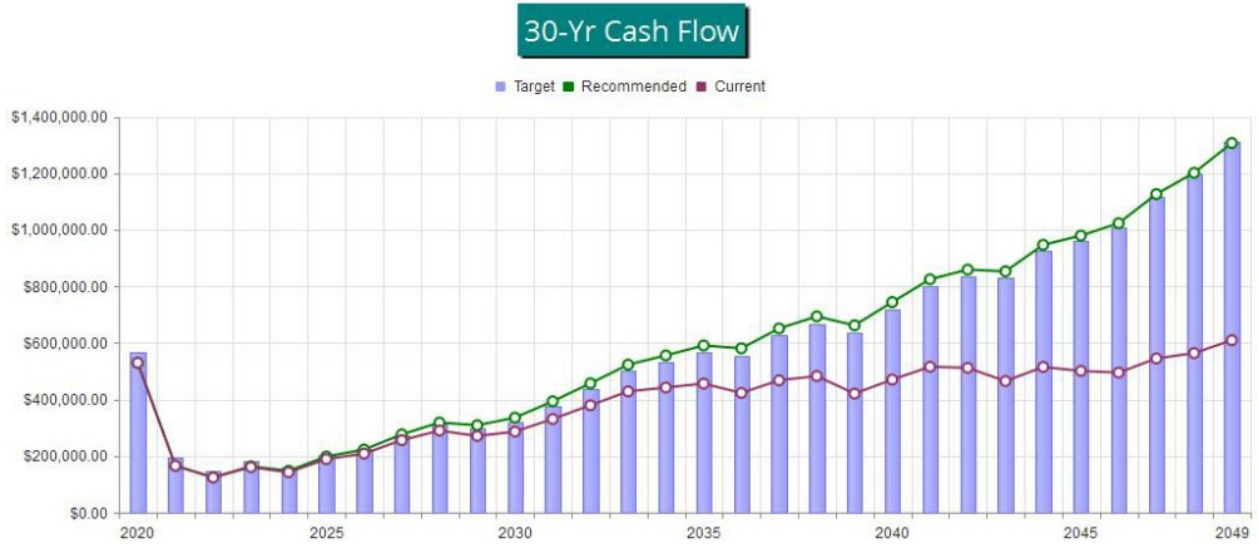


Figure 3

This chart shows the same information plotted on a Percent Funded scale. It is clear here to see how your Reserve Fund strength approaches the 100% Funded level under our recommended multi-year Funding Plan.

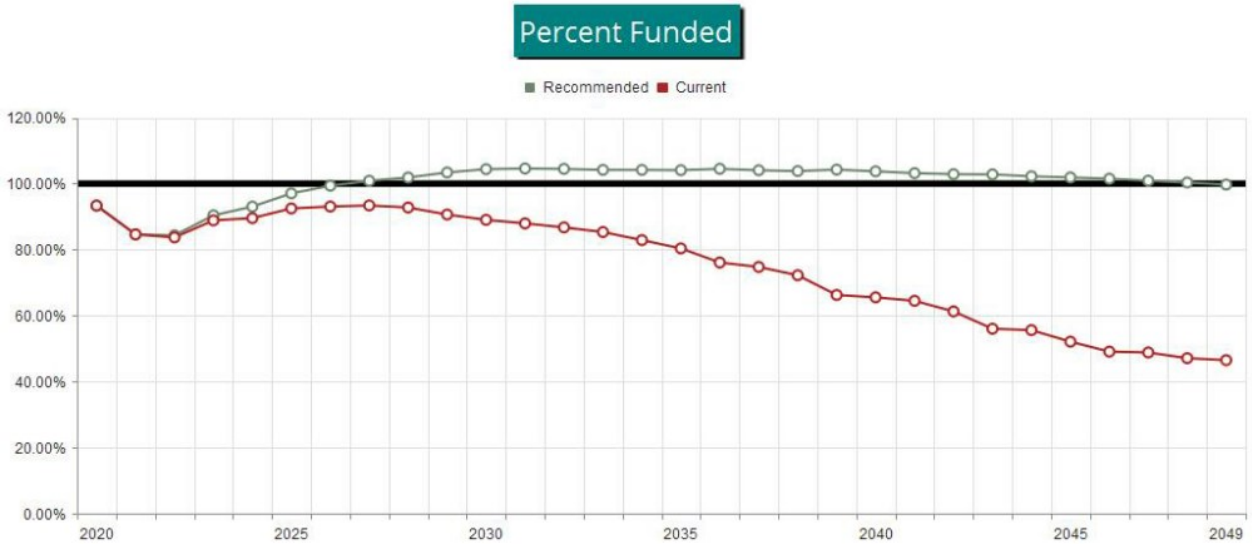


Figure 4

Table Descriptions

Executive Summary is a summary of your Reserve Components

Reserve Component List Detail discloses key Component information, providing the foundation upon which the financial analysis is performed.

Fully Funded Balance shows the calculation of the Fully Funded Balance for each of your components, and their contributions to the association total. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Component Significance shows the relative significance of each component to Reserve funding needs of the association, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr of each component is calculated by dividing the estimated Current Replacement Cost by its Useful Life, then that component's percentage of the total is displayed.

30-Yr Reserve Plan Summary provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk at the beginning of each year.

30-Year Income/Expense Detail shows the detailed income and expenses for each of the next 30 years. This table makes it possible to see which components are projected to require repair or replacement in a particular year, and the size of those individual expenses.

# Component	Quantity	Useful Life	Rem. Useful Life	Current Cost Estimate		
				Best Case	Worst Case	
COMMON AREAS						
103	Concrete - Repair	Numerous Sq Ft	5	0	\$2,000	\$3,000
201	Asphalt - Resurface	Approx 189,000 Sq Ft	30	0	\$360,000	\$460,000
203	Asphalt - Seal/Repair	Approx 189,000 Sq Ft	4	1	\$18,000	\$24,000
300	Street Signs - Replace	(14) Signs	20	8	\$1,900	\$2,800
302	Notice Boxes - Replace	(12) Notice Boxes	15	1	\$2,700	\$3,200
324	Wall Lights - Replace	(250) Lights	30	24	\$28,000	\$35,000
403	Mailboxes - Replace	(12) Clusters	20	14	\$20,000	\$27,000
405	Benches - Replace	(10) Concrete Benches	30	2	\$5,000	\$7,000
501	Stucco Walls - Repair	Approx 4,400 Sq Ft	25	2	\$2,000	\$4,000
600	Flag Pole - Refurbish	(1) Flag Pole	20	9	\$3,300	\$4,200
701	Monuments - Refurbish (Main)	(1) Monument	20	1	\$7,000	\$9,000
701	Monuments - Refurbish (Streets)	(20) Signs	30	18	\$5,000	\$7,000
1001	Backflow Valves - Replace	(9) Backflow Valves	20	7	\$9,500	\$13,000
1002	Irrigation System - Replace	Approx 25,000 LF	15	3	\$53,000	\$66,000
1003	Irrigation Controllers - Replace	(9) Rain Bird	12	1	\$3,000	\$3,500
1005	Landscape Granite - Replenish	Approx 500 Tons	7	1	\$45,000	\$56,000
16 Total Funded Components						

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
COMMON AREAS								
103	Concrete - Repair	\$2,500	X	5	/	5	=	\$2,500
201	Asphalt - Resurface	\$410,000	X	30	/	30	=	\$410,000
203	Asphalt - Seal/Repair	\$21,000	X	3	/	4	=	\$15,750
300	Street Signs - Replace	\$2,350	X	12	/	20	=	\$1,410
302	Notice Boxes - Replace	\$2,950	X	14	/	15	=	\$2,753
324	Wall Lights - Replace	\$31,500	X	6	/	30	=	\$6,300
403	Mailboxes - Replace	\$23,500	X	6	/	20	=	\$7,050
405	Benches - Replace	\$6,000	X	28	/	30	=	\$5,600
501	Stucco Walls - Repair	\$3,000	X	23	/	25	=	\$2,760
600	Flag Pole - Refurbish	\$3,750	X	11	/	20	=	\$2,063
701	Monuments - Refurbish (Main)	\$8,000	X	19	/	20	=	\$7,600
701	Monuments - Refurbish (Streets)	\$6,000	X	12	/	30	=	\$2,400
1001	Backflow Valves - Replace	\$11,250	X	13	/	20	=	\$7,313
1002	Irrigation System - Replace	\$59,500	X	12	/	15	=	\$47,600
1003	Irrigation Controllers - Replace	\$3,250	X	11	/	12	=	\$2,979
1005	Landscape Granite - Replenish	\$50,500	X	6	/	7	=	\$43,286
								\$567,363

Component Significance

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#	Component	Useful Life (yrs)	Current Cost Estimate	Deterioration Cost/Yr	Deterioration Significance
COMMON AREAS					
103	Concrete - Repair	5	\$2,500	\$500	1.43 %
201	Asphalt - Resurface	30	\$410,000	\$13,667	38.96 %
203	Asphalt - Seal/Repair	4	\$21,000	\$5,250	14.97 %
300	Street Signs - Replace	20	\$2,350	\$118	0.33 %
302	Notice Boxes - Replace	15	\$2,950	\$197	0.56 %
324	Wall Lights - Replace	30	\$31,500	\$1,050	2.99 %
403	Mailboxes - Replace	20	\$23,500	\$1,175	3.35 %
405	Benches - Replace	30	\$6,000	\$200	0.57 %
501	Stucco Walls - Repair	25	\$3,000	\$120	0.34 %
600	Flag Pole - Refurbish	20	\$3,750	\$188	0.53 %
701	Monuments - Refurbish (Main)	20	\$8,000	\$400	1.14 %
701	Monuments - Refurbish (Streets)	30	\$6,000	\$200	0.57 %
1001	Backflow Valves - Replace	20	\$11,250	\$563	1.60 %
1002	Irrigation System - Replace	15	\$59,500	\$3,967	11.31 %
1003	Irrigation Controllers - Replace	12	\$3,250	\$271	0.77 %
1005	Landscape Granite - Replenish	7	\$50,500	\$7,214	20.57 %
16	Total Funded Components			\$35,078	100.00 %

30-Year Reserve Plan Summary

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Fiscal Year Start: 2020	Interest: 1.00 %	Inflation: 3.00 %
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)	Projected Reserve Balance Changes	

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase		Loan or Special Assmts	Interest Income	Reserve Expenses
					In Annual Reserve Contribs.	Reserve Contribs.			
2020	\$529,571	\$567,363	93.3 %	Low	0.00 %	\$45,000	\$0	\$3,474	\$412,500
2021	\$165,545	\$195,639	84.6 %	Low	2.00 %	\$45,900	\$0	\$1,450	\$88,271
2022	\$124,624	\$147,803	84.3 %	Low	2.00 %	\$46,818	\$0	\$1,439	\$9,548
2023	\$163,333	\$180,733	90.4 %	Low	2.00 %	\$47,754	\$0	\$1,554	\$65,017
2024	\$147,625	\$158,667	93.0 %	Low	2.00 %	\$48,709	\$0	\$1,728	\$0
2025	\$198,062	\$204,092	97.0 %	Low	2.00 %	\$49,684	\$0	\$2,102	\$27,243
2026	\$222,605	\$224,039	99.4 %	Low	3.00 %	\$51,174	\$0	\$2,493	\$0
2027	\$276,272	\$273,901	100.9 %	Low	3.00 %	\$52,709	\$0	\$2,971	\$13,836
2028	\$318,116	\$312,302	101.9 %	Low	3.00 %	\$54,291	\$0	\$3,132	\$66,949
2029	\$308,590	\$298,482	103.4 %	Low	3.00 %	\$55,919	\$0	\$3,219	\$32,293
2030	\$335,435	\$321,316	104.4 %	Low	3.00 %	\$57,597	\$0	\$3,642	\$3,360
2031	\$393,315	\$376,051	104.6 %	Low	3.00 %	\$59,325	\$0	\$4,249	\$0
2032	\$456,889	\$437,345	104.5 %	Low	3.00 %	\$61,105	\$0	\$4,897	\$0
2033	\$522,890	\$501,978	104.2 %	Low	3.00 %	\$62,938	\$0	\$5,390	\$35,612
2034	\$555,606	\$533,415	104.2 %	Low	3.00 %	\$64,826	\$0	\$5,729	\$35,546
2035	\$590,615	\$567,455	104.1 %	Low	3.00 %	\$66,771	\$0	\$5,854	\$82,572
2036	\$580,667	\$555,718	104.5 %	Low	3.00 %	\$68,774	\$0	\$6,155	\$4,734
2037	\$650,862	\$625,492	104.1 %	Low	3.00 %	\$70,837	\$0	\$6,720	\$34,710
2038	\$693,709	\$668,223	103.8 %	Low	3.00 %	\$72,962	\$0	\$6,775	\$111,509
2039	\$661,937	\$634,923	104.3 %	Low	3.00 %	\$75,151	\$0	\$7,027	\$0
2040	\$744,116	\$717,325	103.7 %	Low	3.00 %	\$77,405	\$0	\$7,841	\$4,515
2041	\$824,847	\$799,449	103.2 %	Low	3.00 %	\$79,728	\$0	\$8,416	\$53,949
2042	\$859,042	\$835,078	102.9 %	Low	3.00 %	\$82,119	\$0	\$8,556	\$96,763
2043	\$852,955	\$829,693	102.8 %	Low	3.00 %	\$84,583	\$0	\$8,994	\$0
2044	\$946,532	\$925,889	102.2 %	Low	3.00 %	\$87,121	\$0	\$9,625	\$64,033
2045	\$979,244	\$961,156	101.9 %	Low	3.00 %	\$89,734	\$0	\$10,007	\$56,009
2046	\$1,022,976	\$1,007,950	101.5 %	Low	3.00 %	\$92,426	\$0	\$10,741	\$0
2047	\$1,126,144	\$1,116,106	100.9 %	Low	3.00 %	\$95,199	\$0	\$11,632	\$31,653
2048	\$1,201,322	\$1,197,242	100.3 %	Low	3.00 %	\$98,055	\$0	\$12,534	\$5,377
2049	\$1,306,534	\$1,310,284	99.7 %	Low	3.00 %	\$100,997	\$0	\$12,742	\$177,332

30-Year Income/Expense Detail

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Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$529,571	\$165,545	\$124,624	\$163,333	\$147,625
Annual Reserve Contribution	\$45,000	\$45,900	\$46,818	\$47,754	\$48,709
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,474	\$1,450	\$1,439	\$1,554	\$1,728
Total Income	\$578,045	\$212,895	\$172,882	\$212,642	\$198,062
# Component					
COMMON AREAS					
103 Concrete - Repair	\$2,500	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$410,000	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$0	\$21,630	\$0	\$0	\$0
300 Street Signs - Replace	\$0	\$0	\$0	\$0	\$0
302 Notice Boxes - Replace	\$0	\$3,039	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Benches - Replace	\$0	\$0	\$6,365	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$3,183	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Main)	\$0	\$8,240	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$65,017	\$0
1003 Irrigation Controllers - Replace	\$0	\$3,348	\$0	\$0	\$0
1005 Landscape Granite - Replenish	\$0	\$52,015	\$0	\$0	\$0
Total Expenses	\$412,500	\$88,271	\$9,548	\$65,017	\$0
Ending Reserve Balance	\$165,545	\$124,624	\$163,333	\$147,625	\$198,062

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$198,062	\$222,605	\$276,272	\$318,116	\$308,590
Annual Reserve Contribution	\$49,684	\$51,174	\$52,709	\$54,291	\$55,919
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$2,102	\$2,493	\$2,971	\$3,132	\$3,219
Total Income	\$249,848	\$276,272	\$331,952	\$375,539	\$367,729
# Component					
COMMON AREAS					
103 Concrete - Repair	\$2,898	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$24,345	\$0	\$0	\$0	\$27,400
300 Street Signs - Replace	\$0	\$0	\$0	\$2,977	\$0
302 Notice Boxes - Replace	\$0	\$0	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Benches - Replace	\$0	\$0	\$0	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$4,893
701 Monuments - Refurbish (Main)	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$13,836	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Landscape Granite - Replenish	\$0	\$0	\$0	\$63,972	\$0
Total Expenses	\$27,243	\$0	\$13,836	\$66,949	\$32,293
Ending Reserve Balance	\$222,605	\$276,272	\$318,116	\$308,590	\$335,435

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$335,435	\$393,315	\$456,889	\$522,890	\$555,606
Annual Reserve Contribution	\$57,597	\$59,325	\$61,105	\$62,938	\$64,826
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$3,642	\$4,249	\$4,897	\$5,390	\$5,729
Total Income	\$396,675	\$456,889	\$522,890	\$591,218	\$626,161
# Component					
COMMON AREAS					
103 Concrete - Repair	\$3,360	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$0	\$0	\$0	\$30,839	\$0
300 Street Signs - Replace	\$0	\$0	\$0	\$0	\$0
302 Notice Boxes - Replace	\$0	\$0	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$35,546
405 Benches - Replace	\$0	\$0	\$0	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Main)	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$4,773	\$0
1005 Landscape Granite - Replenish	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$3,360	\$0	\$0	\$35,612	\$35,546
Ending Reserve Balance	\$393,315	\$456,889	\$522,890	\$555,606	\$590,615

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$590,615	\$580,667	\$650,862	\$693,709	\$661,937
Annual Reserve Contribution	\$66,771	\$68,774	\$70,837	\$72,962	\$75,151
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$5,854	\$6,155	\$6,720	\$6,775	\$7,027
Total Income	\$663,240	\$655,596	\$728,419	\$773,447	\$744,116
# Component					
COMMON AREAS					
103 Concrete - Repair	\$3,895	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$0	\$0	\$34,710	\$0	\$0
300 Street Signs - Replace	\$0	\$0	\$0	\$0	\$0
302 Notice Boxes - Replace	\$0	\$4,734	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Benches - Replace	\$0	\$0	\$0	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Main)	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$10,215	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$101,295	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Landscape Granite - Replenish	\$78,677	\$0	\$0	\$0	\$0
Total Expenses	\$82,572	\$4,734	\$34,710	\$111,509	\$0
Ending Reserve Balance	\$580,667	\$650,862	\$693,709	\$661,937	\$744,116

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$744,116	\$824,847	\$859,042	\$852,955	\$946,532
Annual Reserve Contribution	\$77,405	\$79,728	\$82,119	\$84,583	\$87,121
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$7,841	\$8,416	\$8,556	\$8,994	\$9,625
Total Income	\$829,363	\$912,991	\$949,718	\$946,532	\$1,043,277
# Component					
COMMON AREAS					
103 Concrete - Repair	\$4,515	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$0	\$39,066	\$0	\$0	\$0
300 Street Signs - Replace	\$0	\$0	\$0	\$0	\$0
302 Notice Boxes - Replace	\$0	\$0	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$64,033
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Benches - Replace	\$0	\$0	\$0	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$0	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Main)	\$0	\$14,882	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$0	\$0	\$0	\$0	\$0
1005 Landscape Granite - Replenish	\$0	\$0	\$96,763	\$0	\$0
Total Expenses	\$4,515	\$53,949	\$96,763	\$0	\$64,033
Ending Reserve Balance	\$824,847	\$859,042	\$852,955	\$946,532	\$979,244

Fiscal Year	2045	2046	2047	2048	2049
Starting Reserve Balance	\$979,244	\$1,022,976	\$1,126,144	\$1,201,322	\$1,306,534
Annual Reserve Contribution	\$89,734	\$92,426	\$95,199	\$98,055	\$100,997
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$10,007	\$10,741	\$11,632	\$12,534	\$12,742
Total Income	\$1,078,985	\$1,126,144	\$1,232,975	\$1,311,911	\$1,420,273
# Component					
COMMON AREAS					
103 Concrete - Repair	\$5,234	\$0	\$0	\$0	\$0
201 Asphalt - Resurface	\$0	\$0	\$0	\$0	\$0
203 Asphalt - Seal/Repair	\$43,969	\$0	\$0	\$0	\$49,488
300 Street Signs - Replace	\$0	\$0	\$0	\$5,377	\$0
302 Notice Boxes - Replace	\$0	\$0	\$0	\$0	\$0
324 Wall Lights - Replace	\$0	\$0	\$0	\$0	\$0
403 Mailboxes - Replace	\$0	\$0	\$0	\$0	\$0
405 Benches - Replace	\$0	\$0	\$0	\$0	\$0
501 Stucco Walls - Repair	\$0	\$0	\$6,664	\$0	\$0
600 Flag Pole - Refurbish	\$0	\$0	\$0	\$0	\$8,837
701 Monuments - Refurbish (Main)	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish (Streets)	\$0	\$0	\$0	\$0	\$0
1001 Backflow Valves - Replace	\$0	\$0	\$24,990	\$0	\$0
1002 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1003 Irrigation Controllers - Replace	\$6,805	\$0	\$0	\$0	\$0
1005 Landscape Granite - Replenish	\$0	\$0	\$0	\$0	\$119,007
Total Expenses	\$56,009	\$0	\$31,653	\$5,377	\$177,332
Ending Reserve Balance	\$1,022,976	\$1,126,144	\$1,201,322	\$1,306,534	\$1,242,941

Accuracy, Limitations, and Disclosures

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. DJ Vlaming, R.S., company president, is a credentialed Reserve Specialist (#61). All work done by Association Reserves is performed under his Responsible Charge and is performed in accordance with National Reserve Study Standards (NRSS). There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the client's situation.

Per NRSS, information provided by official representative(s) of the client, vendors, and suppliers regarding financial details, component physical details and/or quantities, or historical issues/conditions will be deemed reliable, and is not intended to be used for the purpose of any type of audit, quality/forensic analysis, or background checks of historical records. As such, information provided to us has not been audited or independently verified.

Estimates for interest and inflation have been included, because including such estimates are more accurate than ignoring them completely. When we are hired to prepare Update reports, the client is considered to have deemed those previously developed component quantities as accurate and reliable, whether established by our firm or other individuals/firms (unless specifically mentioned in our Site Inspection Notes). During inspections our company standard is to establish measurements within 5% accuracy, and our scope includes visual inspection of accessible areas and components and does not include any destructive or other testing. Our work is done only for budget purposes. Uses or expectations outside our expertise and scope of work include, but are not limited to, project audit, quality inspection, and the identification of construction defects, hazardous materials, or dangerous conditions. Identifying hidden issues such as but not limited to plumbing or electrical problems are also outside our scope of work. Our estimates assume proper original installation & construction, adherence to recommended preventive maintenance, a stable economic environment, and do not consider frequency or severity of natural disasters. Our opinions of component Useful Life, Remaining Useful Life, and current or future cost estimates are not a warranty or guarantee of actual costs or timing.

Because the physical and financial status of the property, legislation, the economy, weather, owner expectations, and usage are all in a continual state of change over which we have no control, we do not expect that the events projected in this document will all occur exactly as planned. This Reserve Study is by nature a "one-year" document in need of being updated annually so that more accurate estimates can be incorporated. It is only because a long-term perspective improves the accuracy of near-term planning that this Report projects expenses into the future. We fully expect a number of adjustments will be necessary through the interim years to the cost and timing of expense projections and the funding necessary to prepare for those estimated expenses.

In this engagement our compensation is not contingent upon our conclusions, and our liability in any matter involving this Reserve Study is limited to our fee for services rendered.

Terms and Definitions

BTU	British Thermal Unit (a standard unit of energy)
DIA	Diameter
GSF	Gross Square Feet (area). Equivalent to Square Feet
GSY	Gross Square Yards (area). Equivalent to Square Yards
HP	Horsepower
LF	Linear Feet (length)
Effective Age	The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.
Fully Funded Balance (FFB)	The value of the deterioration of the Reserve Components. This is the fraction of life "used up" of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.
Inflation	Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on the "30-yr Income/Expense Detail" table.
Interest	Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.
Percent Funded	The ratio, at a particular point in time (the first day of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.
Remaining Useful Life (RUL)	The estimated time, in years, that a common area component can be expected to continue to serve its intended function.
Useful Life (UL)	The estimated time, in years, that a common area component can be expected to serve its intended function.

Component Details

The primary purpose of the Component Details appendix is to provide the reader with the basis of our funding assumptions resulting from the physical analysis and subsequent research. The information presented here represents a wide range of components that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding:

- 1) Common area repair & replacement responsibility
- 2) Component must have a limited useful life
- 3) Life limit must be predictable
- 4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of Annual operating expenses).

Not all of your components may have been found appropriate for reserve funding. In our judgment, the components meeting the above four criteria are shown with the Useful Life (how often the project is expected to occur), Remaining Useful Life (when the next instance of the expense will be) and representative market cost range termed “Best Cost” and “Worst Cost”. There are many factors that can result in a wide variety of potential costs, and we have attempted to present the cost range in which your actual expense will occur.

Where no Useful Life, Remaining Useful Life, or pricing exists, the component was deemed inappropriate for Reserve Funding.

COMMON AREAS

Comp #: 103 Concrete - Repair**Quantity: Numerous Sq Ft**

Location: Curbs, gutters and walkways throughout community

Funded?: Yes.

History:

Comments: There is no expectancy to completely replace the concrete. This component provides an allowance for periodic repairs and/or partial replacements.

Useful Life: 5 years

Remaining Life: 0 years

Best Case: \$ 2,000

Worst Case: \$3,000

Cost Source: ARI Cost Allowance

Comp #: 201 Asphalt - Resurface**Quantity: Approx 189,000 Sq Ft**

Location: Streets throughout community

Funded?: Yes.

History: The streets were installed during 1985.

Comments: HOA reportedly plans to repave the asphalt during 2020. Bids received during 2019 were reportedly around \$350,000 to tear the asphalt down to the base, and repave. Budgeted cost reflects the 2019 bid estimates (plus 1 year of inflation to reflect 2020 pricing) as the best case scenario, since this appears to be a low cost for a full remove and repave.

Useful Life: 30 years

Remaining Life: 0 years

Best Case: \$ 360,000

Worst Case: \$460,000

Cost Source: Estimate Provided by Client

Comp #: 202 Asphalt - Slurry Seal**Quantity: Approx 189,000 Sq Ft**

Location: Streets throughout community

Funded?: No. Slurry seal is not expected to occur again in the foreseeable future.

History: The streets were slurry sealed during 2009 for ~\$57,600.

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 203 Asphalt - Seal/Repair**Quantity: Approx 189,000 Sq Ft**

Location: Streets throughout community

Funded?: Yes.

History: Asphalt was seal coated during 2013 for ~\$13,800.

Comments: Seal coat asphalt surfaces periodically to prevent premature cracking and deterioration.

Useful Life: 4 years

Remaining Life: 1 years

Best Case: \$ 18,000

Worst Case: \$24,000

Cost Source: Client Cost History

Comp #: 300 Street Signs - Replace**Quantity: (14) Signs**

Location: Adjacent to community streets

Funded?: Yes.

History: Reportedly replaced around 2008.

Comments: This component provides funding to eventually replace the street signs (stop signs, speed limit signs, and warning signs).

Useful Life: 20 years

Remaining Life: 8 years

Best Case: \$ 1,900

Worst Case: \$2,800

Cost Source: Past Estimate Provided by Client

Comp #: 302 Notice Boxes - Replace**Quantity: (12) Notice Boxes**

Location: Near mailbox areas

Funded?: Yes.

History: Reportedly installed around 2005.

Comments:

Useful Life: 15 years

Remaining Life: 1 years

Best Case: \$ 2,700

Worst Case: \$3,200

Cost Source: Past Estimate Provided by Client

Comp #: 324 Wall Lights - Replace**Quantity: (250) Lights**

Location: Mounted to unit exteriors (adjacent to garages) - 1 per unit

Funded?: Yes.

History: Original lights from 1985 were replaced during 2014 for ~\$28,000.

Comments:

Useful Life: 30 years

Remaining Life: 24 years

Best Case: \$ 28,000

Worst Case: \$35,000

Cost Source: Client Cost History

Comp #: 403 Mailboxes - Replace**Quantity: (12) Clusters**

Location: Adjacent to community streets

Funded?: Yes.

History: Replaced during 2014 for ~\$21,000.

Comments:

Useful Life: 20 years

Remaining Life: 14 years

Best Case: \$ 20,000

Worst Case: \$27,000

Cost Source: Client Cost History

Comp #: 405 Benches - Replace**Quantity: (10) Concrete Benches**

Location: Common areas throughout community

Funded?: Yes.

History:

Comments:

Useful Life: 30 years

Remaining Life: 2 years

Best Case: \$ 5,000

Worst Case: \$7,000

Cost Source: Phoenix Precast Catalog

Comp #: 501 Stucco Walls - Repair**Quantity: Approx 4,400 Sq Ft**

Location: Stucco walls adjacent to street (West end of property and North end)

Funded?: Yes.

History:

Comments: Walls are expected to last the life of the community under normal circumstances. This component provides an allowance for repairs and/or partial replacement due to excessive settling or other sources of damage.

Useful Life: 25 years

Remaining Life: 2 years

Best Case: \$ 2,000

Worst Case: \$4,000

Cost Source: ARI Cost Database

Comp #: 600 Flag Pole - Refurbish**Quantity: (1) Flag Pole**

Location: Adjacent to street at South end of community

Funded?: Yes.

History: The flag pole was refurbished during 2009 for ~\$3,000, which included adding a solar light and plaque.

Comments:

Useful Life: 20 years

Remaining Life: 9 years

Best Case: \$ 3,300

Worst Case: \$4,200

Cost Source: Client Cost History

Comp #: 701 Monuments - Refurbish (Main)**Quantity: (1) Monument**

Location: Community entrance

Funded?: Yes.

History: Original from 1985.

Comments: Monument consists of metal RPC letters mounted to a stucco wall. The monument reads "El Conquistador PATIO HOMES" and also includes a saguaro logo. This component provides funding to eventually replace the logo and letters.

Useful Life: 20 years

Remaining Life: 1 years

Best Case: \$ 7,000

Worst Case: \$9,000

Cost Source: ARI Cost Database

Comp #: 701 Monuments - Refurbish (Streets)**Quantity: (20) Signs**

Location: Adjacent to community streets

Funded?: Yes.

History: Installed during 2008 for ~\$4,300.

Comments: These signs are mounted to (6) stucco kiosks located throughout the property. The signs are composed of carved stone mounted to a metal plate. There is no expectancy to replace the stucco kiosks. This component provides funding to eventually replace only the signs.

Useful Life: 30 years

Remaining Life: 18 years

Best Case: \$ 5,000

Worst Case: \$7,000

Cost Source: Client Cost History

Comp #: 1001 Backflow Valves - Replace**Quantity: (9) Backflow Valves**

Location: Common areas throughout the community

Funded?: Yes.

History: Installed during 2007.

Comments: Backflow valves typically last a long time. However, it would be prudent to still plan for replacement eventually.

Useful Life: 20 years

Remaining Life: 7 years

Best Case: \$ 9,500

Worst Case: \$13,000

Cost Source: ARI Cost Database

Comp #: 1002 Irrigation System - Replace**Quantity: Approx 25,000 LF**

Location: Common areas throughout community

Funded?: Yes.

History: New polyurethane 1/2" lines were installed during 2008 for ~\$36,400. There were also (23) new valve assemblies installed.

Comments: Periodic repairs should be handled as an Operating expense. Complete replacement of the lines and valves should be anticipated again at some point in the future.

Useful Life: 15 years

Remaining Life: 3 years

Best Case: \$ 53,000

Worst Case: \$66,000

Cost Source: Client Cost History

Comp #: 1003 Irrigation Controllers - Replace**Quantity: (9) Rain Bird**

Location: Common areas throughout community

Funded?: Yes.

History: Controllers were primarily replaced around 2007. There are a couple controllers that are dated from 2003.

Comments: This component provides funding to eventually replace all of the controllers.

Useful Life: 12 years

Remaining Life: 1 years

Best Case: \$ 3,000

Worst Case: \$3,500

Cost Source: ARI Cost Database

Comp #: 1005 Landscape Granite - Replenish**Quantity: Approx 500 Tons**

Location: Common areas throughout community

Funded?: Yes.

History: Replenished during 2014 for ~\$45,400. Previously replenished during 2009 for ~\$51,100.

Comments: There is no expectancy to replace the granite. This component provides an allowance to top dress the existing granite with a new 1" layer.

Useful Life: 7 years

Remaining Life: 1 years

Best Case: \$ 45,000

Worst Case: \$56,000

Cost Source: Client Cost History

Comp #: 1020 Drainage Swales - Rebuild**Quantity: Drainage Swales**

Location: Common areas throughout property

Funded?: No. The association plans to rebuild the drainage swales annually as-needed with Operating funds.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 1030 Landscape - Renovate**Quantity: Landscape**

Location: Common areas throughout property

Funded?: No. The association plans to renovate the landscaping annually as-needed with Operating funds.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 1105 Stucco Walls - Repaint**Quantity: Approx 6,350 Sq Ft**

Location: Stucco walls adjacent to street (West end of property and North end)

Funded?: No. The walls are reportedly repainted as-needed as an Operating expense. No Reserve funding has been allocated to repaint these walls.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 1108 View Fence - Repaint

Quantity: Numerous LF

Location: Homeowner backyards

Funded?: No. Each homeowner is responsible for repainting and repairs to their fence, not the association.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:

Comp #: 1600 Website - Rebuild

Quantity: HOA Website

Location: Internet

Funded?: No. The association plans to maintain the website with Operating funds.

History:

Comments:

Useful Life:

Remaining Life:

Best Case:

Worst Case:

Cost Source:
