Reserve Study Transmittal Letter

Date: October 27, 2016
To: Tasha Parmelee, DeCamara Management
From: Richard Avelar & Associates (RA&A)

Re: Sand Dollar Beach HOA - Townhomes; Update w/ Site Visit Review

Attached, please find the reserve study for Sand Dollar Beach HOA - Townhomes. To assist in your understanding of the study, and to highlight key information you may need quickly, we have listed below some of the important information contained in the study. At RA&A our goal is to bring clarity from complexity, so should you have any questions, please do not hesitate to contact us anytime.

1. Where do I find the recommended reserve contribution for next year's budget?

   This is found in *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."* **$182,003** is the annual amount. Directly under the annual amount is the amount per ownership interest, per month, or other period, as applicable. **$798.26 /Unit/month @ 19.** For any other funding related issues, if any, see *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."*

2. Where do I find the status of the reserve fund, based on the Percent Funded calculation?

   This is found for the 30-year term of the study in *Section IV, "30 Year Reserve Funding Plan, Including Fully Funded Balance and % Funded."* For the year for which the study was prepared, 2017, the Association is **8.7%** funded.

   Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

   California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

3. Where do I find the assumptions for interest and inflation factors?

   While this information is in various places in the study, it can always be found in *Section III, "30 Year Reserve Funding Plan, Cash Flow Method."* For this study the assumption is **0.50%** for the interest rate and **2.50%** for the inflation factor. Please be advised these rates estimate the values that will stand the test of time over the 30-year term of the study, not simply only next year.

4. What pages from the reserve study get mailed to the members (homeowners)?

   Please see the last section of the reserve study, "Member Distribution Materials." These are the last six pages (or more) of the study which can be removed, and copied, for distribution to the membership with the budget packet. This packet includes all state mandated disclosures related to the reserves and the reserve study. **This section of the study is a stand-alone packet with it's own cover and table of contents.**

5. What are the next steps?

   This study meets the CA Civil Code Requirements for a site visit study every three years. The next site visit study will be due in three years. For the intervening two years, RA&A proposes doing an Update Without Site Visit Study during the next two years at a nominal cost which will include the preparation of a reserve study and required disclosures including the "California Assessment and Reserve Funding Disclosure Summary," which under law, must be presented to the association members each year.

Please read the two helpful sections entitled "Glossary" and "Notes to the Auditor." The glossary explains common reserve study terms as well as RA&A specific terminology. The Notes to the Auditor while intended to assist the auditor, has useful information for the casual reader on how year zero, (2016) the current fiscal year is dealt with in the study.

Thank you for the opportunity to work with the Sand Dollar Beach HOA - Townhomes on this study.

RESERVE STUDY

Update w/ Site Visit Review

Sand Dollar Beach HOA - Townhomes

Draft_For Review Purposes Only

Published - October 27, 2016

Prepared for the 2017 Fiscal Year

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RICHARD AVELAR & ASSOCIATES

ARCHITECTS

Sand Dollar Beach HOA - Townhomes

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Sand Dollar Beach HOA - Townhomes

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Reserve Study Summary

A Reserve Study was conducted of Sand Dollar Beach HOA - Townhomes (the "**Association**"). An **Update With Site-Visit Review** is a reserve study update in which the following tasks are performed:

- development of a reserve component inventory (verification only, not quantification);
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Sand Dollar Beach HOA - Townhomes is a Planned Development with a total of 19 Units.

Physical Inspection

Richard Avelar & Associates ("**RA&A**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than $1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, RA&A utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in *Section VI, Included Component Listing*.

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in *"Section III, Reserve Funding Plan."* In addition RA&A relied on the Association to provide an accurate Beginning Reserve Balance.

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The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
    a. **Its current estimated replacement cost;**
    b. **Its estimated useful life; and**
    c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is $1,029,516.**
    - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2017 is estimated to be $89,957, constituting 8.7% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of $182,003** ***[$798.26 per Unit per month (average)]*** **for the fiscal year ending December 31, 2017 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

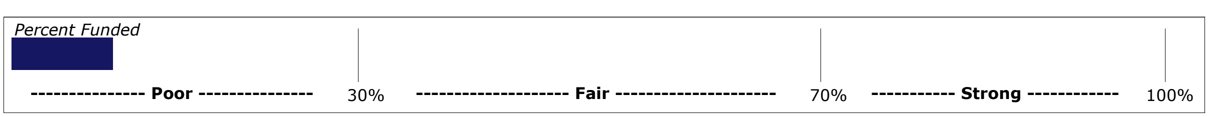
Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

Percent Funded Status

Based on paragraphs 1 - 3 above, the Association is 8.7% funded. The following scale can be used as a measure to determine the Association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.



Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast)* was developed using the cash flow method. This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Funding Goals

The funding goal employed for Sand Dollar Beach HOA - Townhomes is

Threshold Funding: Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Statutory Disclosures

Compliance

The Reserve Study was conducted pursuant to *Sections 5300 and 5520* of the California Civil Code.

Open Meeting

California *Civil Code Section 5500* says (in part):

The (Reserve Funding) plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in *Section 4900*. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in *Section 5600*.

Supplemental Disclosures

General:

RA&A has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

Personnel Credentials:

RA&A is an Architectural Firm and a licensed general building contractor in California. Ken Kosloff, PRA, RS, Principal, holds the Professional Reserve Analyst designation from The Association of Reserve Analysts along with the Reserve Specialist designation from the Community Associations Institute.

Completeness:

RA&A has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

Reliance on Client Data:

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by RA&A.

Scope:

This Reserve Study is a reflection of information provided to RA&A and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

Reserve Balance:

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

Reserve Projects:

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

Component Quantities:

The Association warrants the previously developed component quantities are accurate and reliable.

Richard Avelar & Associates

See Section VI-b for Excluded Components

Reserve Component	*Current Replacement Cost*	*Useful / Life*	*Remaining*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*	*2029*	*2030*
02000 - Concrete (Partial Replacement)																		
300 - Driveways 19 Repair/Replace (10%)	6,059	5	1		6,211					7,027					7,950			
900 - Miscellaneous 19 Parking Apron to Building Entry	107,769	50	10											137,954				
Total 02000 - Concrete (Partial Replacement)	113,829				6,211					7,027				137,954	7,950			
02500 - Landings/Stairs/Railings																		
001 - Stair Structure Wood Landings / Stairways Bldg 1	183,071	40	36															
002 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	37															
003 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	38															
004 - Stair Structure Wood Landings / Stairways Bldg 3	511,661	40	0	511,661														
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	480,000	40	0	240,000	246,000													
Total 02500 - Landings/Stairs/Railings	1,508,568			751,661	246,000													
03000 - Painting/Caulking: Exterior																		
990 - Building Exterior Street Side of Units	21,911	6	1		22,458						26,045						30,204	
991 - Building Exterior Beach Side of Units	18,522	6	1		18,985						22,017						25,533	
992 - Building Exterior Building Ends/Stairwells	5,022	6	1		5,148						5,970						6,923	
Total 03000 - Painting/Caulking: Exterior	45,455				46,591						54,032						62,660	
04500 - Decks/Balconies																		
366 - Repair Fund 5,525 Sq. Ft. Wood Decks (5%)	17,956	5	1		18,405					20,824					23,560			
Total 04500 - Decks/Balconies	17,956				18,405					20,824					23,560			
05000 - Roofing																		
280 - Storage Shed Roof Tops Torch Down	1,160	5	1		1,189					1,345					1,522			
415 - Steep Slope: 40 Year Comp Shingle	86,151	30	1		88,305													
700 - Gutters / Downspouts (Copper) (Beach Side)	19,900	25	15															
701 - Gutters / Downspouts (Copper) (Street Side repair fund) (20%)	4,308	25	16															
820 - Clay Tile Roof	118,632	40	1		121,598													

See Section VI-b for Excluded Components

Reserve Component	*Current Replacement Cost*	*Life Useful /*	*Remaining*	*2016*	*2017*	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026*	*2027*	*2028*	*2029*	*2030*
Total 05000 - Roofing	230,151				211,092					1,345					1,522			
30000 - Miscellaneous																		
002 - Meter Enclosures 2	1,334	25	7								1,585							
006 - Sea Wall Replace	430,756	50	17															
007 - Sea Wall Exploration[nr:1]	50,000	50	0	50,000														
012 - ABS/PVC/Sewer Line Repacement Fund	51,691	50	44															
052 - Gas Line Replacement Fund	64,613	50	37															
Total 30000 - Miscellaneous	598,394			50,000							1,585							
Total Expenditures Inflated @ 2.50%				801,661	528,299	0	0	0	0	29,196	55,617	0	0	137,954	33,032	0	62,660	0
Total Current Replacement Cost	2,514,353																	

See Section VI-b for Excluded Components

Reserve Component	*2031*	*2032*	*2033*	*2034*	*2035*	*2036*	*2037*	*2038*	*2039*	*2040*	*2041*	*2042*	*2043*	*2044*	*2045*
02000 - Concrete (Partial Replacement)															
300 - Driveways 19 Repair/Replace (10%)		8,995					10,177					11,515			
900 - Miscellaneous 19 Parking Apron to Building Entry															
Total 02000 - Concrete (Partial Replacement)		8,995					10,177					11,515			
02500 - Landings/Stairs/Railings															
001 - Stair Structure Wood Landings / Stairways Bldg 1															
002 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)															
003 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)															
004 - Stair Structure Wood Landings / Stairways Bldg 3															
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]															
Total 02500 - Landings/Stairs/Railings															
03000 - Painting/Caulking: Exterior															
990 - Building Exterior Street Side of Units					35,028						40,621				
991 - Building Exterior Beach Side of Units					29,610						34,339				
992 - Building Exterior Building Ends/Stairwells					8,029						9,311				
Total 03000 - Painting/Caulking: Exterior					72,667						84,271				
04500 - Decks/Balconies															
366 - Repair Fund 5,525 Sq. Ft. Wood Decks (5%)		26,656					30,159					34,122			
Total 04500 - Decks/Balconies		26,656					30,159					34,122			
05000 - Roofing															
280 - Storage Shed Roof Tops Torch Down		1,722					1,948					2,204			
415 - Steep Slope: 40 Year Comp Shingle															
700 - Gutters / Downspouts (Copper) (Beach Side)	28,822														
701 - Gutters / Downspouts (Copper) (Street Side repair fund) (20%)		6,395													
820 - Clay Tile Roof															
Total 05000 - Roofing	28,822	8,116					1,948					2,204			
30000 - Miscellaneous															
002 - Meter Enclosures 2															
006 - Sea Wall Replace			655,447												
007 - Sea Wall Exploration[nr:1]															

See Section VI-b for Excluded Components

Reserve Component	*2031*	*2032*	*2033*	*2034*	*2035*	*2036*	*2037*	*2038*	*2039*	*2040*	*2041*	*2042*	*2043*	*2044*	*2045*
012 - ABS/PVC/Sewer Line Repacement Fund															
052 - Gas Line Replacement Fund															
Total 30000 - Miscellaneous			655,447												
Total Expenditures Inflated @ 2.50%	28,822	43,768	655,447	0	72,667	0	42,284	0	0	0	84,271	47,841	0	0	0

30 Year Reserve Funding Plan Cash Flow Method

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Prepared for the 2017 Fiscal Year

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Balance	329,437	85,815	89,957	272,865	456,687	641,429	827,094	984,419	1,116,043	1,304,081
Inflated Expenditures @ 2.5%	801,661	528,299	0	0	0	0	29,196	55,617	0	0
Reserve Contribution	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003
Units/month @ 19	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*
Percentage Increase		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Special Assessments / Other	375,000	350,000	0	0	0	0	0	0	0	0
Interest Pre Tax @ 0.50%	1,036	438	905	1,819	2,738	3,662	4,517	5,238	6,035	6,975
Ending Balance	85,815	89,957	272,865	456,687	641,429	827,094	984,419	1,116,043	1,304,081	1,493,059

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Beginning Balance	1,493,059	1,544,684	1,701,751	1,892,717	2,021,822	2,214,389	2,379,026	2,529,502	2,067,522	2,260,318
Inflated Expenditures @ 2.5%	137,954	33,032	0	62,660	0	28,822	43,768	655,447	0	72,667
Reserve Contribution	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003
Units/month @ 19	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*
Percentage Increase	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 0.50%	7,575	8,096	8,964	9,762	10,564	11,455	12,241	11,464	10,793	11,575
Ending Balance	1,544,684	1,701,751	1,892,717	2,021,822	2,214,389	2,379,026	2,529,502	2,067,522	2,260,318	2,381,229

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045
Beginning Balance	2,381,229	2,575,593	2,728,539	2,924,640	3,121,721	3,319,788	3,434,363	3,586,033	3,786,421	3,987,811
Inflated Expenditures @ 2.5%	0	42,284	0	0	0	84,271	47,841	0	0	0
Reserve Contribution	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003	182,003
Units/month @ 19	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*	*798.26*
Percentage Increase	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 0.50%	12,361	13,227	14,098	15,078	16,064	16,843	17,507	18,385	19,387	20,394
Ending Balance	2,575,593	2,728,539	2,924,640	3,121,721	3,319,788	3,434,363	3,586,033	3,786,421	3,987,811	4,190,208

30 Year Reserve Funding Plan Cash Flow Method - Ending Balances

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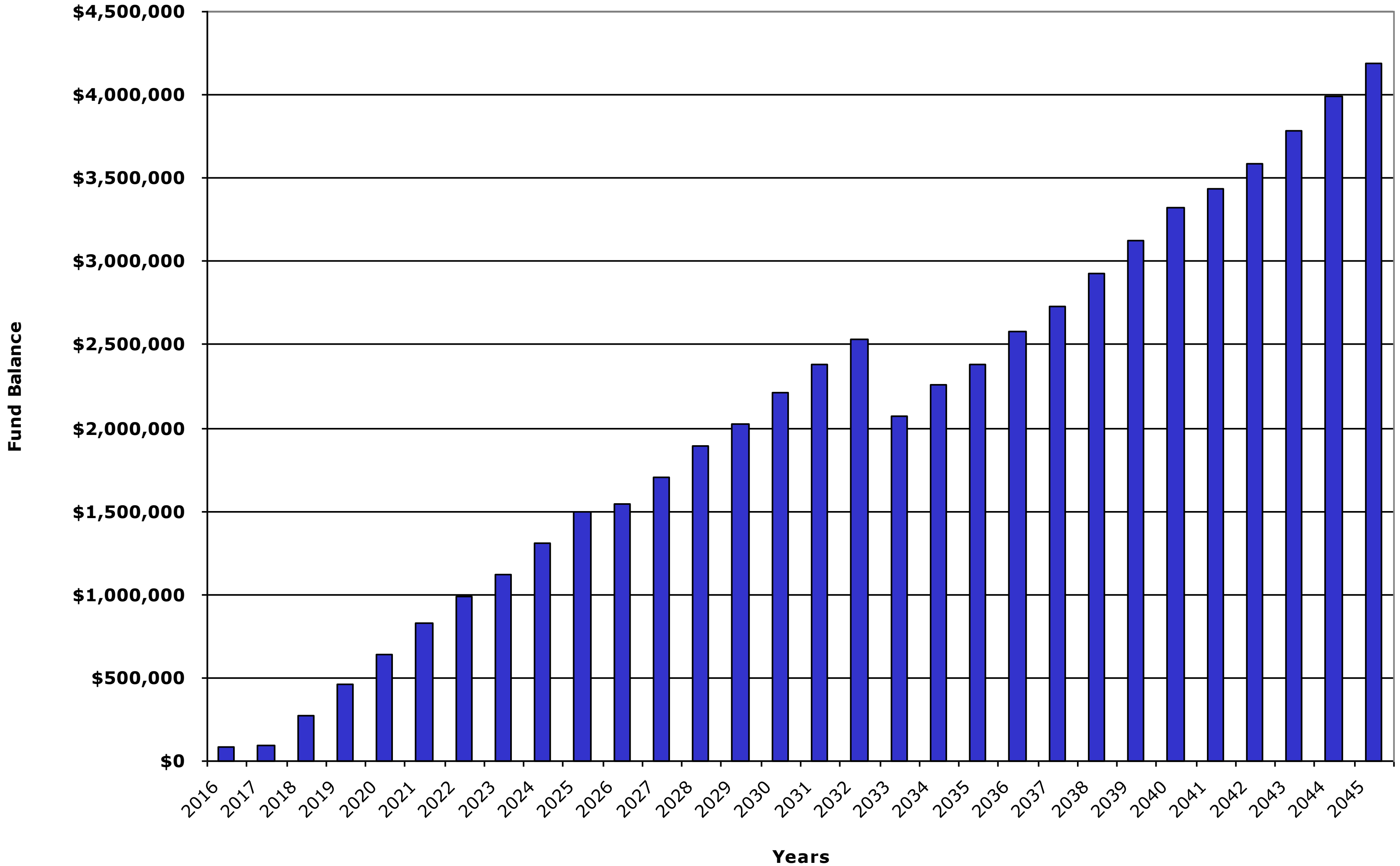
Prepared for the 2017 Fiscal Year



30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded

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Year	*Beginning Balance*	*Fully Funded Balance*	*Percent Funded*	*Inflated Expenditures @ 2.50%*	*Reserve Contribution*	*Special Assessments & Other Contributions*	*Interest*	*Ending Balance*
2016	329,437	1,735,786	4.9%	801,661	182,003	375,000	1,036	85,815
2017	85,815	1,029,516	8.7%	528,299	182,003	350,000	438	89,957
2018	89,957	587,586	46.4%	0	182,003	0	905	272,865
2019	272,865	677,961	67.4%	0	182,003	0	1,819	456,687
2020	456,687	772,487	83.0%	0	182,003	0	2,738	641,429
2021	641,429	871,315	94.9%	0	182,003	0	3,662	827,094
2022	827,094	974,603	101.0%	29,196	182,003	0	4,517	984,419
2023	984,419	1,052,584	106.0%	55,617	182,003	0	5,238	1,116,043
2024	1,116,043	1,107,521	117.7%	0	182,003	0	6,035	1,304,081
2025	1,304,081	1,222,981	122.1%	0	182,003	0	6,975	1,493,059
2026	1,493,059	1,343,521	115.0%	137,954	182,003	0	7,575	1,544,684
2027	1,544,684	1,327,921	128.2%	33,032	182,003	0	8,096	1,701,751
2028	1,701,751	1,421,781	133.1%	0	182,003	0	8,964	1,892,717
2029	1,892,717	1,554,208	130.1%	62,660	182,003	0	9,762	2,021,822
2030	2,021,822	1,628,142	136.0%	0	182,003	0	10,564	2,214,389
2031	2,214,389	1,770,633	134.4%	28,822	182,003	0	11,455	2,379,026
2032	2,379,026	1,889,689	133.9%	43,768	182,003	0	12,241	2,529,502
2033	2,529,502	1,999,010	103.4%	655,447	182,003	0	11,464	2,067,522
2034	2,067,522	1,486,767	152.0%	0	182,003	0	10,793	2,260,318
2035	2,260,318	1,636,291	145.5%	72,667	182,003	0	11,575	2,381,229
2036	2,381,229	1,717,878	149.9%	0	182,003	0	12,361	2,575,593
2037	2,575,593	1,878,867	145.2%	42,284	182,003	0	13,227	2,728,539
2038	2,728,539	2,003,492	146.0%	0	182,003	0	14,098	2,924,640
2039	2,924,640	2,177,597	143.4%	0	182,003	0	15,078	3,121,721
2040	3,121,721	2,359,156	140.7%	0	182,003	0	16,064	3,319,788
2041	3,319,788	2,548,432	134.8%	84,271	182,003	0	16,843	3,434,363
2042	3,434,363	2,659,319	134.8%	47,841	182,003	0	17,507	3,586,033
2043	3,586,033	2,813,659	134.6%	0	182,003	0	18,385	3,786,421
2044	3,786,421	3,024,316	131.9%	0	182,003	0	19,387	3,987,811
2045	3,987,811	3,243,747	129.2%	0	182,003	0	20,394	4,190,208

30 Year Reserve Funding Plan Cash Flow Method - Percent Funded

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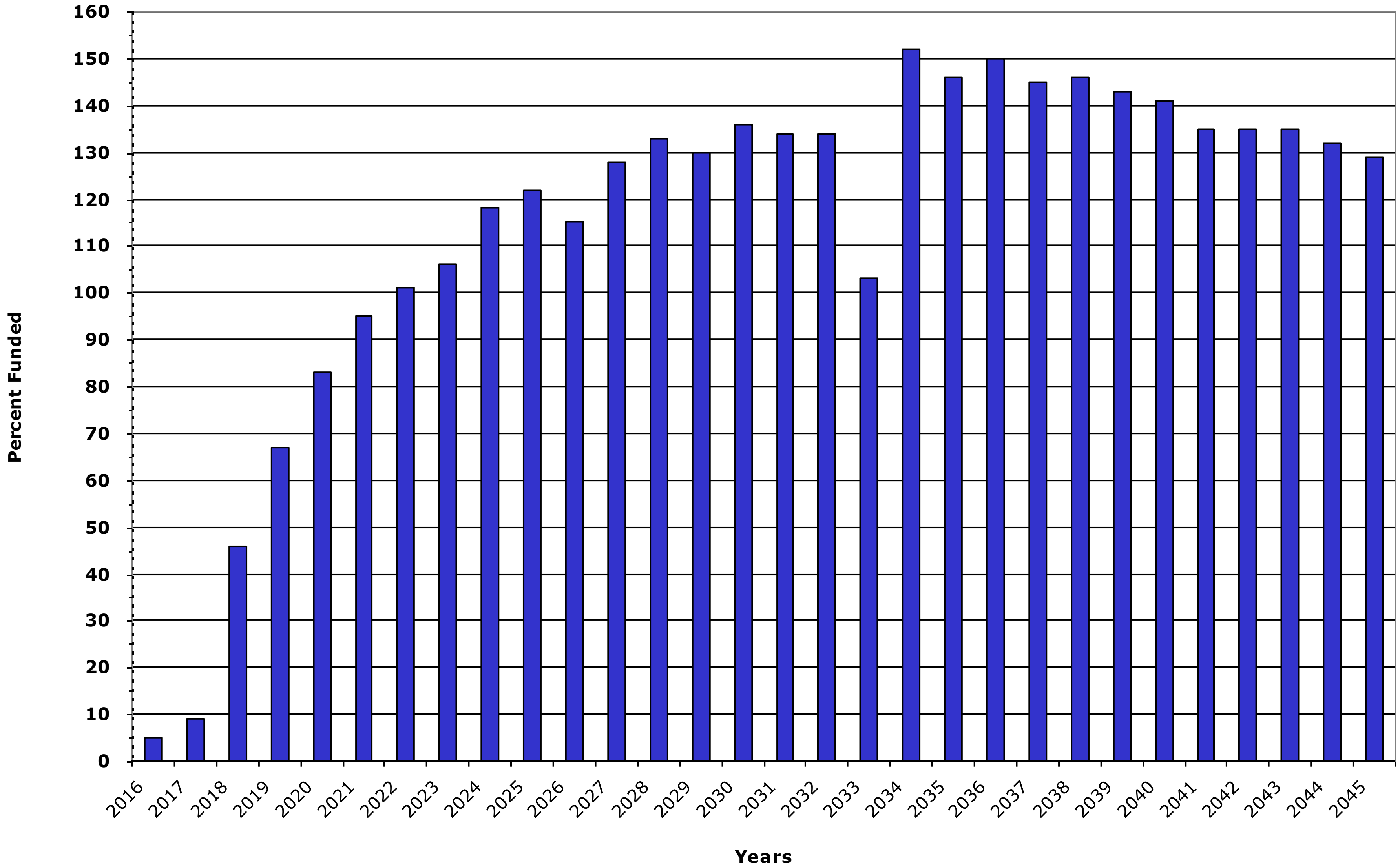

Reserve Component	Current Repl. Cost	Useful Life	Remaining Life	Estimated Future Replacement Costs	Per Year	2016 Fully Funded Balance	2017 Fully Funded Balance	% Per Year Straight Line	2017 Line Item Contribution based on Cash Flow Method
02000 - Concrete (Partial Replacement)									
300 - Driveways 19 Repair/Replace (10%)	6,059	5	1	6,211	1,242	4,848	6,211	2.14%	3,893
900 - Miscellaneous 19 Parking Apron to Building Entry	107,769	50	10	137,954	2,759	86,215	90,580	4.75%	8,647
Sub-total [02000 - Concrete (Partial Replacement)]	113,829			144,164	4,001	91,063	96,791	6.89%	12,540
02500 - Landings/Stairs/Railings									
001 - Stair Structure Wood Landings / Stairways Bldg 1	183,071	40	36	0	0	18,307	23,456	0.00%	0
002 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	37	0	0	12,519	17,109	0.00%	0
003 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	38	0	0	8,346	12,832	0.00%	0
004 - Stair Structure Wood Landings / Stairways Bldg 3	511,661	40	0	511,661	12,792	511,661	13,111	22.03%	40,090
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	480,000	40	0	486,000	12,150	474,000	252,150	20.92%	38,079
Sub-total [02500 - Landings/Stairs/Railings]	1,508,568			997,661	24,942	1,024,833	318,658	42.95%	78,170
03000 - Painting/Caulking: Exterior									
990 - Building Exterior Street Side of Units	21,911	6	1	22,458	3,743	18,259	22,458	6.45%	11,731
991 - Building Exterior Beach Side of Units	18,522	6	1	18,985	3,164	15,435	18,985	5.45%	9,917
992 - Building Exterior Building Ends/Stairwells	5,022	6	1	5,148	858	4,185	5,148	1.48%	2,689
Sub-total [03000 - Painting/Caulking: Exterior]	45,455			46,591	7,765	37,879	46,591	13.37%	24,337
04500 - Decks/Balconies									
366 - Repair Fund 5,525 Sq. Ft. Wood Decks (5%)	17,956	5	1	18,405	3,681	14,365	18,405	6.34%	11,537

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*Estimated Future Replacement Costs*	*Per Year*	*2016 Fully Funded Balance*	*2017 Fully Funded Balance*	*% Per Year Straight Line*	*2017 Line Item Contribution based on Cash Flow Method*
05000 - Roofing									
280 - Storage Shed Roof Tops Torch Down	1,160	5	1	1,189	238	928	1,189	0.41%	745
415 - Steep Slope: 40 Year Comp Shingle	86,151	30	1	44,153	1,472	83,280	88,305	2.53%	4,613
700 - Gutters / Downspouts (Copper) (Beach Side)	19,900	25	15	28,822	1,153	7,960	8,975	1.99%	3,613
701 - Gutters / Downspouts (Copper) (Street Side repair fund) (20%)	4,308	25	16	3,197	128	1,551	1,766	0.22%	401
820 - Clay Tile Roof	118,632	40	1	60,799	1,520	115,666	121,598	2.62%	4,764
Sub-total [05000 - Roofing]	230,151			138,159	4,510	209,385	221,833	7.77%	14,136
30000 - Miscellaneous									
002 - Meter Enclosures 2	1,334	25	7	1,585	63	960	1,039	0.11%	199
006 - Sea Wall Replace	430,756	50	17	655,447	13,109	284,299	300,237	22.57%	41,085
007 - Sea Wall Exploration[nr:1]	50,000	50	0	0	0	50,000	0	0.00%	0
012 - ABS/PVC/Sewer Line Repacement Fund	51,691	50	44	0	0	6,203	7,418	0.00%	0
052 - Gas Line Replacement Fund	64,613	50	37	0	0	16,799	18,544	0.00%	0
Sub-total [30000 - Miscellaneous]	598,394			657,032	13,172	358,262	327,238	22.68%	41,284
						[A]	[B]		
Totals	**2,514,353**			**2,002,013**	**58,072**	**1,735,786**	**1,029,516**	**100.00%**	**182,003**
						[EndBal] / [A]	[EndBal] / [B]		
Percent Funded						**4.94%**	**8.74%**		

02000 - Concrete (Partial Replacement)

300 - Driveways

19 Repair/Replace (10%)	Useful Life 5	Remaining Life 1	
	Quantity 19	Unit of Measure	Unit
	Cost /Ut $3,189	Qty * $/Ut	$60,594
	% Included 10.00%	Total Cost/Study	$6,059
Summary	Replacement Year 2017	Future Cost	$6,211

900 - Miscellaneous

19 Parking Apron to Building Entry	Useful Life 50	Remaining Life 10	
	Quantity 19	Unit of Measure	Unit
	Cost /Ut $5,672		
	% Included 100.00%	Total Cost/Study	$107,769
Summary	Replacement Year 2026	Future Cost	$137,954

This is for miscellaneous concrete repair and waterproofing

02500 - Landings/Stairs/Railings

001 - Stair Structure

Wood Landings / Stairways Bldg 1

Useful Life	40	Remaining Life	36
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$183,071		
% Included	100.00%	Total Cost/Study	$183,071
Replacement Year	2052	Future Cost	$445,328

Summary

This is for the replacement of the wood landings/stairways at Building 1 which consists of 4 units.

002 - Stair Structure

Wood Landings / Stairways Bldg 2 (50%)

Useful Life	40	Remaining Life	37
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$333,836	Qty * $/LS	$333,836
% Included	50.00%	Total Cost/Study	$166,918
Replacement Year	2053	Future Cost	$416,185

Summary

This is for the replacement of the wood landings / stairways at building 2 consisting of 8 units.

003 - Stair Structure

Wood Landings / Stairways Bldg 2 (50%)

Useful Life	40	Remaining Life	38
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$333,836	Qty * $/LS	$333,836
% Included	50.00%	Total Cost/Study	$166,918
Replacement Year	2054	Future Cost	$426,590

Summary

This is for the replacement of the wood landings / stairways at building 2 consisting of 8 units.

02500 - Landings/Stairs/Railings

004 - Stair Structure — Useful Life 40 — Remaining Life 0

Wood Landings / Stairways Bldg 3

Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$511,661		
% Included	100.00%	Total Cost/Study	$511,661
Replacement Year	2016	Future Cost	$511,661

Summary

This is for the replacement of the wood landings / stairways at building 3 consisting of 7 units.

005 - Stair Structure — Useful Life 40 — Remaining Life 0 — Treatment [se:2]

Wood Landings / Stairways Bldg 3

Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$480,000		
% Included	100.00%	Total Cost/Study	$480,000
Replacement Year	2016	Future Cost	$486,000

Summary

This is for the replacement of the wood landings / stairways at building 3 consisting of 7 units.

03000 - Painting/Caulking: Exterior

990 - Building Exterior — Useful Life 6 — Remaining Life 1

Street Side of Units

Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$21,911		
% Included	100.00%	Total Cost/Study	$21,911
Replacement Year	2017	Future Cost	$22,458

Summary

03000 - Painting/Caulking: Exterior

991 - Building Exterior

Beach Side of Units

Useful Life	6	Remaining Life	1
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$18,522		
% Included	100.00%	Total Cost/Study	$18,522
Replacement Year	2017	Future Cost	$18,985

Summary

992 - Building Exterior

Building Ends/Stairwells

Useful Life	6	Remaining Life	1
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$5,022		
% Included	100.00%	Total Cost/Study	$5,022
Replacement Year	2017	Future Cost	$5,148

Summary

04500 - Decks/Balconies

366 - Repair Fund

5,525 Sq. Ft. Wood Decks (5%)

Useful Life	5	Remaining Life	1
Quantity	5,525	Unit of Measure	Square Feet
Cost /SqFt	$65.00	Qty * $/SqFt	$359,125
% Included	5.00%	Total Cost/Study	$17,956
Replacement Year	2017	Future Cost	$18,405

Summary

This is a repair fund established for the repairs of the wood decks/balconies every 5 years, if needed.

05000 - Roofing

280 - Storage Shed Roof Tops

Torch Down

Useful Life	5	Remaining Life	1
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$1,160		
% Included	100.00%	Total Cost/Study	$1,160
Replacement Year	2017	Future Cost	$1,189

Summary

415 - Steep Slope: 40 Year Comp Shingle

Useful Life	30	Remaining Life	1
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$86,151		
% Included	100.00%	Total Cost/Study	$86,151
Replacement Year	2017	Future Cost	$88,305

Summary

This is to re-roof with a 50 year fiberglass dimensional composition roofing product.

700 - Gutters / Downspouts

(Copper) (Beach Side)

Useful Life	25	Remaining Life	15
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$19,900		
% Included	100.00%	Total Cost/Study	$19,900
Replacement Year	2031	Future Cost	$28,822

Summary

This is to replace the gutters and downspouts. Gutter & downspout inspections should be annually, during fall after deciduous trees have dropped their leaves and in preparation for months of heavier precipitation. Cleaning may be required depending on

05000 - Roofing

701 - Gutters / Downspouts

(Copper) (Street Side repair fund) (20%)

Useful Life	25	Remaining Life	16
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$21,538	Qty * $/LS	$21,538
% Included	20.00%	Total Cost/Study	$4,308
Replacement Year	2032	Future Cost	$6,395

Summary

820 - Clay Tile

Roof

Useful Life	40	Remaining Life	1
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$118,632		
% Included	100.00%	Total Cost/Study	$118,632
Replacement Year	2017	Future Cost	$121,598

Summary

This is to replace the clay tile roofing over the carport area. This cost includes the replacement of the drip edges.

30000 - Miscellaneous

002 - Meter Enclosures

2

Useful Life	25	Remaining Life	7
Quantity	2	Unit of Measure	Items
Cost /Itm	$667		
% Included	100.00%	Total Cost/Study	$1,334
Replacement Year	2023	Future Cost	$1,585

Summary

30000 - Miscellaneous

006 - Sea Wall
Replace

Useful Life	50	Remaining Life	17
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$430,756		
% Included	100.00%	Total Cost/Study	$430,756
Replacement Year	2033	Future Cost	$655,447

Summary

007 - Sea Wall
Exploration

Useful Life	50	Remaining Life	0	Treatment	[nr:1]
Quantity	1	Unit of Measure	Lump Sum		
Cost /LS	$50,000				
% Included	100.00%	Total Cost/Study	$50,000		
Replacement Year	2016	Future Cost	$50,000		

Summary

This is an estimated budget allowance for the exploration, permitting and possible required maintenance to the sea wall.

012 - ABS/PVC/Sewer Line Repacement
Fund

Useful Life	50	Remaining Life	44
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$51,691		
% Included	100.00%	Total Cost/Study	$51,691
Replacement Year	2060	Future Cost	$153,201

Summary

30000 - Miscellaneous

052 - Gas Line Replacement Fund

Useful Life	50	Remaining Life	37
Quantity	1	Unit of Measure	Lump Sum
Cost /LS	$64,613		
% Included	100.00%	Total Cost/Study	$64,613
Replacement Year	2053	Future Cost	$161,104

Summary

01500 - Siding/Trim (Repair/Replace)

100 - Stucco Siding — Useful Life 6 — Remaining Life 1
Repair Fund — Quantity 1 — Unit of Measure Lump Sum
Cost /LS $5,219
% Included 100.00% — Total Cost/Study $5,219
Summary — Replacement Year N/A — Future Cost N/A

Note: 2013: We have been informed that the repairs to this component will be paid for from the Operating Budget. Therefore, funding for this line item has been excluded from this Reserve Study.

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130 - T1-11 (Plywood) Siding — Useful Life 5 — Remaining Life 0
Repair Fund - Beach Side — Quantity 1 — Unit of Measure Fund
Cost /Fnd $5,798
% Included 100.00% — Total Cost/Study $5,798
Summary — Replacement Year N/A — Future Cost N/A

Note: 2013: We have been informed that the replacement/repairs to this component are individual homeowner responsibility. Therefore, funding for this line item has been excluded from this Reserve Study.

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131 - T1-11 (Plywood) Siding — Useful Life 6 — Remaining Life 1
Repair Fund - Street Side — Quantity 1 — Unit of Measure Fund
Cost /Fnd $2,899
% Included 100.00% — Total Cost/Study $2,899
Summary — Replacement Year N/A — Future Cost N/A

Note: 2013: We have been informed that the replacement/repairs to this component are individual homeowner responsibility. Therefore, funding for this line item has been excluded from this Reserve Study.

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140 - Plywood Siding — Useful Life 30 — Remaining Life 21
Bldg ends/stairwells btwn bldgs 1-2 — Quantity 1 — Unit of Measure Lump Sum
Cost /LS $30,152
% Included 100.00% — Total Cost/Study $30,152
Summary — Replacement Year N/A — Future Cost N/A

Note: 2013: We have been informed that the replacement/repairs to this component are individual homeowner responsibility. Therefore, funding for this line item has been excluded from this Reserve Study.

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141 - Plywood Siding — Useful Life 30 — Remaining Life 21
Bldg ends/stairwells btwn bldgs 2-3 — Quantity 1 — Unit of Measure Lump Sum
Cost /LS $30,152
% Included 100.00% — Total Cost/Study $30,152
Summary — Replacement Year N/A — Future Cost N/A

Note: 2013: We have been informed that the replacement/repairs to this component are individual homeowner responsibility. Therefore, funding for this line item has been excluded from this Reserve Study.

05000 - Roofing

059 - Copper Caps/Carport Wing Walls

9

Useful Life	25	Remaining Life	14
Quantity	9	Unit of Measure	Items
Cost /Itm	$663		
% Included	100.00%	Total Cost/Study	$5,970
Replacement Year	N/A	Future Cost	N/A

Summary

Note: 2013: We have been informed that the repairs to this component will be paid for from the Operating Budget. Therefore, funding for this line item has been excluded from this Reserve Study.

901 - Roofing: Inspections & Repairs

Fund

Useful Life	1	Remaining Life	2
Quantity	1	Unit of Measure	Fund
Cost /Fnd	$2,609		
% Included	100.00%	Total Cost/Study	$2,609
Replacement Year	N/A	Future Cost	N/A

Summary

Note: 2013: We have been informed that the repairs to this component will be paid for from the Operating Budget. Therefore, funding for this line item has been excluded from this Reserve Study.

This is to inspect and perform periodic maintenance as needed to the roofing. This line item is scheduled to commence 5 years after the completion of the roofing project.

30000 - Miscellaneous

004 - Support Posts (Pilings)

123 (15%)

Useful Life	3	Remaining Life	7
Quantity	123	Unit of Measure	Items
Cost /Itm	$1,142	Qty * $/Itm	$140,503
% Included	15.00%	Total Cost/Study	$21,075
Replacement Year	N/A	Future Cost	N/A

Summary

Note: 2013: We have been informed that the repairs/replacement of this component is individual owner responsibility. Therefore, funding for this line item has been excluded from this Reserve Study.

This line item allows for the repair/replacement of 15% of the 123 pilings every three years starting in 2023.

Component Tabular Listing Included Components

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Prepared for the 2017 Fiscal Year
Included Components

Component	*Current Replacement Cost*	*Useful Life*	*Remaining Life*	*Quantity*	*Cost/ U of M*	*Treatment*	*Location*
02000 - Concrete (Partial Replacement)							
300 - Driveways	$6,059	5	1	19	$3,189/Ut	(10%)	Repair/Replace
900 - Miscellaneous	$107,769	50	10	19	$5,672/Ut		Parking Apron to Building Entry
02500 - Landings/Stairs/Railings							
001 - Stair Structure	$183,071	40	36	1	$183,071/LS		Wood Landings / Stairways Bldg 1
002 - Stair Structure	$166,918	40	37	1	$333,836/LS	(50%)	Wood Landings / Stairways Bldg 2
003 - Stair Structure	$166,918	40	38	1	$333,836/LS	(50%)	Wood Landings / Stairways Bldg 2
004 - Stair Structure	$511,661	40	0	1	$511,661/LS		Wood Landings / Stairways Bldg 3
005 - Stair Structure	$480,000	40	0	1	$480,000/LS	[se:2]	Wood Landings / Stairways Bldg 3
03000 - Painting/Caulking: Exterior							
990 - Building Exterior	$21,911	6	1	1	$21,911/LS		Street Side of Units
991 - Building Exterior	$18,522	6	1	1	$18,522/LS		Beach Side of Units
992 - Building Exterior	$5,022	6	1	1	$5,022/LS		Building Ends/Stairwells
04500 - Decks/Balconies							
366 - Repair Fund	$17,956	5	1	5,525	$65.00/SqFt	(5%)	Wood Decks
05000 - Roofing							
280 - Storage Shed Roof Tops	$1,160	5	1	1	$1,160/Fnd		Torch Down
415 - Steep Slope: 40 Year Comp Shingle	$86,151	30	1	1	$86,151/LS		
700 - Gutters / Downspouts	$19,900	25	15	1	$19,900/LS		(Copper) (Beach Side)
701 - Gutters / Downspouts	$4,308	25	16	1	$21,538/LS	(20%)	(Copper) (Street Side repair fund)
820 - Clay Tile	$118,632	40	1	1	$118,632/LS		Roof
30000 - Miscellaneous							
002 - Meter Enclosures	$1,334	25	7	2	$667/Itm		
006 - Sea Wall	$430,756	50	17	1	$430,756/LS		Replace
007 - Sea Wall	$50,000	50	0	1	$50,000/LS	[nr:1]	Exploration
012 - ABS/PVC/Sewer Line Repacement	$51,691	50	44	1	$51,691/Fnd		Fund
052 - Gas Line Replacement Fund	$64,613	50	37	1	$64,613/LS		

Excluded Components

Component	Current Replacement Cost	Useful Life	Remaining Life	Quantity	Cost/ U of M	Treatment	Location
01500 - Siding/Trim (Repair/Replace)							
100 - Stucco Siding	$5,219	6	1	1	$5,219/LS		Repair Fund
130 - T1-11 (Plywood) Siding	$5,798	5	0	1	$5,798/Fnd		Repair Fund - Beach Side
131 - T1-11 (Plywood) Siding	$2,899	6	1	1	$2,899/Fnd		Repair Fund - Street Side
140 - Plywood Siding	$30,152	30	21	1	$30,152/LS		Bldg ends/stairwells btwn bldgs 1-2
141 - Plywood Siding	$30,152	30	21	1	$30,152/LS		Bldg ends/stairwells btwn bldgs 2-3
05000 - Roofing							
059 - Copper Caps/Carport Wing Walls	$5,970	25	14	9	$663/Itm		
901 - Roofing: Inspections & Repairs	$2,609	1	2	1	$2,609/Fnd		Fund
30000 - Miscellaneous							
004 - Support Posts (Pilings)	$21,075	3	7	123	$1,142/Itm	(15%)	

Reserve Component	Useful Life	Current Replacement Cost	Forecast Inflated Cost @ 2.50%
2016			
02500 - Landings/Stairs/Railings			
004 - Stair Structure Wood Landings / Stairways Bldg 3	40	511,661	
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	40	480,000	240,000
Total 02500 - Landings/Stairs/Railings:		991,661	751,661
30000 - Miscellaneous			
007 - Sea Wall Exploration[nr:1]	50	50,000	
Total 2016:		1,041,661	801,661
2017			
02000 - Concrete (Partial Replacement)			
300 - Driveways 19 Repair/Replace (10%)	5	6,059	6,211
02500 - Landings/Stairs/Railings			
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	40	480,000	246,000
03000 - Painting/Caulking: Exterior			
990 - Building Exterior Street Side of Units	6	21,911	22,458
991 - Building Exterior Beach Side of Units	6	18,522	18,985
992 - Building Exterior Building Ends/Stairwells	6	5,022	5,148
Total 03000 - Painting/Caulking: Exterior:		45,455	46,591
04500 - Decks/Balconies			
366 - Repair Fund 5,525 Sq. Ft. Wood Decks (5%)	5	17,956	18,405
05000 - Roofing			
280 - Storage Shed Roof Tops Torch Down	5	1,160	1,189
415 - Steep Slope: 40 Year Comp Shingle	30	86,151	88,305
820 - Clay Tile Roof	40	118,632	121,598
Total 05000 - Roofing:		205,943	211,092
Total 2017:		755,413	528,299

This report is intended to assist the auditor while preparing the audit, review or compilation of Sand Dollar Beach HOA - Townhomes's (the "Association") financial documents.

Richard Avelar & Associates ("RA&A") prepared a reserve study for the Association during the 2016 fiscal year. This was done to help determine the Association's reserve contribution for the next fiscal year (2017) and future fiscal years. In addition, RA&A prepared the proper statutory disclosures for distribution to the Association members.

This Reserve Study is an Update w/ Site Visit Review. An **Update With Site-Visit Review** is a reserve study update in which the following tasks are performed:

- development of a reserve component inventory (verification only, not quantification);
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan. Please note, in order to complete these study tasks, one or more visits were conducted by RA&A to Sand Dollar Beach HOA - Townhomes.

For RA&A reserve studies, the year in which the study is being conducted, is the first year of the study. For example, this study is being prepared during 2016 and is the Association's first year in the study. This enables RA&A to use a starting point which ties to the last audited financial statement, December 31, 2015. You will notice in *Section III, Reserve Fund Balance Forecast*, a Beginning Reserve Balance of $329,437 is being used which ties to the last completed audit or review of the Association's financial statements. RA&A then re-builds the first year of the study, in this case 2016, and estimates an ending reserve fund balance. Again, see *Section III* and the 2016 ending reserve balance estimate of $85,815.

"Re-building" the first year of the study as mentioned above simply means using the 2016 adopted budget for the 2016 reserve contribution. Finally, the 2016 reserve expenses both actual and projected are estimated.

We find by using the above method a more accurate reserve study is possible because the beginning reserve fund balance ties directly to the Association's audited financial statement or, in the absence of an audit or review, the year end balance sheet. There is no need to rely on others for determining mid year reserve balances or estimating current year ending reserve balances. This approach forces all involved, to look at the current year's reserve fund activities so a more accurate ending reserve fund balance can be estimated.

With respect to the reserve component information on the next page/s, here are the calculations:

FFB = Current Cost X Effective Age / Useful Life

% Funded = First Year Estimated Ending Reserve Balance / FFB

Please see *Section V - Reserve Fund Balance Forecast*.

Richard Avelar & Associates

RICHARD AVELAR & ASSOCIATES
ARCHITECTS

Schedule of Supplementary Information for Auditor
Component Method

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Prepared for the 2017 Fiscal Year

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*2016 Fully Funded Balance*	*2017 Fully Funded Balance*	*2017 Line Item Contribution based on Cash Flow Method*
02000 - Concrete (Partial Replacement)						
300 - Driveways 19 Repair/Replace (10%)	6,059	5	1	4,848	6,211	3,893
900 - Miscellaneous 19 Parking Apron to Building Entry	107,769	50	10	86,215	90,580	8,647
02500 - Landings/Stairs/Railings						
001 - Stair Structure Wood Landings / Stairways Bldg 1	183,071	40	36	18,307	23,456	0
002 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	37	12,519	17,109	0
003 - Stair Structure Wood Landings / Stairways Bldg 2 (50%)	166,918	40	38	8,346	12,832	0
004 - Stair Structure Wood Landings / Stairways Bldg 3	511,661	40	0	511,661	13,111	40,090
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	240,000	40	0	240,000	6,150	19,040
005 - Stair Structure Wood Landings / Stairways Bldg 3[se:2]	240,000	40	1	234,000	246,000	19,040
03000 - Painting/Caulking: Exterior						
990 - Building Exterior Street Side of Units	21,911	6	1	18,259	22,458	11,731
991 - Building Exterior Beach Side of Units	18,522	6	1	15,435	18,985	9,917
992 - Building Exterior Building Ends/Stairwells	5,022	6	1	4,185	5,148	2,689
04500 - Decks/Balconies						
366 - Repair Fund 5,525 Sq. Ft. Wood Decks (5%)	17,956	5	1	14,365	18,405	11,537
05000 - Roofing						
280 - Storage Shed Roof Tops Torch Down	1,160	5	1	928	1,189	745
415 - Steep Slope: 40 Year Comp Shingle	86,151	30	1	83,280	88,305	4,613
700 - Gutters / Downspouts (Copper) (Beach Side)	19,900	25	15	7,960	8,975	3,613
701 - Gutters / Downspouts (Copper) (Street Side repair fund) (20%)	4,308	25	16	1,551	1,766	401
820 - Clay Tile Roof	118,632	40	1	115,666	121,598	4,764
30000 - Miscellaneous						
002 - Meter Enclosures 2	1,334	25	7	960	1,039	199
006 - Sea Wall Replace	430,756	50	17	284,299	300,237	41,085
007 - Sea Wall Exploration[nr:1]	50,000	50	0	50,000	0	0
012 - ABS/PVC/Sewer Line Repacement Fund	51,691	50	44	6,203	7,418	0
052 - Gas Line Replacement Fund	64,613	50	37	16,799	18,544	0

Reserve Component	*Current Repl. Cost*	*Useful Life*	*Remaining Life*	*2016 Fully Funded Balance*	*2017 Fully Funded Balance*	*2017 Line Item Contribution based on Cash Flow Method*
				[A]	[B]	
Totals	**2,514,353**			**1,735,786**	**1,029,516**	**182,003**
				[EndBal] / [A]	[EndBal] / [B]	
Percent Funded				**4.94%**	**8.74%**	

Terms & Definitions CAI

CASH FLOW METHOD: A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of Reserve expenses until the desired Funding Goal is achieved.

COMPONENT INVENTORY: The task of selecting and quantifying Reserve Components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate representative(s) of the association or cooperative.

COMPONENT METHOD: A method of developing a Reserve Funding Plan where the total contribution is based on the sum of contributions for individual components. See "Cash Flow Method.

COMPONENT: The individual line items in the Reserve Study, developed or updated in the Physical Analysis. These elements form the building blocks for the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited Useful Life expectancies, 3) predictable Remaining Useful Life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

CONDITION ASSESSMENT: The task of evaluating the current condition of the component based on observed or reported characteristics.

CURRENT REPLACEMENT COST: See "Replacement Cost."

DEFICIT: An actual (or projected) Reserve Balance less than the Fully Funded Balance. The opposite would be a Surplus.

EFFECTIVE AGE: The difference between Useful Life and Remaining Useful Life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computations.

FINANCIAL ANALYSIS: The portion of a Reserve Study where current status of the Reserves (measured as cash or Percent Funded) and a recommended Reserve contribution rate (Reserve Funding Plan) are derived, and the projected Reserve income and expense over time is presented. The Financial Analysis is one of the two parts of a Reserve Study.

FULLY FUNDED BALANCE (FFB): Total Accrued Depreciation. An indicator against which Actual (or projected) Reserve balance can be compared. The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This number is calculated for each component, then summed together for an association total. Two formulae can be utilized, depending on the provider's sensitivity to interest and inflation effects. Note: Both yield identical results when interest and inflation are equivalent.

FFB = Current Cost X Effective Age / Useful Life

or

FFB = (Current Cost X Effective Age / Useful Life) +
[(Current Cost X Effective Age / Useful Life) / (1 + *Interest* Rate) ^ Remaining Life] -
[(Current Cost X Effective Age / Useful Life) / (1 + *Inflation* Rate) ^ Remaining Life]

FULLY FUNDED: 100% Funded. When the actual (or projected) Reserve balance is equal to the Fully Funded Balance.

FUND STATUS: The status of the reserve fund as compared to an established benchmark such as percent funding.

FUNDING GOALS: Independent of methodology utilized, the following represent the basic categories of Funding Plan goals:

Baseline Funding:	Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.
Full Funding:	Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.
Statutory Funding:	Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statues.
Threshold Funding:	Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

FUNDING PLAN: An association's plan to provide income to a Reserve fund to offset anticipated expenditures from that fund.

FUNDING PRINCIPLES:

- Sufficient Funds When Required
- Stable Contribution Rate over the Years
- Evenly Distributed Contributions over the Years
- Fiscally Responsible

LIFE AND VALUATION ESTIMATES: The task of estimating Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components.

PERCENT FUNDED: The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the *actual (or projected)* Reserve Balance to the *Fully Funded Balance*, expressed as a percentage.

PHYSICAL ANALYSIS: The portion of the Reserve Study where the Component Inventory, Condition Assessment, and Life and Valuation Estimate tasks are performed. This represents one of the two parts of the Reserve Study.

REMAINING USEFUL LIFE (RUL): Also referred to as "Remaining Life" (RL). The estimated time, in years, that a reserve component can be expected to continue to serve its intended function. Projects anticipated to occur in the initial year have "zero" Remaining Useful Life.

REPLACEMENT COST: The cost of replacing, repairing, or restoring a Reserve Component to its original functional condition. The Current Replacement Cost would be the cost to replace, repair, or restore the component during that particular year.

RESERVE BALANCE: Actual or projected funds as of a particular point in time that the association has identified for use to defray the future repair or replacement of those major components which the association is obligated to maintain. Also known as Reserves, Reserve Accounts and Cash Reserves. Based upon information provided and not audited.

RESERVE PROVIDER: An individual that prepares Reserve Studies.

RESERVE STUDY: A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis.

RESPONSIBLE CHARGE: A reserve specialist in responsible charge of a reserve study shall render regular and effective supervision to those individuals performing services which directly and materially affect the quality and competence rendered by the reserve specialist. A reserve specialist shall maintain such records as are reasonably necessary to establish that the reserve specialist exercised regular and effective supervision of a reserve study of which he was in responsible charge. A reserve specialist engaged in any of the following acts or practices shall be deemed not to have rendered the regular and effective supervision required herein:

1. The regular and continuous absence from principal office premises from which professional services are rendered; except for performance of field work or presence in a field office maintained exclusively for a specific project;
2. The failure to personally inspect or review the work of subordinates where necessary and appropriate;
3. The rendering of a limited, cursory or perfunctory review of plans or projects in lieu of an appropriate detailed review;
4. The failure to personally be available on a reasonable basis or with adequate advance notice for consultation and inspection where circumstances require personal availability.

SPECIAL ASSESSMENT: An assessment levied on the members of an association in addition to regular assessments. Special Assessments are often regulated by governing documents or local statutes.

SURPLUS: An actual (or projected) Reserve Balance greater than the Fully Funded Balance. See "Deficit."

USEFUL LIFE (UL): Total Useful Life or Depreciable Life. The estimated time, in years, that a reserve component can be expected to serve its intended function if properly constructed in its present application or installation.

The above terms and definitions are from the Community Associations Institute (CAI) national standards.

Terms & Definitions RA

Richard Avelar & Associates reserve studies use several terms that are unique to our reports. Our specialized systems have been developed to offer flexibility in many areas of our reporting. Please see below for definitions of abbreviations and symbols used in many of our reserve studies.

NR-1 (LIMITED RECURRENCE, 1 TIME): This signifies a major reserve component recurs for only a fixed number of cycles. Most often used to display a cost in a specific year only, NR-1 signifies the component only occurs one time. An NR-2 means the component will display for two cycles and so on. This makes it easy to enter one-time costs that pop up from time to time, or to display a cost that may be unique at one replacement date only.

SE-2 (SPREAD EVENLY OVER 2 YEARS): This signifies the major component, when replaced is spread evenly over 2 or more years. For example if a component will be replaced in year 8 of the study, and there is a SE-2, then the component will be replaced over 2 years, year 8 and year 9. Although the component is split over 2 or more years, each subsequent year will increase by the study’s inflation factor. An SE-3 signifies the component is split over three years and so on.

NSE-2 (SPREAD NON-EVENLY OVER 2 YEARS): Similar to above, but the spread is not equal in each year. The spread is entered at a different amount for each year in the spread. The total of the spread will always equal 100% of the total replacement cost, excluding inflation.

% (PERCENT TO INCLUDE): This signifies that the component is being replaced at less than 100 percent of its replacement cost or quantity. Perhaps a component is replaced partially at each replacement year. Another example would be to do a small portion of the work at each replacement year. Oftentimes wood fencing is replaced over several cycles, and the study will display a percentage of the fence at each replacement cycle.

DELAYED START (REMAINING LIFE GREATER THAN USEFUL): In many instances a component's replacement cycle may not begin immediately, so the replacement cycle start is delayed. Delay is accomplished by setting the remaining life greater than the useful life.

ZERO REMAINING LIFE: Zero remaining life signifies that the component is replaced in the year which the study is prepared. All replacements are reflected in their replacement year, and the year in which the study is prepared is no different than any other year.