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## **“Full” Reserve Study**



### **Portico (A Country Haven) HOA Longmont, CO**

**Report #: 23988-0**  
**For Period Beginning: January 1, 2013**  
**Expires: December 31, 2013**

**Date Prepared: September 4, 2012**

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## **Hello, and welcome to your Reserve Study!**

**T**his 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.

**W**ith 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](http://www.ReserveStudy.com) or call us at:

800/733-1365



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## 3- Minute Executive Summary

**Association:** Portico (A Country Haven) HOA      **Assoc. #:** 23988-0  
**Location:** Longmont, CO  
**# of Units:** 53  
**Report Period:** January 1, 2013 through December 31, 2013

**Results as-of 1/1/2013:**

Projected Starting Reserve Balance: .....	\$46,179
Fully Funded Reserve Balance: .....	\$75,347
Average Reserve Deficit (Surplus) Per Unit:.....	\$550
Percent Funded: .....	61.3%
Recommended 2013 monthly Reserve Contribution: .....	\$1,050
Recommended 2013 Special Assessment for Reserves: .....	\$0

**Most Recent Reserve Contribution Rate:.....\$347**

**Economic Assumptions:**

**Net Annual "After Tax" Interest Earnings Accruing to Reserves..... 0.20%**  
**Annual Inflation Rate..... 3.00%**

- This is a "Full" Reserve Study (original, created "from scratch").
- The information in this Reserve Study is based on our site inspection on September 3, 2012.
- This Reserve Study was prepared by, or under the supervision of, a credentialed Reserve Specialist (RS).
- Because your Reserve Fund is above 30% Funded, at 61.3% Funded, this represents a fair position. In perspective, associations in the 0-30% funded range are likely to incur special assessments, deferred maintenance, or large increases to dues. While associations in the 70% funded range and above are less likely to have such cash flow issues. Your multi-year Funding Plan is designed to gradually bring you to the 100% level, or "Fully Funded".
- Based on this starting point, your anticipated future expenses, and your historical Reserve contribution rate, our recommendation is to increase your Reserve contributions.

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
411	Metal Bench - Replace	15	10	\$1,100	\$1,478
416	Trail Surface - Maintain	10	7	\$3,000	\$3,690
505	Wood Rail Fence - Replace	25	10	\$91,650	\$123,170
510	MSE Wall - Repair	10	5	\$4,500	\$5,217
512	Stone Veneer Pilasters - Repair	10	5	\$11,000	\$12,752
1003	Irrigation System - Replace	10	6	\$5,500	\$6,567
1005	Trees - Replace (partial)	10	8	\$13,500	\$17,101
1020	Bridges - Repair	15	10	\$7,000	\$9,407
1025	Drainage - Clean and Maintain	10	8	\$7,000	\$8,867
1026	Lighting - Landscape Lights	15	7	\$1,700	\$2,091
1402	Monument Signage - Refurbish	20	10	\$3,600	\$4,838
11	Total Funded Components				

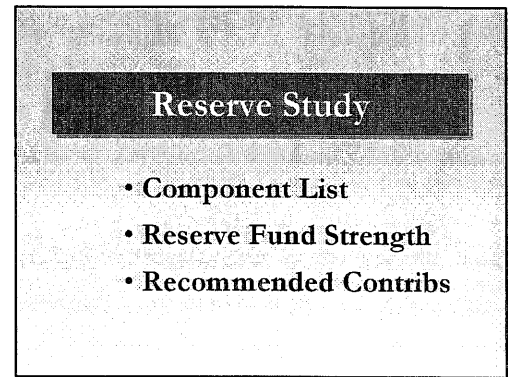
Note 1: a Useful Life of "N/A" means a one-time expense, not expected to repeat.

Note 2: highlighted line items are expected to require attention in the 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 process of research and analysis along well defined methodologies.

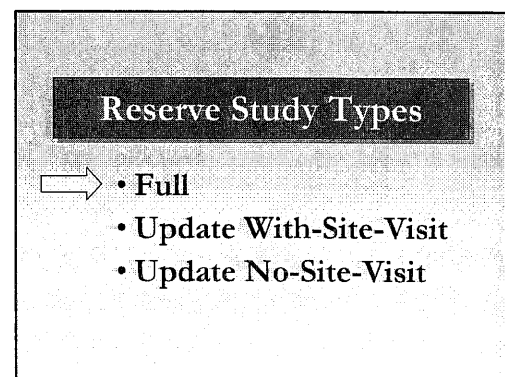
In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.



As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

## Methodology

First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Full" Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List "from scratch".



*Which Physical Assets are Covered by Reserves?*

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited 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. This limits Reserve

Reserve Components
<ul style="list-style-type: none"><li>• Common Area</li><li>• Limited Useful Life</li><li>• Predictable Life Limit</li><li>• Cost must be Significant</li></ul>

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 are Useful Life and Remaining Useful Life established?*

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client Component History
- 4) Vendor Evaluation and Recommendation

*How are Cost Estimates Established?*

In this order...

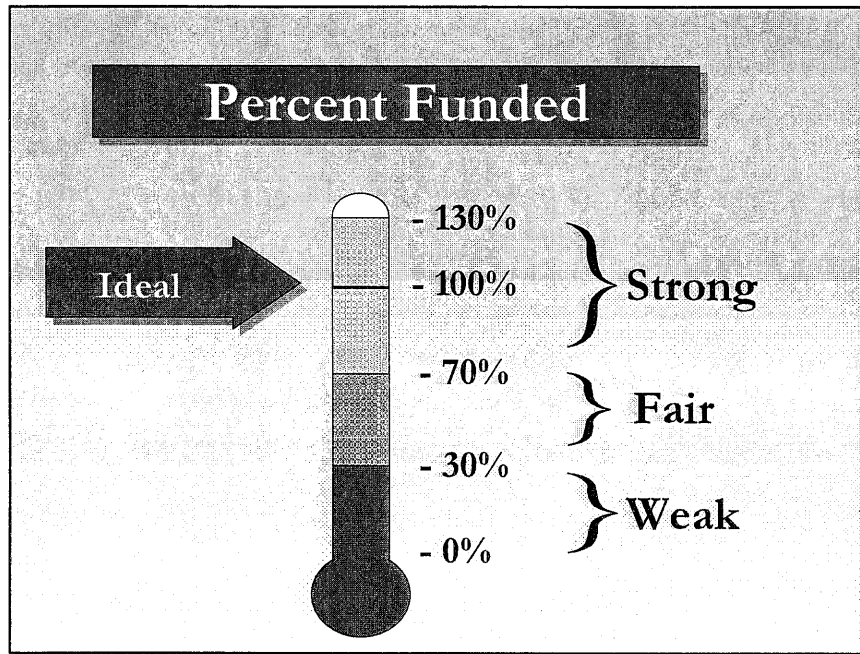
- 1) Client Cost History
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

*How much Reserves are enough?*

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

- 1) Calculate the association's Fully Funded Balance (FFB).
- 2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

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?*

There are four Funding Principles that we 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. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their “fair share” of the association’s Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and “safe” for Boardmembers to recommend to their association.

**Funding Principles**

- Sufficient Cash
- Stable Contribution Rate
- Evenly Distributed
- Fiscally Responsible

*What is our Recommended Funding Goal?*

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called “Full Funding” the Reserves (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.

**Funding Goals**

- Full Funding
- Threshold Funding
- Baseline Funding

## Site Inspection Notes

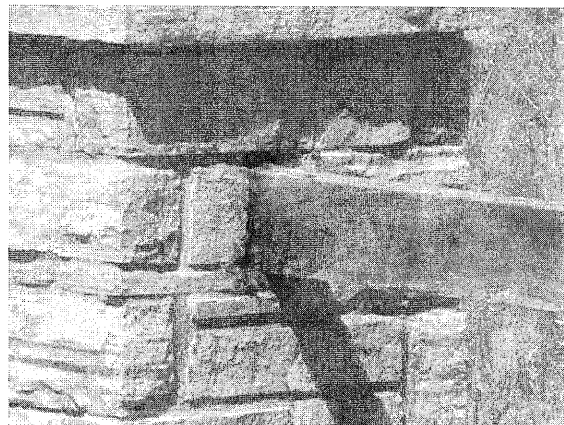
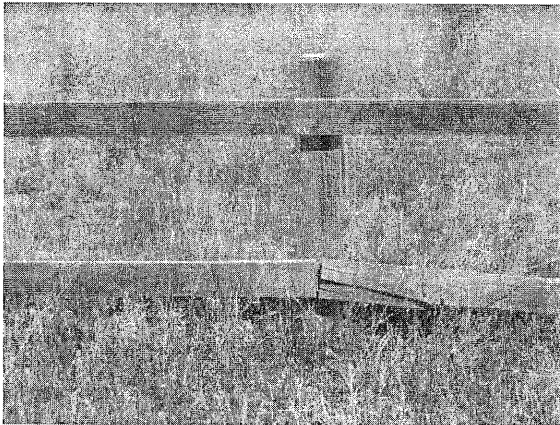
During our site visit on September 3, 2012, we started the site inspection beginning with the Clover Basin Rd. entry. We visually inspected all the assets, and were able to see all areas.

During our site inspection we noted the following items:

The wood fence appears very dry, with some broken or loose boards. We recommend repairing the board, then the regular application of a high quality wood sealer, to extend the life of this component.

Several of the fence pilasters along Plateau Rd. have become home to honeybees. Insect activity will defeat the mortar seals, allowing water penetration which will caused accelerated deterioration of the posts.

The landscape contractor is new to the project, and has not had time to fully investigate the condition of the irrigation equipment. This report may need to be updated based on those finding.



### Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face. Note the spike in approximately 2023, made up primarily of fence replacement expenses.

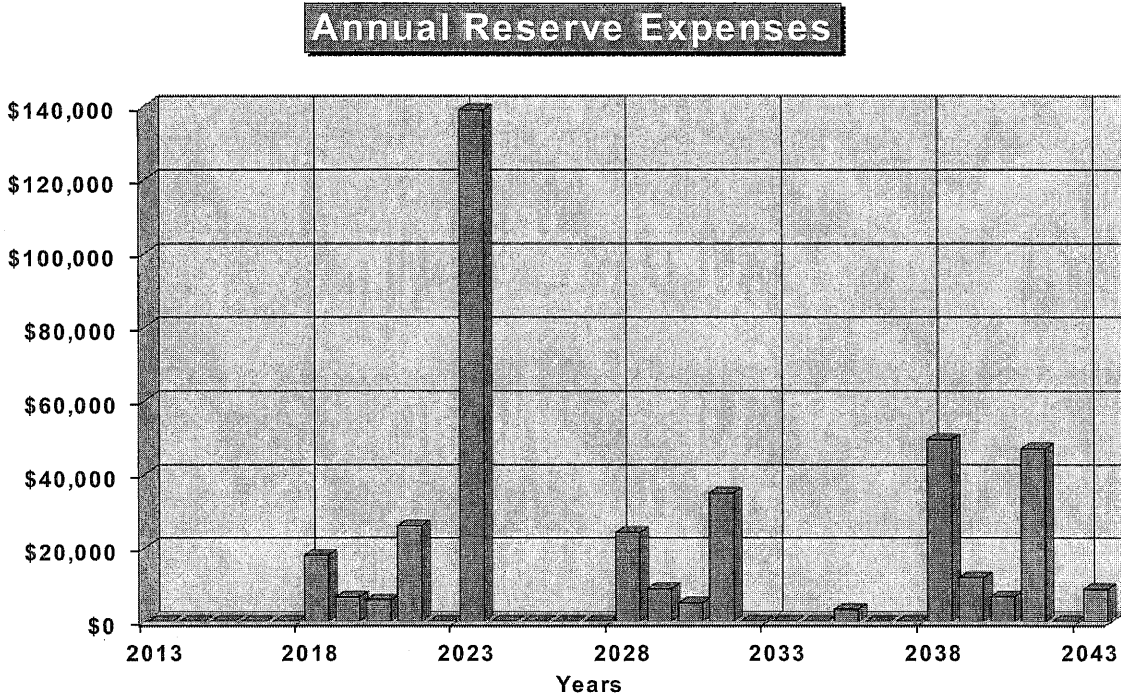


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

### Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$46,179 as-of the start of your Fiscal Year on January 1, 2013. This is based on your actual balance on 05/30/12 of \$43,750 and anticipated Reserve contributions (\$2,429) and expenses (\$0) projected through the end of your Fiscal Year. As of January 1, 2013, your Fully Funded Balance is computed to be \$75,347 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 61% Funded. As indicated earlier in the Executive Summary, this represents a fair status.

### Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of \$1,050/month this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

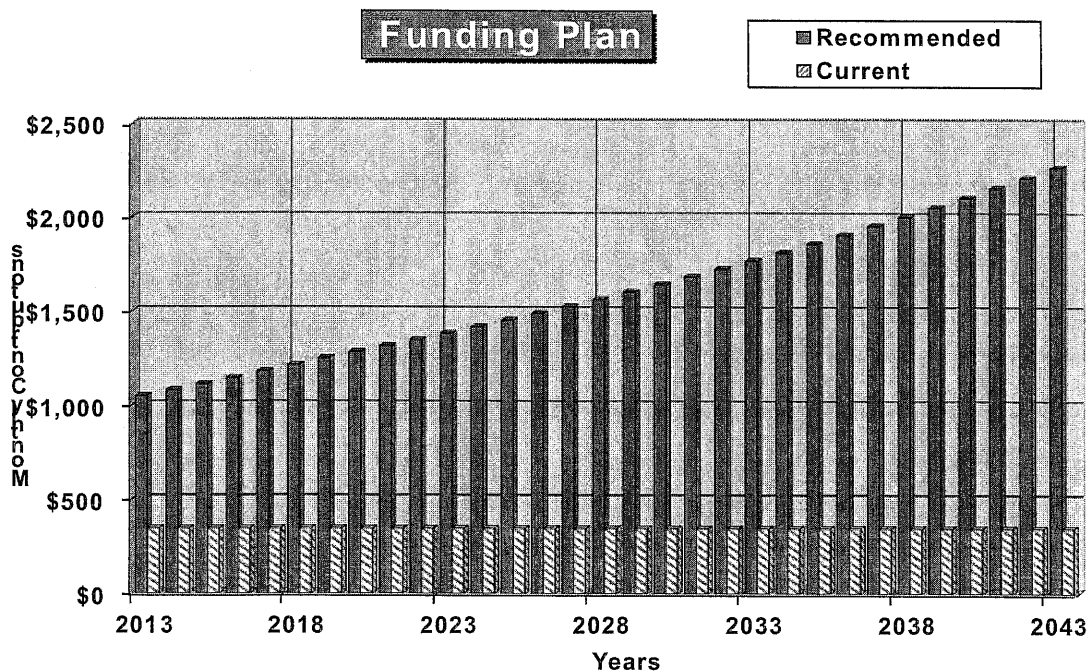


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

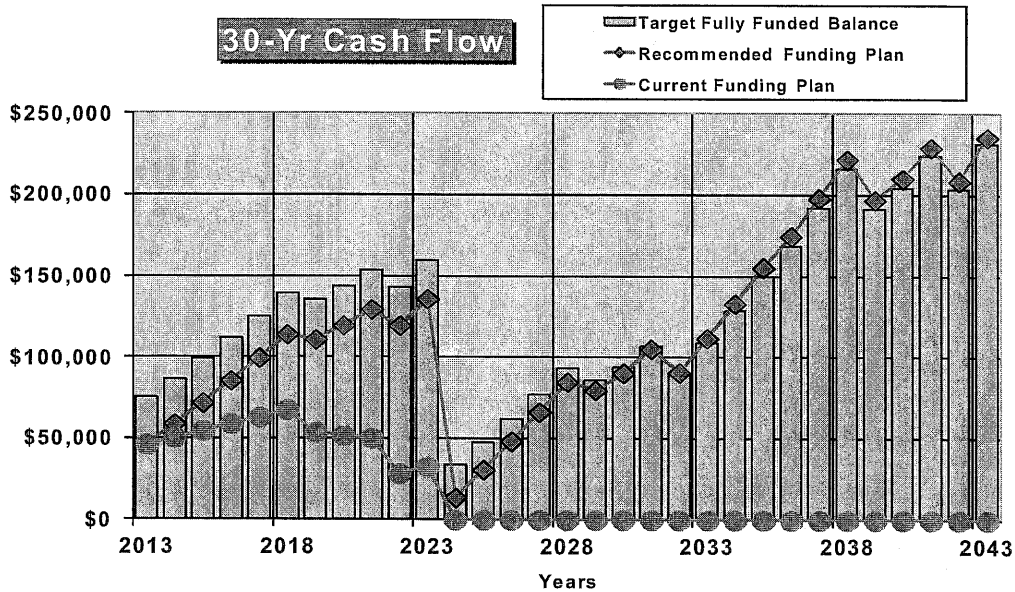


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

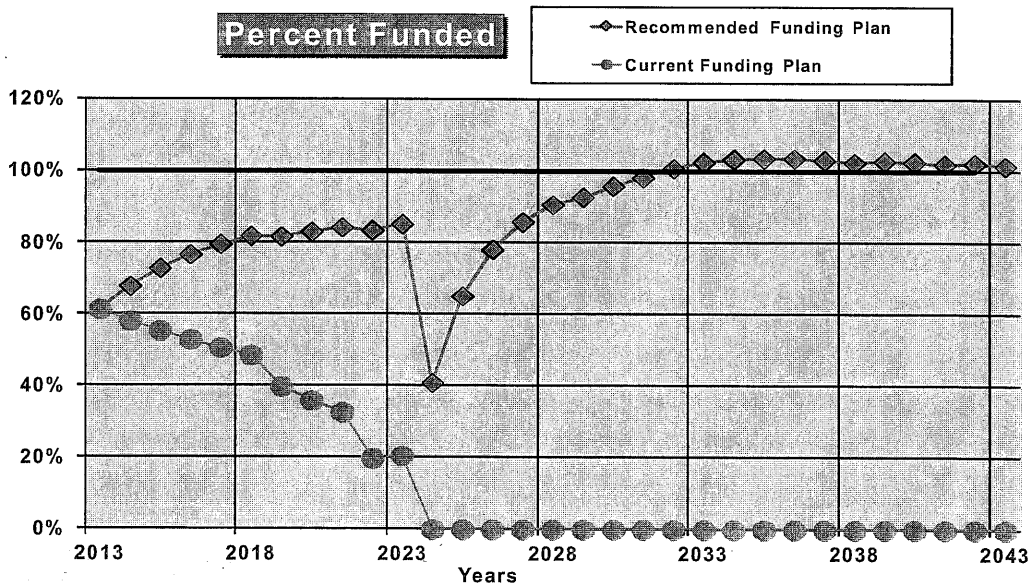


Figure 4

## **Table Descriptions**

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

**Table 2: Reserve Component List Detail**

**23988-0**

#	Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
411	Metal Bench – Replace	Approx (2) Benches	15	10	\$1,000	\$1,200
416	Trail Surface – Maintain	Approx 2,600 LF	10	7	\$2,500	\$3,500
505	Wood Rail Fence – Replace	Approx 3,900 LF	25	10	\$85,800	\$97,500
<del>510</del>	<del>MSE Wall – Repair</del>	<del>Approx 650 LF</del>	<del>10</del>	<del>5</del>	<del>\$4,000</del>	<del>\$5,000</del>
512	Stone Veneer Pilasters – Repair	Approx (46) Pilasters	10	5	\$10,000	\$12,000
2. 1003	Irrigation System – Replace	Extensive System	10	6	\$5,000	\$6,000
1005	Trees - Replace (partial)	Numerous Trees	10	8	\$12,000	\$15,000
1020	Bridges – Repair	(2) Stone Veneer Bridges	15	10	\$6,000	\$8,000
1025	Drainage - Clean and Maintain	Extensive Drainage	10	8	\$6,000	\$8,000
1026	Lighting - Landscape Lights	Approx (15) Lights	15	7	\$1,500	\$1,900
1402	Monument Signage – Refurbish	Approx (4) Signs	20	10	\$3,200	\$4,000
11	Total Funded Components					

**Table 3: Contribution and Fund Breakdown****23988-0**

#	Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
411	Metal Bench – Replace	15	10	\$1,100	\$367	\$366.67	\$8.60
416	Trail Surface – Maintain	10	7	\$3,000	\$900	\$900.00	\$35.20
505	Wood Rail Fence – Replace	25	10	\$91,650	\$54,990	\$25,822.33	\$430.12
510	MSE Wall – Repair	10	5	\$4,500	\$2,250	\$2,250.00	\$52.80
512	Stone Veneer Pilasters – Repair	10	5	\$11,000	\$5,500	\$5,500.00	\$129.06
1003	Irrigation System – Replace	10	6	\$5,500	\$2,200	\$2,200.00	\$64.53
1005	Trees - Replace (partial)	10	8	\$13,500	\$2,700	\$2,700.00	\$158.39
1020	Bridges – Repair	15	10	\$7,000	\$2,333	\$2,333.33	\$54.75
1025	Drainage - Clean and Maintain	10	8	\$7,000	\$1,400	\$1,400.00	\$82.13
1026	Lighting - Landscape Lights	15	7	\$1,700	\$907	\$906.67	\$13.30
1402	Monument Signage – Refurbish	20	10	\$3,600	\$1,800	\$1,800.00	\$21.12
11	Total Funded Components				\$75,347	\$46,179	\$1,050



**Table 4: 30-Year Reserve Plan Summary**

**23988-0**

**Fiscal Year Beginning: 01/01/13**

<b>Interest:</b>	<b>0.2%</b>	<b>Inflation:</b>	<b>3.0%</b>
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Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2013	\$46,179	\$75,347	61.3%	Fair	\$12,600	\$0	\$105	\$0
2014	\$58,884	\$86,825	67.8%	Fair	\$12,978	\$0	\$131	\$0
2015	\$71,993	\$98,924	72.8%	Strong	\$13,367	\$0	\$157	\$0
2016	\$85,518	\$111,671	76.6%	Strong	\$13,768	\$0	\$185	\$0
2017	\$99,471	\$125,094	79.5%	Strong	\$14,181	\$0	\$213	\$0
2018	\$113,866	\$139,221	81.8%	Strong	\$14,607	\$0	\$225	\$17,969
2019	\$110,729	\$135,576	81.7%	Strong	\$15,045	\$0	\$230	\$6,567
2020	\$119,436	\$143,885	83.0%	Strong	\$15,421	\$0	\$249	\$5,780
2021	\$129,326	\$153,585	84.2%	Strong	\$15,807	\$0	\$249	\$25,969
2022	\$119,413	\$143,121	83.4%	Strong	\$16,202	\$0	\$255	\$0
2023	\$135,870	\$159,442	85.2%	Strong	\$16,607	\$0	\$150	\$138,894
2024	\$13,732	\$33,553	40.9%	Fair	\$17,022	\$0	\$45	\$0
2025	\$30,799	\$47,319	65.1%	Fair	\$17,448	\$0	\$79	\$0
2026	\$48,326	\$61,881	78.1%	Strong	\$17,884	\$0	\$115	\$0
2027	\$66,324	\$77,274	85.8%	Strong	\$18,331	\$0	\$151	\$0
2028	\$84,806	\$93,535	90.7%	Strong	\$18,789	\$0	\$164	\$24,148
2029	\$79,612	\$85,829	92.8%	Strong	\$19,259	\$0	\$170	\$8,826
2030	\$90,214	\$94,105	95.9%	Strong	\$19,740	\$0	\$195	\$4,959
2031	\$105,192	\$107,057	98.3%	Strong	\$20,234	\$0	\$196	\$34,900
2032	\$90,722	\$90,014	100.8%	Strong	\$20,740	\$0	\$202	\$0
2033	\$111,664	\$108,878	102.6%	Strong	\$21,258	\$0	\$245	\$0
2034	\$133,167	\$128,793	103.4%	Strong	\$21,790	\$0	\$288	\$0
2035	\$155,245	\$149,805	103.6%	Strong	\$22,334	\$0	\$330	\$3,257
2036	\$174,652	\$168,606	103.6%	Strong	\$22,893	\$0	\$373	\$0
2037	\$197,917	\$191,856	103.2%	Strong	\$23,465	\$0	\$420	\$0
2038	\$221,802	\$216,350	102.5%	Strong	\$24,052	\$0	\$419	\$49,413
2039	\$196,859	\$191,245	102.9%	Strong	\$24,653	\$0	\$407	\$11,861
2040	\$210,058	\$204,644	102.6%	Strong	\$25,269	\$0	\$439	\$6,664
2041	\$229,103	\$224,395	102.1%	Strong	\$25,901	\$0	\$438	\$46,903
2042	\$208,539	\$203,907	102.3%	Strong	\$26,549	\$0	\$444	\$0

**Table 5: 30-Year Income/Expense Detail (yrs 0 through 4)****23988-0**

Fiscal Year	2013	2014	2015	2016	2017
Starting Reserve Balance	\$46,179	\$58,884	\$71,993	\$85,518	\$99,471
Annual Reserve Contribution	\$12,600	\$12,978	\$13,367	\$13,768	\$14,181
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$105	\$131	\$157	\$185	\$213
<b>Total Income</b>	<b>\$58,884</b>	<b>\$71,993</b>	<b>\$85,518</b>	<b>\$99,471</b>	<b>\$113,866</b>
<b># Component</b>					
411 Metal Bench - Replace	\$0	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$0	\$0	\$0
505 Wood Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$0	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$0	\$0
1020 Bridges - Repair	\$0	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$0	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$0	\$0	\$0
1402 Monument Signage - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Reserve Balance:</b>	<b>\$58,884</b>	<b>\$71,993</b>	<b>\$85,518</b>	<b>\$99,471</b>	<b>\$113,866</b>

**Table 5: 30-Year Income/Expense Detail (yrs 5 through 9)**

**23988-0**

Fiscal Year	2018	2019	2020	2021	2022
Starting Reserve Balance	\$113,866	\$110,729	\$119,436	\$129,326	\$119,413
Annual Reserve Contribution	\$14,607	\$15,045	\$15,421	\$15,807	\$16,202
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$225	\$230	\$249	\$249	\$255
<b>Total Income</b>	<b>\$128,697</b>	<b>\$126,004</b>	<b>\$135,106</b>	<b>\$145,381</b>	<b>\$135,870</b>
<b># Component</b>					
411 Metal Bench - Replace	\$0	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$3,690	\$0	\$0
505 Wood Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$5,217	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$12,752	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$6,567	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$17,101	\$0
1020 Bridges - Repair	\$0	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$8,867	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$2,091	\$0	\$0
1402 Monument Signage - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$17,969</b>	<b>\$6,567</b>	<b>\$5,780</b>	<b>\$25,969</b>	<b>\$0</b>
<b>Ending Reserve Balance:</b>	<b>\$110,729</b>	<b>\$119,436</b>	<b>\$129,326</b>	<b>\$119,413</b>	<b>\$135,870</b>

**Table 5: 30-Year Income/Expense Detail (yrs 10 through 14)**

**23988-0**

Fiscal Year	2023	2024	2025	2026	2027
Starting Reserve Balance	\$135,870	\$13,732	\$30,799	\$48,326	\$66,324
Annual Reserve Contribution	\$16,607	\$17,022	\$17,448	\$17,884	\$18,331
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$150	\$45	\$79	\$115	\$151
<b>Total Income</b>	<b>\$152,626</b>	<b>\$30,799</b>	<b>\$48,326</b>	<b>\$66,324</b>	<b>\$84,806</b>
<b># Component</b>					
411 Metal Bench - Replace	\$1,478	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$0	\$0	\$0
505 Wood Rail Fence - Replace	\$123,170	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$0	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$0	\$0
1020 Bridges - Repair	\$9,407	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$0	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$0	\$0	\$0
1402 Monument Signage - Refurbish	\$4,838	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$138,894</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Reserve Balance:</b>	<b>\$13,732</b>	<b>\$30,799</b>	<b>\$48,326</b>	<b>\$66,324</b>	<b>\$84,806</b>

**Table 5: 30-Year Income/Expense Detail (yrs 15 through 19)**

**23988-0**

Fiscal Year	2028	2029	2030	2031	2032
Starting Reserve Balance	\$84,806	\$79,612	\$90,214	\$105,192	\$90,722
Annual Reserve Contribution	\$18,789	\$19,259	\$19,740	\$20,234	\$20,740
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$164	\$170	\$195	\$196	\$202
<b>Total Income</b>	<b>\$103,760</b>	<b>\$99,040</b>	<b>\$110,150</b>	<b>\$125,622</b>	<b>\$111,664</b>
<b># Component</b>					
411 Metal Bench - Replace	\$0	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$4,959	\$0	\$0
505 Wood Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$7,011	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$17,138	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$8,826	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$22,983	\$0
1020 Bridges - Repair	\$0	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$11,917	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$0	\$0	\$0
1402 Monument Signage - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$24,148</b>	<b>\$8,826</b>	<b>\$4,959</b>	<b>\$34,900</b>	<b>\$0</b>
<b>Ending Reserve Balance:</b>	<b>\$79,612</b>	<b>\$90,214</b>	<b>\$105,192</b>	<b>\$90,722</b>	<b>\$111,664</b>

**Table 5: 30-Year Income/Expense Detail (yrs 20 through 24)**

**23988-0**

Fiscal Year	2033	2034	2035	2036	2037
Starting Reserve Balance	\$111,664	\$133,167	\$155,245	\$174,652	\$197,917
Annual Reserve Contribution	\$21,258	\$21,790	\$22,334	\$22,893	\$23,465
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$245	\$288	\$330	\$373	\$420
<b>Total Income</b>	<b>\$133,167</b>	<b>\$155,245</b>	<b>\$177,909</b>	<b>\$197,917</b>	<b>\$221,802</b>
<b># Component</b>					
411 Metal Bench - Replace	\$0	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$0	\$0	\$0
505 Wood Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$0	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$0	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$0	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$0	\$0
1020 Bridges - Repair	\$0	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$0	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$3,257	\$0	\$0
1402 Monument Signage - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,257</b>	<b>\$0</b>	<b>\$0</b>
<b>Ending Reserve Balance:</b>	<b>\$133,167</b>	<b>\$155,245</b>	<b>\$174,652</b>	<b>\$197,917</b>	<b>\$221,802</b>

**Table 5: 30-Year Income/Expense Detail (yrs 25 through 29)**

**23988-0**

Fiscal Year	2038	2039	2040	2041	2042
Starting Reserve Balance	\$221,802	\$196,859	\$210,058	\$229,103	\$208,539
Annual Reserve Contribution	\$24,052	\$24,653	\$25,269	\$25,901	\$26,549
Planned Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$419	\$407	\$439	\$438	\$444
<b>Total Income</b>	<b>\$246,273</b>	<b>\$221,919</b>	<b>\$235,767</b>	<b>\$255,442</b>	<b>\$235,532</b>
<b># Component</b>					
411 Metal Bench - Replace	\$2,303	\$0	\$0	\$0	\$0
416 Trail Surface - Maintain	\$0	\$0	\$6,664	\$0	\$0
505 Wood Rail Fence - Replace	\$0	\$0	\$0	\$0	\$0
510 MSE Wall - Repair	\$9,422	\$0	\$0	\$0	\$0
512 Stone Veneer Pilasters - Repair	\$23,032	\$0	\$0	\$0	\$0
1003 Irrigation System - Replace	\$0	\$11,861	\$0	\$0	\$0
1005 Trees - Replace (partial)	\$0	\$0	\$0	\$30,887	\$0
1020 Bridges - Repair	\$14,656	\$0	\$0	\$0	\$0
1025 Drainage - Clean and Maintain	\$0	\$0	\$0	\$16,015	\$0
1026 Lighting - Landscape Lights	\$0	\$0	\$0	\$0	\$0
1402 Monument Signage - Refurbish	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$49,413</b>	<b>\$11,861</b>	<b>\$6,664</b>	<b>\$46,903</b>	<b>\$0</b>
Ending Reserve Balance:	\$196,859	\$210,058	\$229,103	\$208,539	\$235,532

## Accuracy, Limitations, and Disclosures

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a "one-year" document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. Carmine R. DeLisio, RS, company president, is a Colorado licensed General Contractor (Licensed #15126), and credentialed Reserve Specialist (#184). All work done by Association Reserves - Colorado is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association's situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.



## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area)
<b>GSY</b>	Gross Square Yards (area)
<b>HP</b>	Horsepower
<b>LF</b>	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 Reserve Balance that is in direct proportion to the fraction of life “used up” of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

$$\text{FFB} = (\text{Current Cost} \times \text{Effective Age}) / \text{Useful Life}$$

**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 Table 5.

**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, page ii.

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

**Remaining Useful Life:** The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

**Useful Life:** The estimated time, in years, that a common area component can be expected to serve its intended function.

## Photographic Inventory Appendix

Client: 23988A Portico - General

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**Comp #:** 411 Metal Bench - Repoint

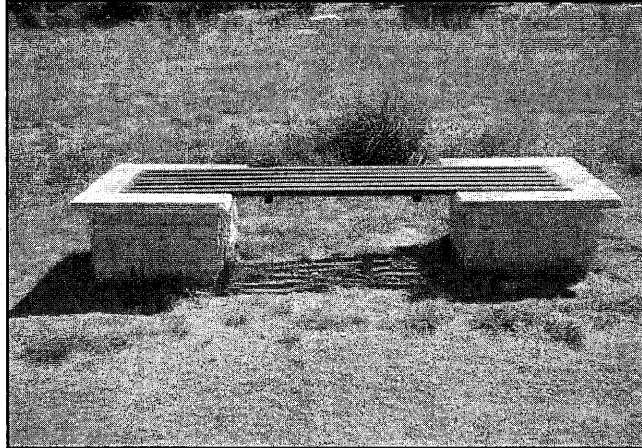
Quantity: Approx (2) Benches

Location: The Park trails

Evaluation: Benches are constructed of stacked stone, with a metal grade for a seating surface. Anticipate periodic repointing of the stone to prevent water penetration, which will accelerate the useful life of this component.

Useful Life:  
15 years

Remaining Life:  
10 years



Best Case: \$1,000.00

Lower allowance to repoint stone

Worst Case: \$1,200.00

Higher allowance to repoint stone

Cost Source: ARI Cost Database

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**Comp #:** 416 Trail Surface - Maintain

Quantity: Approx 2,600 LF

Location: The Park

Evaluation: The Park trails are constructed of crushed granite. Anticipate periodic regrading and compacting of materials due to use and erosion.

Useful Life:  
10 years

Remaining Life:  
7 years



Best Case: \$2,500.00

Lower allowance to maintain

Worst Case: \$3,500.00

Higher allowance to maintain

Cost Source: ARI Cost Database

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Client: 23988A Portico - General

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**Comp #:** 505 Wood Rail Fence - Replace

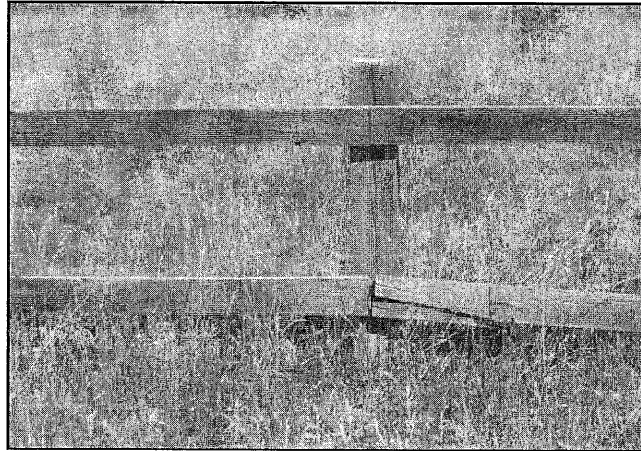
Quantity: Approx 3,900 LF

Location: East and west entrances

Evaluation: Wood rail fence is in overall fair condition with signs of fading, cracked, broken, warped boards, and loose nails. Useful life may vary depending on grade of cedar used, integrity of posts (how well they are secured), and exposure to the elements. Recommend the regular application of a quality sealer to protect wood surfaces from the elements.

Useful Life:  
25 years

Remaining Life:  
10 years



Best Case: \$85,800.00

\$22/LF - Lower allowance to replace

Worst Case: \$97,500.00

\$25/LF - Higher allowance to replace

Cost Source: Research with Local Contractor - Split Rail Fence

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**Comp #:** 510 MSE Wall - Repair

Quantity: Approx 650 LF

Location: Adjacent to Clover Basin Dr.

Evaluation: MSE (Mechanically Stabilized Earth Wall) is in overall good condition. Walls are usually constructed with masonry block, geo-grid, select fill material, and drainage pipe at bottom of wall. Recommend periodic inspections to ensure wall is intact and drains are functioning properly.

Useful Life:  
10 years

Remaining Life:  
5 years



Best Case: \$4,000.00

Lower allowance for repairs

Worst Case: \$5,000.00

Higher allowance for repairs

Cost Source: ARI Cost Database

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Client: 23988A Portico - General

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Comp #: 512 Stone Pilasters - Repair (part)

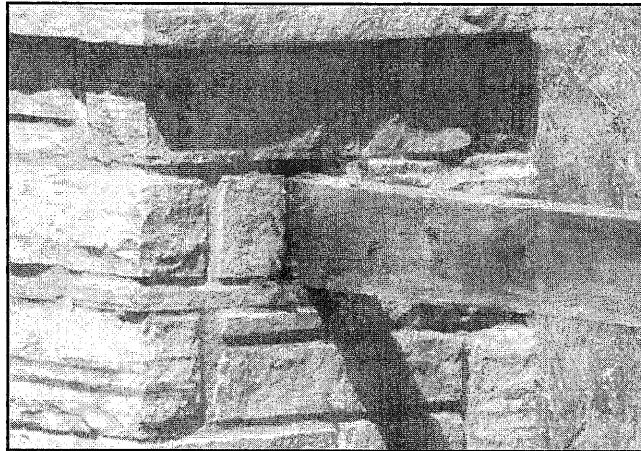
Quantity: Approx (46) Pilasters

Location: Rail fence and The Park entrances

Evaluation: Decorative stone pilasters are incorporated into the fence line, as well as used for signage at The Park. Recommend regular inspections to ensure grout is intact, and loose or missing stones are replaced immediately. Subsurface water penetration, when subject to a freeze-thaw cycle will reduce the life of this component. Several of the pilasters at the Plateau Rd. entrance have become home to honeybee colonies. Insect activity will prevent proper sealing of the structures.

Useful Life:  
10 years

Remaining Life:  
5 years



Best Case: \$10,000.00

Worst Case: \$12,000.00

Lower allowance to repair a portion

Higher allowance to repair a portion

Cost Source: ARI Cost Database

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Client: 23988A Portico - General

Comp #: 1003 Irrigation System - Replace

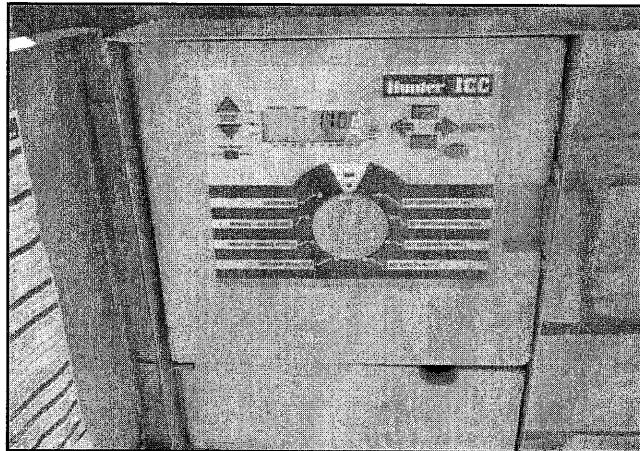
Quantity: Extensive System

Location: Throughout community

Evaluation: The extensive irrigation system consists of several controllers, backflows, heads and pipes. Anticipate regular replacement of major components such as clocks and backflow preventers as the system ages. The landscape company is in the process of taking over the community and has not yet inventoried all of the irrigation equipment. This number may need to be revised after full inventory and evaluation of the equipment has been completed.

Useful Life:  
10 years

Remaining Life:  
6 years



Best Case: \$5,000.00

Lower allowance to replace major components

Worst Case: \$6,000.00

Higher allowance to replace major components

Cost Source: ARI Cost Database

Comp #: 1005 Trees - Replace (part)

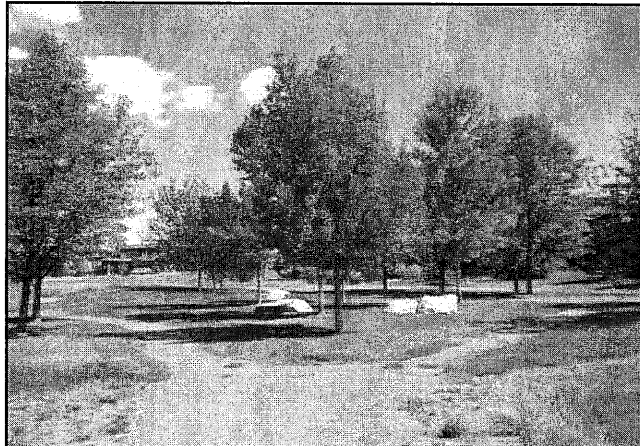
Quantity: Numerous Trees

Location: The Park and streets and drives

Evaluation: Trees and vegetation are mature and appear in overall good condition. Funding is for ongoing replacement of trees and vegetation due to winter kill and disease.

Useful Life:  
10 years

Remaining Life:  
8 years



Best Case: \$12,000.00

Lower allowance to replace a portion

Worst Case: \$15,000.00

Higher allowance to replace a portion

Cost Source: ARI Cost Database

Client: 23988A Portico - General

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Comp #: 1020 Bridges - Repair

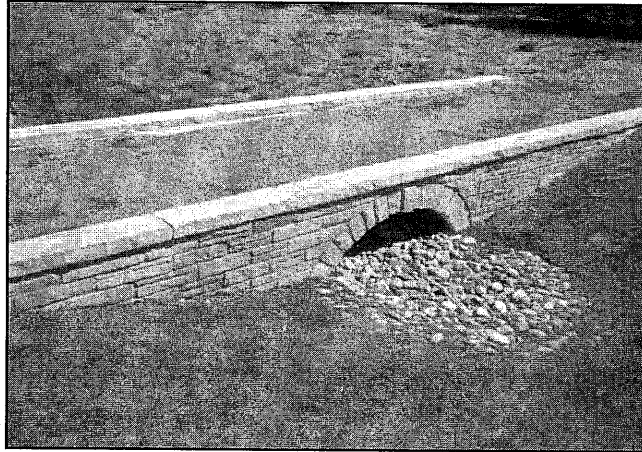
Quantity: (2) Stone Veneer Bridges

Location: The Park

Evaluation: The stone accented bridges enhance The Park trail, and direct water flow away from the granite path. We could not determine the exact construction of the bridges. Funding is for periodic replacement of stone and repointing of grout.

Useful Life:  
15 years

Remaining Life:  
10 years



Best Case: \$6,000.00  
Lower allowance for repairs

Worst Case: \$8,000.00  
Higher allowance for repairs

Cost Source: ARI Cost Database

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Comp #: 1025 Drainage - Clean and Maintain

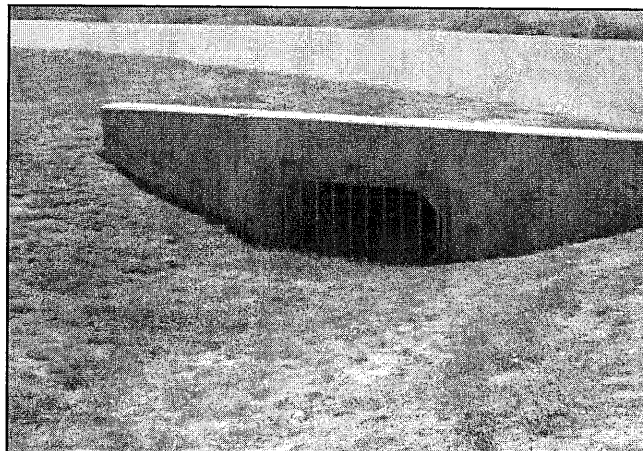
Quantity: Extensive Drainage

Location: Throughout community

Evaluation: Extensive drainage is used throughout the community to carry run-off away from streets and homes. Anticipate periodic inspection of under drain system, and regrading due to water flow.

Useful Life:  
10 years

Remaining Life:  
8 years



Best Case: \$6,000.00  
Lower allowance to clean and maintain

Worst Case: \$8,000.00  
Higher allowance to clean and maintain

Cost Source: ARI Cost Database

---

Client: 23988A Portico - General

Comp #: 1026 Landscape Lights - Replace

Quantity: Approx (15) Lights

Location: Entrances

Evaluation: Metal landscape lights, Ambiance 9323-40, are used at the property entrances to highlight trees and signage. Currently (1) light at the Plateau Rd. entrance was broken. Anticipate replacement due to age and wear.

Useful Life:  
15 years

Remaining Life:  
7 years



Best Case: \$1,500.00

\$100/each - Lower allowance to replace

Worst Case: \$1,900.00

\$125/each - Higher allowance to replace

Cost Source: Research with Vendor - Lighting Universe

Comp #: 1401 Address Signs - Refurbish

Quantity: Approx (53) Signs

Location: Housing lots

Evaluation: Stone address signs are located at each lot. Anticipate refurbishing text portions to maintain appearance. Refurbishments should be paid through the operating budget on an as-needed basis.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:



Client: 23988A Portico - General

**Comp #:** 1402 Monument Signage - Refurbish

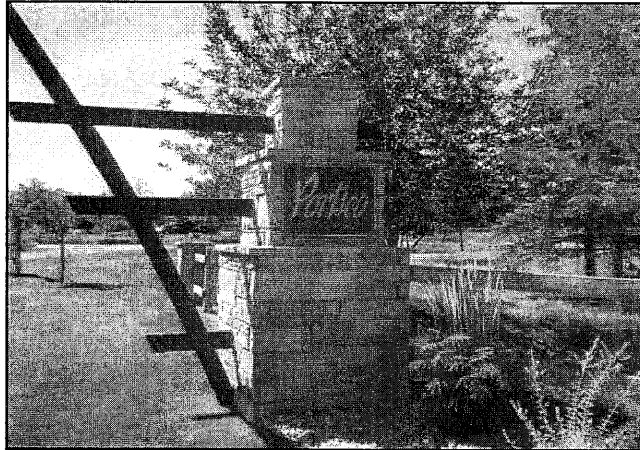
Quantity: Approx (4) Signs

Location: Clover Basin Rd. and Plateau Rd. entrances

Evaluation: The 10' high monument signs are constructed of stone veneered bases, with metal accents. Anticipate refurbishment to consist of repointing stone, and refurbishing name plaque. Metal surfaces are intended to weather, adding character to the structure.

Useful Life:  
20 years

Remaining Life:  
10 years



Best Case: \$3,200.00

\$800/each - Lower allowance to refurbish

Worst Case: \$4,000.00

\$1,000/each - Higher allowance to refurbish

Cost Source: ARI Cost Database

**Comp #:** 1403 Street Signs - Replace

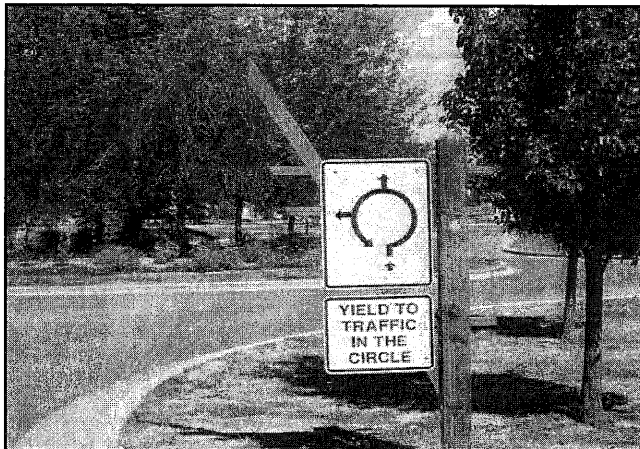
Quantity: Approx (9) Signs

Location: Throughout community

Evaluation: Decorative street signs are located throughout the community providing direction and information. Signs are constructed of 6x6 wood posts with metal accents. Anticipate replacing wood posts periodically due to age and damage. Replacements should be paid through the operating budget.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source: