

**Reserve Analysis for
< hoa name > HOA
Capital Replacement Analysis and Funding Plan
Fiscal Year 2016**



The <name> HOA has a responsibility to establish and maintain a Replacement Reserve Fund

- 1. It meets the legal, fiduciary, and professional requirements replacement fund may be required by:**
 - Banks, Mortgage Lenders
 - State statutes, regulations, or court decisions
 - Your community’s governing documents.
- 2. The replacement fund enhances resale values. Many new buyers, lenders, and real estate professionals are aware of the ramifications of inadequate replacement funds.**
- 3. The fund provides for the planned replacement of major common items. Owners expect their association to fulfill its obligations to replace worn or obsolete items. This allows for the aesthetic qualities of the community to be maintained, thereby also enhancing property values.**
- 4. It minimizes the need for special assessments. Insufficient funding may lead to special assessments when major elements must be replaced. A history of past or pending special assessments may hurt property values.**
- 5. It distributes the contributions of old and new owners. Major items deteriorate with use and age. Although a roof will be replaced when it is 20 to 25 years old, every owner who lived under that roof should pay a share of its replacement.**
- 6. Accounting standards require proper maintenance of a replacement fund. In 1991, the AICPA released its guidelines addressing Common Interest Realty Associations. This guide, called the CIRA guide, specifically states that communities must disclose information about reserve funding policy.**

This reserve analysis report provides the <name> HOA with a projection of future expenses with a prediction of the ability of the HOA to meet those expenses.

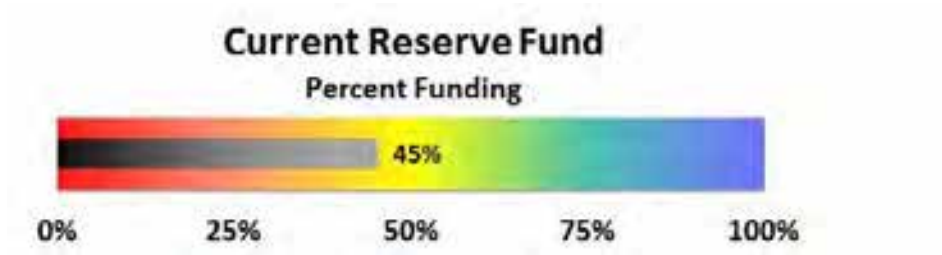
Preparation

- **This analysis is not a Comprehensive Reserve Study Assessment**
 - Prior Reserve Studies were used as a baseline for this analysis.
- **As part of this analysis, the <name> HOA Community Manager and members of the Board conducted an inventory of the reserve assets:**
 - Used prior reserve study reserve assets inventory
 - Verified that no assets were overlooked
 - Condition of assets and useful life was evaluated by community manager, knowledgeable members of the community and outside service providers.

Assumptions

- **The physical inventory and condition assessment of all physical assets is complete.**
- **The valuation cost estimates are reasonably accurate.**

HOA Community Summary



Community Summary

Community Name: <name>

Number of Units: 113

Income Summary:

Current Annual HOA Dues: \$64,000

Other Current Income: \$3,300

Other Income Annual Pct Increase: 0.00%

Current Operation Fund Expenses

Current Operation Fund Expenses: \$46,000

Assumed Inflation Rate: 3.00%

Current Reserve Fund

Current Reserve Balance: \$93,988

Fully Funded Reserve Balance: \$206,767

Interest rate on Reserve Balance: 0.27%

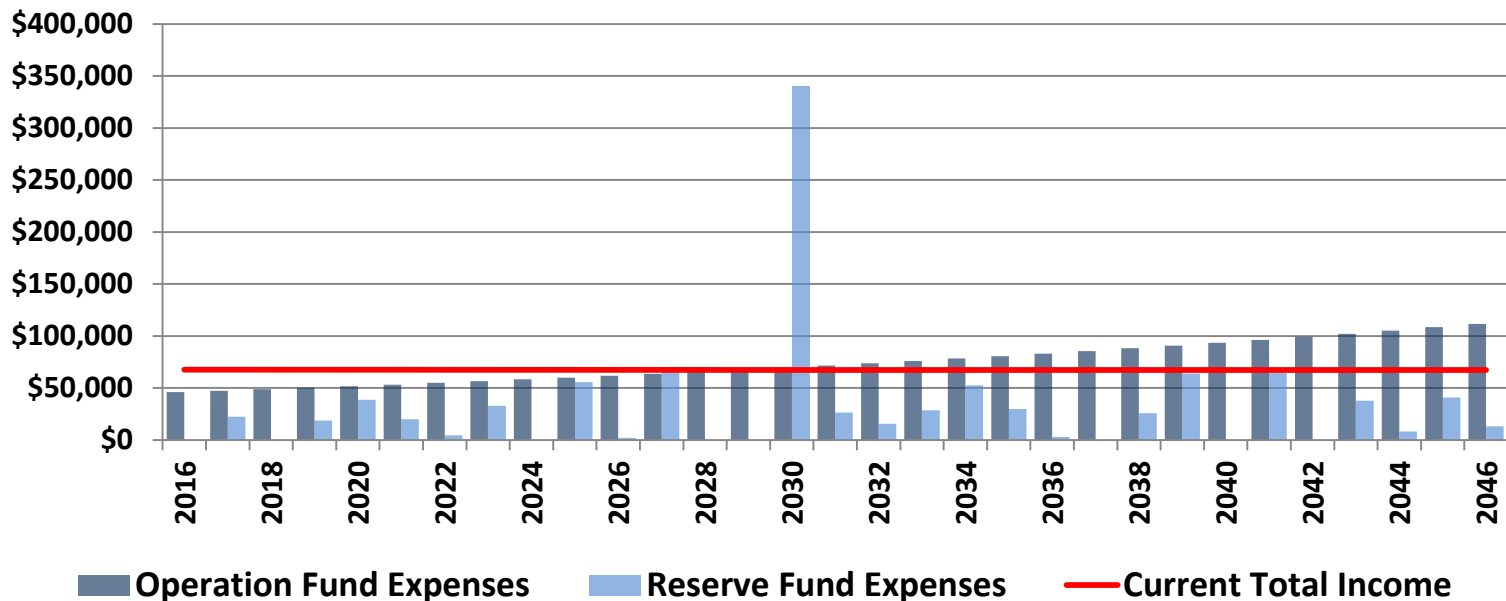
<name> HOA identified 12 Reserve Funding Requirements

Item #	Asset	Current Cost	First Year of Event	Est Useful Life	Cost Basis	Remaining Useful Life	Next Year of Event	Est. Future Cost
1	Asphalt roads - crack fill, seal coat, other repairs	\$16,500	2015	4	Actual Cost	3	2019	\$18,030
2	Asphalt roads - overlay & replace	\$214,578	1995	35	Recent Quote	14	2030	\$324,568
3	Stamped Concrete - Replace	\$41,400	1995	30	Best Guess	9	2025	\$54,018
4	Common walls - repair	\$9,475	2008	15	Actual Cost	7	2023	\$11,653
5	Common walls - stucco and paint	\$20,000	2013	7	Actual Cost	4	2020	\$22,510
6	Entrance monuments / signage - replace	\$6,000	2002	15	Actual Cost	1	2017	\$6,180
7	Perimeter Metal Fence - Repaint	\$10,000	2013	7	Actual Cost	4	2020	\$11,255
8	Landscape Gravel/Decorative Rock - Replenish	\$3,630	2014	8	Recent Quote	6	2022	\$4,334
9	Entrance gate - operators	\$16,800	2009	12	Actual Cost	5	2021	\$19,476
10	Entrance gates - vehicle	\$15,000	1995	22	Best Guess	1	2017	\$15,450
11	Entrance gate - security system	\$3,500	2008	12	Actual Cost	4	2020	\$3,939
12	Strobe Detectors - Replace	\$1,600	2016	10	Actual Cost	10	2026	\$2,150

Without an increase in total income, the projected operation and reserve funding expenses will exceed income levels by 2020.

The current income only accommodates the operation fund expenses and will not meet the future needs for replacement / repair of physical assets.

Projected Operation & Reserve Fund Expenses Income Assumes No Annual Increase

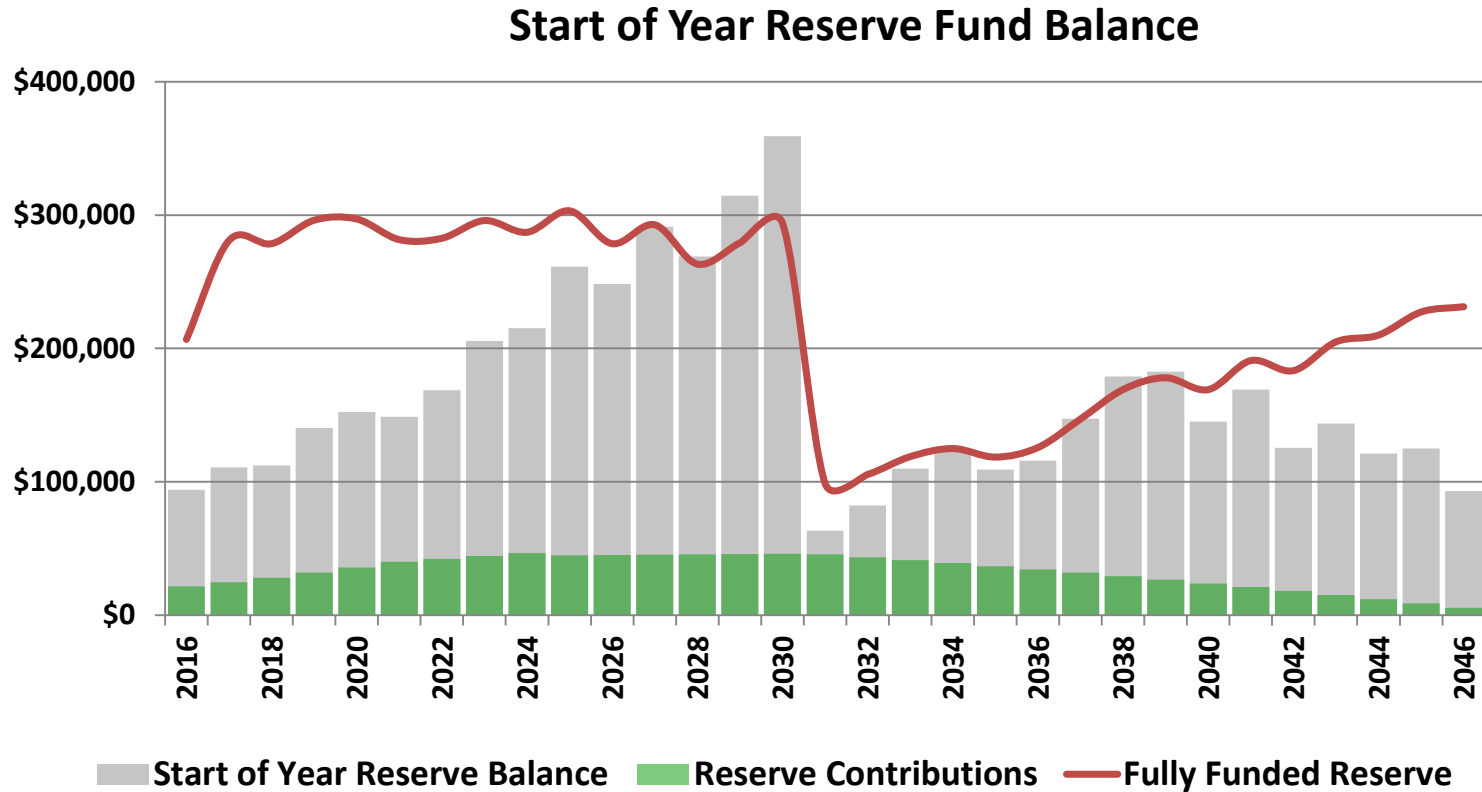


To achieve income levels required to meet future operation and reserve funding requirements, the HOA will need to increase the overall income through Special Assessments and/or increases in annual dues.

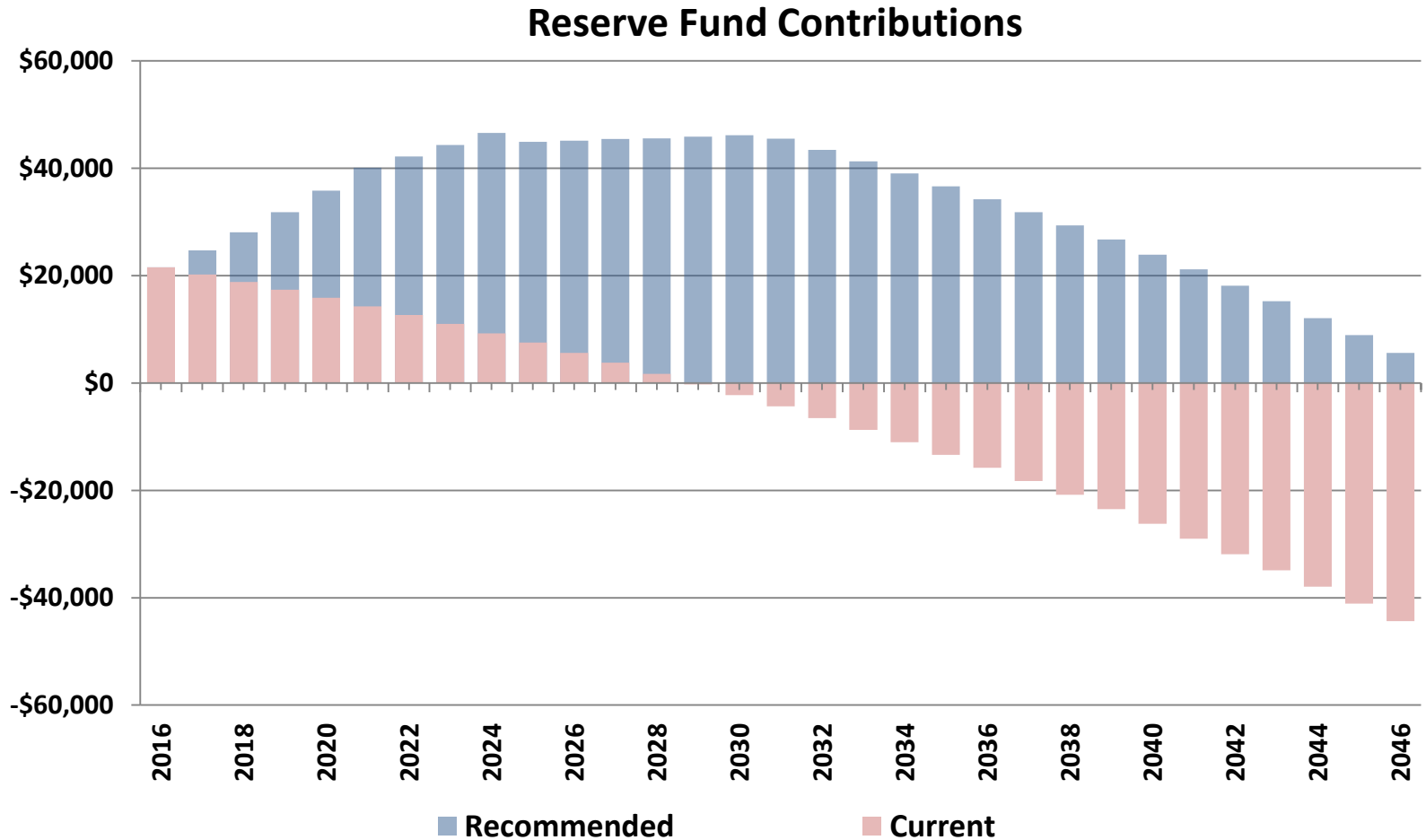
- An annual increase in member dues will bring the percent funding of the reserve balance to 100% funded by 2030 ... in time to meet funding requirements

Annual Dues Increase					
<u>Increase #1</u>		<u>Increase #2</u>		<u>Increase #3</u>	
% Increase	7.00%	% Increase	4.00%	% Increase	2.00%
Start Year	2017	Start Year	2022	Start Year	2026
Duration	5 yrs	Duration	3 yrs	Duration	6 yrs
End Year	2022	End Year	2025	End Year	2032

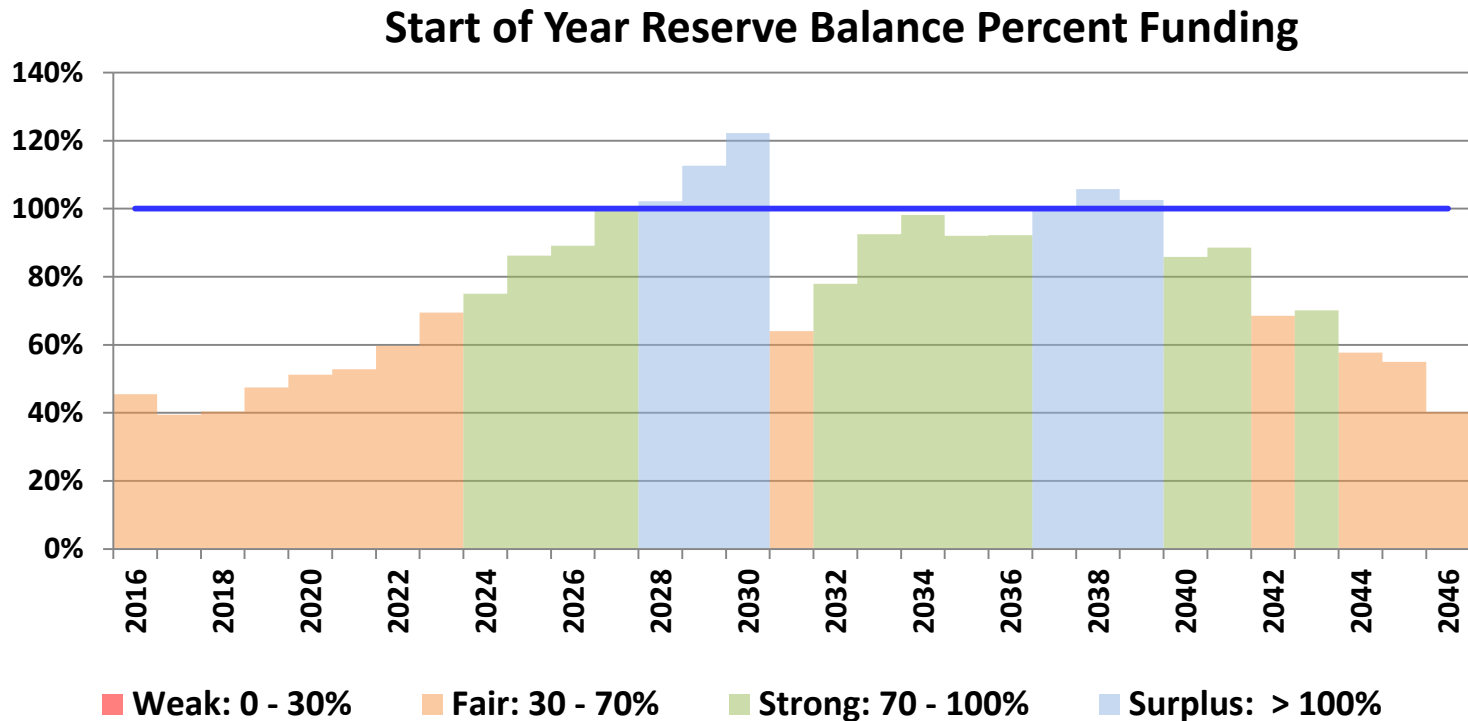
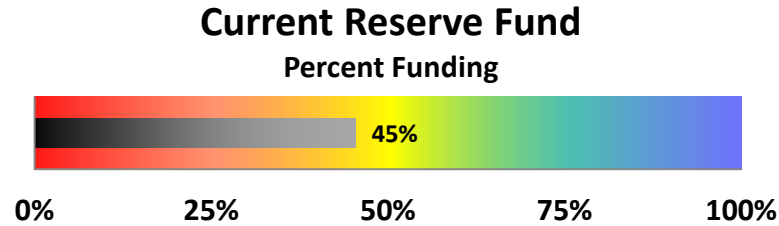
Along with increasing annual dues for the next 5 years by 7% per year, <name> HOA should establish a 5% contingency fund.



Reserve Fund Contributions: Current versus Recommended



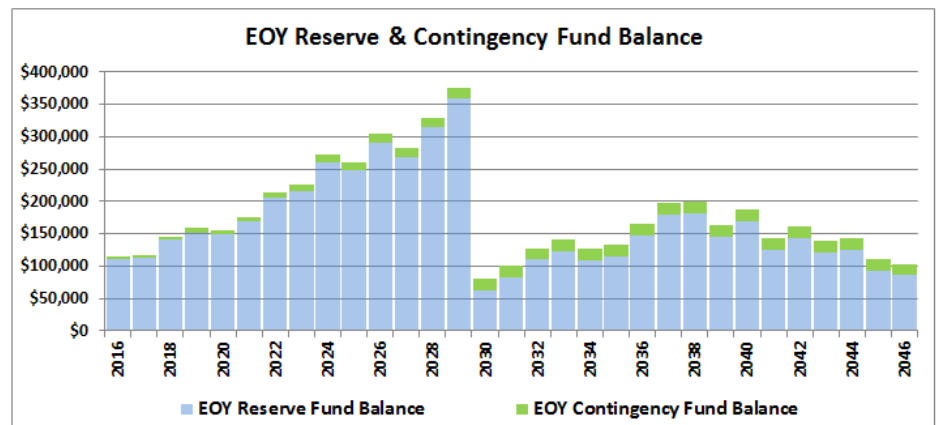
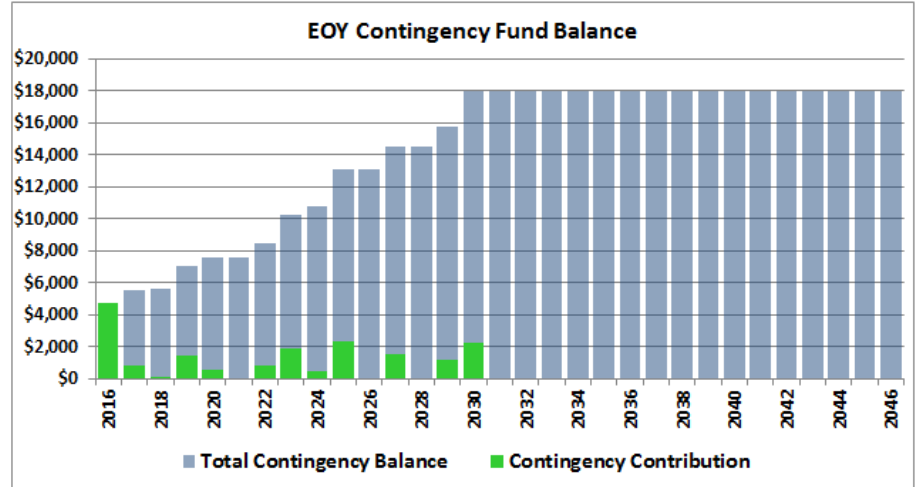
The current reserve balance percent funding is ranked “Fair”. But, through annual increases in HOA dues, the ranking will improve as necessary to meet the reserve funding requirements in future years.



The establishment and maintenance of a contingency fund is recommended.

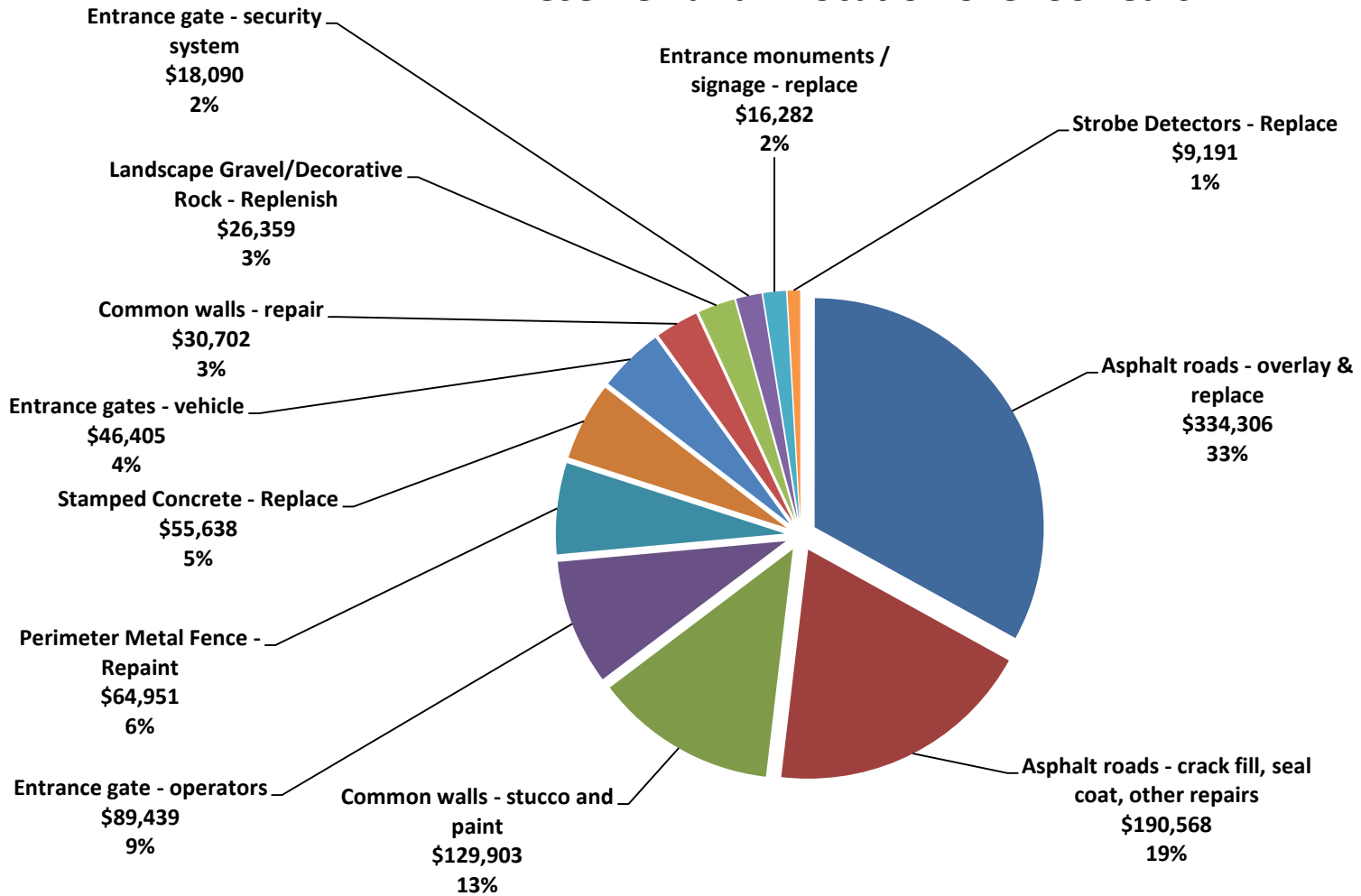
- **The purpose of a Contingency Fund is provide funds for unexpected emergency repair or replacement costs that may occur resulting in revenue shortfalls.**
 - Insurance deductibles
 - Unexpected / emergency repairs
- **Without a contingency, “surprise expenses” are generally funded from the reserve balance.**
- **This analysis assumes that the contingency fund is part of the reserve fund, but is tracked separately.**
 - If chosen, the contributions to the contingency fund will maintain a balance that is a percent of the overall reserve balance.
- **Do not consider the contingency as funding for special projects ... these projects should be separately funded.**

Current Contingency Fund Balance:	\$0
Percent Reserve Allocated for Contingency Fund:	5.00%



30-Year Reserve Fund Allocation

Reserve Fund Allocation over 30 Years



30-Year Reserve Fund Annual Summary

Fiscal Year	Beginning Balance	Ideal Balance	Percent Funded	Special Assessments	Total Reserve Contributions	Total Reserve Withdrawals	End of Year Balance
2016	\$93,988	\$206,767	45%	\$0	\$21,554	\$4,699	\$110,842
2017	\$110,842	\$280,905	39%	\$0	\$24,699	\$23,122	\$112,420
2018	\$112,420	\$278,546	40%	\$0	\$28,076	\$79	\$140,417
2019	\$140,417	\$296,149	47%	\$0	\$31,816	\$19,971	\$152,263
2020	\$152,263	\$297,045	51%	\$0	\$35,829	\$39,428	\$148,663
2021	\$148,663	\$281,584	53%	\$0	\$40,138	\$20,060	\$168,741
2022	\$168,741	\$282,607	60%	\$0	\$42,183	\$5,288	\$205,636
2023	\$205,636	\$295,916	69%	\$0	\$44,369	\$34,749	\$215,256
2024	\$215,256	\$287,113	75%	\$0	\$46,581	\$481	\$261,356
2025	\$261,356	\$303,187	86%	\$0	\$44,958	\$57,943	\$248,371
2026	\$248,371	\$278,569	89%	\$0	\$45,141	\$2,215	\$291,297
2027	\$291,297	\$292,715	100%	\$0	\$45,463	\$67,795	\$268,965
2028	\$268,965	\$263,240	102%	\$0	\$45,593	\$0	\$314,558
2029	\$314,558	\$279,165	113%	\$0	\$45,892	\$1,163	\$359,286
2030	\$359,286	\$293,938	122%	\$0	\$46,172	\$342,197	\$63,261
2031	\$63,261	\$98,862	64%	\$0	\$45,515	\$26,478	\$82,298
2032	\$82,298	\$105,556	78%	\$0	\$43,416	\$15,702	\$110,012
2033	\$110,012	\$118,905	93%	\$0	\$41,276	\$28,601	\$122,687
2034	\$122,687	\$124,967	98%	\$0	\$39,030	\$52,605	\$109,112
2035	\$109,112	\$118,559	92%	\$0	\$36,644	\$29,801	\$115,954
2036	\$115,954	\$125,732	92%	\$0	\$34,242	\$2,976	\$147,220
2037	\$147,220	\$147,092	100%	\$0	\$31,834	\$0	\$179,054
2038	\$179,054	\$169,222	106%	\$0	\$29,353	\$25,864	\$182,544
2039	\$182,544	\$178,030	103%	\$0	\$26,718	\$64,033	\$145,229
2040	\$145,229	\$169,146	86%	\$0	\$23,894	\$0	\$169,123
2041	\$169,123	\$190,913	89%	\$0	\$21,153	\$64,698	\$125,578
2042	\$125,578	\$183,354	68%	\$0	\$18,146	\$0	\$143,724
2043	\$143,724	\$204,936	70%	\$0	\$15,219	\$37,751	\$121,193
2044	\$121,193	\$209,999	58%	\$0	\$12,093	\$8,248	\$125,038
2045	\$125,038	\$227,338	55%	\$0	\$8,946	\$40,778	\$93,205
2046	\$93,205	\$231,285	40%	\$0	\$5,608	\$13,075	\$85,738

The funding recommendations here will provide a high degree of assurance that <name> HOA can meet future reserve expenditures.

Start of Year Reserve Balance vs Annual Reserve Expenses

