

Arizona Office
4733 E. Firestone Drive
Chandler AZ 85249
TEL 480/361-5340
800/393-7903
FAX 480/634-4616

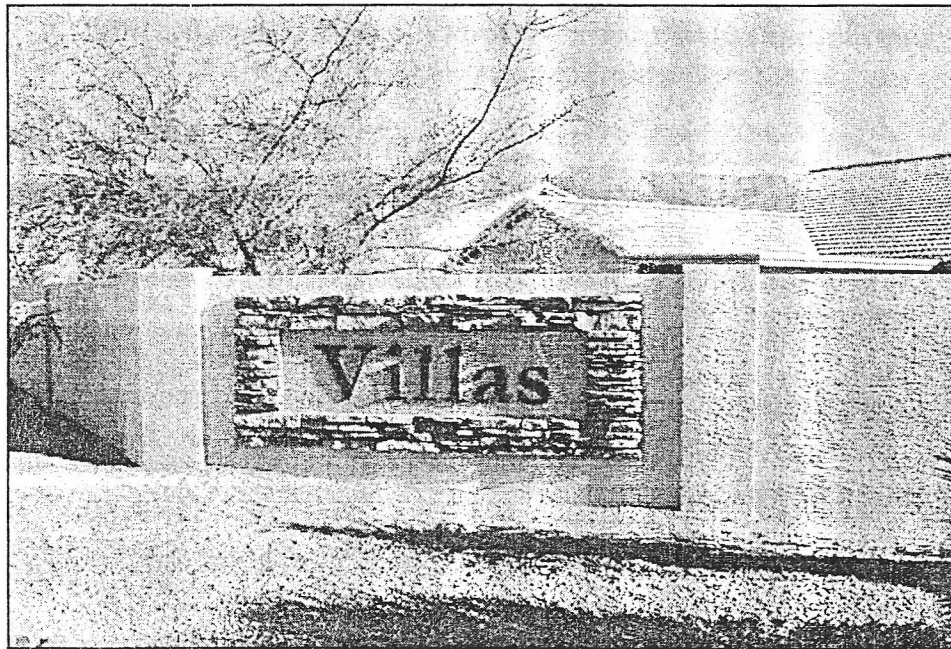
www.ReserveStudy.com



Reserve Studies for Community Associations

Corporate Office
Calabasas, CA
Regional Offices
Orange County, CA
San Francisco, CA
Honolulu, HI
Las Vegas, NV
Seattle, WA
Denver, CO

“Full” Reserve Study



Saddlebrooke Villas HOA

Tucson, Arizona

Report #: 14211-0

For Period Beginning: January 1, 2006

Ending: December 31, 2006

Date Prepared: February 20, 2006

**VILLAS HOA 35 AND 35A
RESERVE STUDY PRESENTATION
APRIL 10, 2006**

A. Introduction

- a. What is a Reserve Study?
 - i. The art and science of anticipating and preparing for major common area repair and replacement expenses
 - ii. Art – making future projections
 - iii. Science – process of research and analysis along well defined methodologies
- b. Why Board commissioned a reserve study.
- c. Qualifications of Association Reserves Arizona, Inc.

B. Background and Methodology

- a. Parts of a Reserve Study:
 - i. Physical Analysis
 - ii. Financial Analysis
- b. Methodology
- c. Physical assets covered by reserves
- d. Determination of useful life and remaining life
- e. Establishment of cost estimates
- f. Percent funded
 - i. 100% - Ideal
 - ii. 70% to 100% - Good because cash flow problems are rare
 - iii. 30% to 70% - Weak, expect some cash flow problems and special assessments
 - iv. 0% to 30% - Poor, expect cash flow problems and special assessments

C. How much should we contribute

- a. Maintain sufficient cash to fund projects
- b. Benefits of a stable contribution rate
- c. Evenly distributed
- d. Fiscally responsible

D. What should be our funding goal?

- a. Full funding
 - i. Simple responsible principle of replace what you use up, strong interest earning will minimize reserve contributions
 - ii. Threshold funding – less than fully funded

E. Contribution and fund breakdown – Villa Reserve Study Components table

F. Assumptions and recommendations –Bar chart of Annual Reserve Expenditures

G. Projection of Special Assessments Required Assuming No Increase in Monthly Assessments

H. Why A Reserve Fund - Chart

I. Questions and Answers

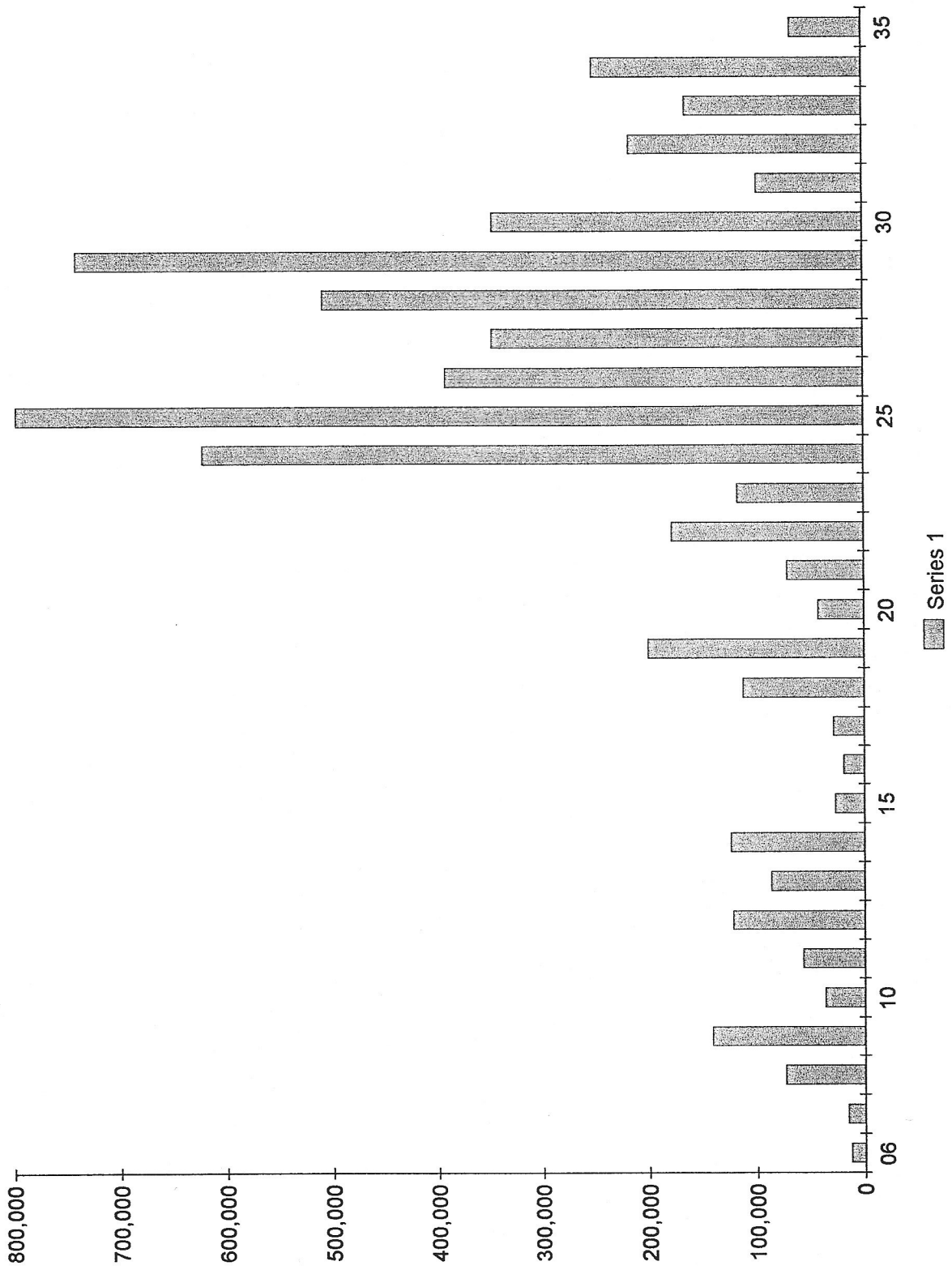
VILLAS RESERVE STUDY COMPONENTS

<u>Components</u>	<u>Phases</u>	<u>Useful Life</u>	<u>Remaining Useful Life</u>
Irrigation Controllers	5	12	5-9
Landscape Granite	1	10	6
Block Walls (Interior)	1	8	3
Front Doors – Repaint	1	3	1
Wood Trim – Repaint	7	5 10	0-4
Stucco – Repaint	7	10	3 2-9
Patio Roofs – Replace	7	10-15	2-14
Tile Roofs – Refurbish	7	25	18-24

ASSUMPTIONS AND RECOMMENDATIONS

- Net after-tax interest earnings on reserves – 2.87%
- Annual inflations rate applied to cost estimates – 3.00%
- Projected starting reserve balance - \$90,000
- “Fully Funded” reserve balance 12/31/2005 - \$534,100
- Recommended monthly reserve contribution - \$10,800
- Annual reserve contributions increase – 4%
- 2006 Reserve Project – Repainting Phase 3 Wood Trim

ANNUAL RESERVE EXPENDITURES



VILLAS HOME OWNER ASSOCIATION OF UNITS 35 & 35A
PROJECTIONS OF SPECIAL ASSESSMENTS REQUIRED
ASSUMING NO INCREASE IN MONTHLY ASSESSMENTS
YEARS 2006 - 2035

<u>YEAR</u>	<u>PROJECTED</u> <u>ENDING</u> <u>INVESTMENT</u> <u>BALANCE</u>	<u>PROJECTED</u> <u>MAJOR REPAIRS</u> <u>AND</u> <u>REPLACEMENTS</u> <u>PER "FULL"</u> <u>RESERVE STUDY</u>	<u>PROJECTED</u> <u>SPECIAL</u> <u>ASSESSMENTS</u> <u>REQUIRED</u>	<u>PROJECTED</u> <u>SPECIAL</u> <u>ASSESSMENTS</u> <u>REQUIRED</u> <u>PER UNIT</u>
2006	\$ 90,000	\$ 12,750	\$ -	\$ -
2007	124,000	15,543	-	-
2008	94,000	73,441	-	-
2009	-	141,044	12,000	56
2010	-	36,163	11,000	52
2011	-	56,781	38,000	178
2012	-	121,686	110,000	516
2013	-	86,208	82,000	385
2014	-	123,757	127,000	596
2015	-	26,813	37,000	174
2016	-	18,701	37,000	174
2017	-	28,308	55,000	258
2018	-	111,908	146,000	685
2019	-	200,110	243,000	1,141
2020	-	42,179	94,000	441
2021	-	70,997	132,000	620
2022	-	177,890	248,000	1,164
2023	-	117,079	197,000	925
2024	-	622,214	711,000	3,338
2025	-	796,697	896,000	4,207
2026	-	392,007	503,000	2,362
2027	-	347,224	470,000	2,207
2028	-	508,131	644,000	3,023
2029	-	740,539	890,000	4,178
2030	-	346,622	510,000	2,394
2031	-	97,853	275,000	1,291
2032	-	216,576	409,000	1,920
2033	-	164,264	371,000	1,742
2034	-	250,711	473,000	2,221
2035	-	66,913	305,000	1,432
TOTAL 2006-2035			\$ 8,026,000	\$ 37,680
AVERAGE PER YEAR			\$ 267,533	\$ 1,256
AVERAGE PER MONTH			\$ 22,294	\$ 105

BASIS FOR PROJECTIONS

1. Major Repairs and Replacements include the replacement of patio roofs, tile roof maintenance and painting of stucco and wood trim in the various years. They are as provided in the "Full" Reserve Study prepared by Association Reserves of Arizona, LLC, as revised on March 5, 2006.
2. The starting point for the Projection of expenses was the 2006 Budget. Increase in expenses are projected at 3% per year, except for pest control, for which increases were based on discussions with Terminix personnel for the years 2006-2010 and at 3% thereafter.
3. No increase in monthly assessments was projected in any of the years.
4. Interest income from investment of funds was projected at 2.87% after tax, which is 4.1% before tax.

WHY A RESERVE FUND

- Analogous to single family ownership
- Savings account for anticipated expenses
- Ensure funds available when needed
- Strengthen community's fiscal position
- Protect property values
- Full disclosure issue upon resale
- Meet the Board's fiduciary responsibilities to the community
- Issue of fairness to property owners and responsible community management
- Avoid special assessments