

# **FULL RESERVE STUDY**

## **Sunvalley Casitas Condominium Association**



**Mesa, Arizona**  
**January 3, 2022**



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Sunvalley Casitas Condominium Association  
Mesa, Arizona

Dear Board of Directors of Sunvalley Casitas Condominium Association:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Sunvalley Casitas Condominium Association in Mesa, Arizona and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 3, 2022.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Sunvalley Casitas Condominium Association plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on January 19, 2022 by

*Reserve Advisors, LLC*

Visual Inspection and Report by: Stephanie A. Mueller, RS<sup>1</sup>

Review by: Alan M. Ebert, RS, PRA<sup>2</sup>, Director of Quality Assurance



<sup>1</sup> RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

<sup>2</sup> PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



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## 1. RESERVE STUDY EXECUTIVE SUMMARY

**Client:** Sunvalley Casitas Condominium Association (Sunvalley Casitas)

**Location:** Mesa, Arizona

**Reference:** 212853

**Property Basics:** Sunvalley Casitas Condominium Association is a condominium style development which consists of 112 units in seven buildings. The buildings were built in 1992.

**Reserve Components Identified:** 30 Reserve Components.

**Inspection Date:** January 3, 2022.

**Funding Goal:** The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes multiple threshold funding years in 2023 due to replacement of tile roofs, in 2028 due to coating applications at the foam roofs and in 2035 due to replacement of foam roofs.

**Cash Flow Method:** We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 0.7% anticipated annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs

**Sources for Local Costs of Replacement:** Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

**Unaudited Cash Status of Reserve Fund:**

- \$204,625 as of January 1, 2022

**Project Prioritization:** We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of tile roofs as deferral may result in increased water infiltration and cost
- Asphalt repaving due to noted deterioration
- Replacement of irrigation system due to reported condition. At the time of replacement, the Association should consider reducing the amount of grass lawns and implement xeriscaping methods to reduce overall water usage.

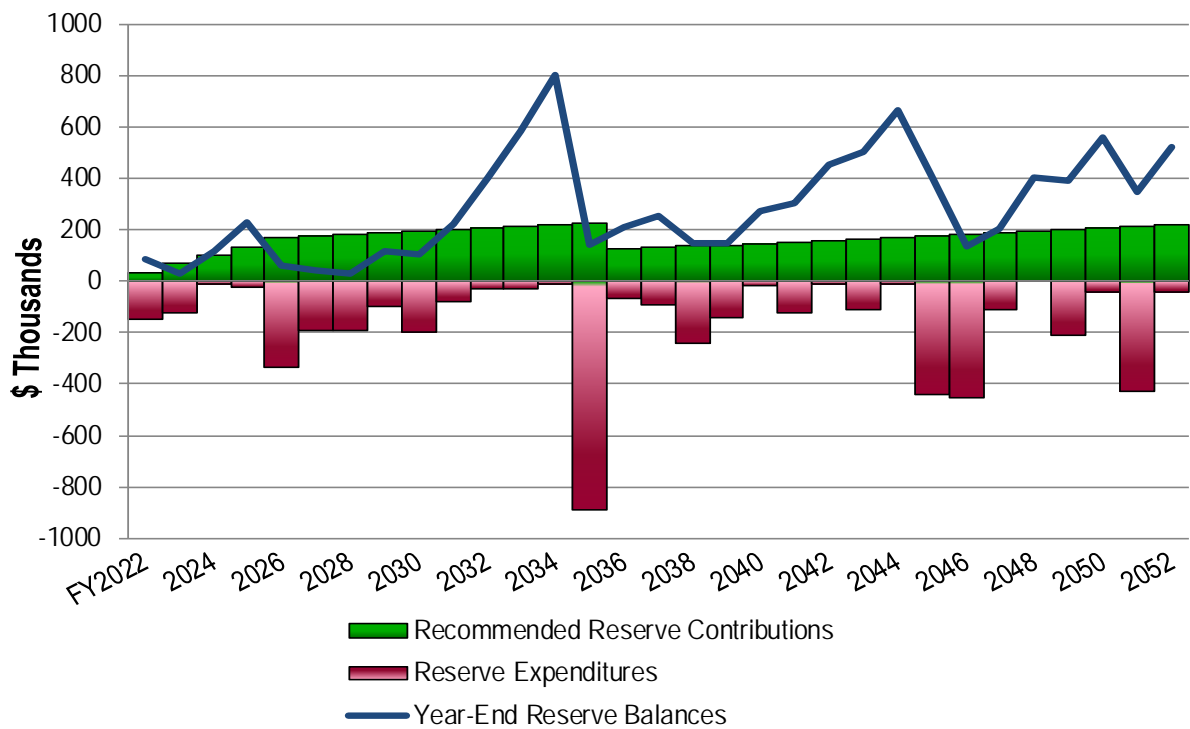
**Recommended Reserve Funding:** We recommend the following in order to achieve a stable and equitable Funding Plan:

- Phased increases of approximately \$33,500 from 2022 through 2026
- Inflationary increases from 2027 through 2035
- Decrease to \$127,000 by 2036 due to fully funding for replacement of foam roofs
- Inflationary increases through 2052, the limit of this study's Cash Flow Analysis
- 2022 Reserve Contribution of \$33,500 is equivalent to an average monthly contribution of \$24.93 per homeowner.

## Sunvalley Casitas

### Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2023	67,000	30,718	2033	213,200	586,387	2043	161,600	505,669
2024	100,500	119,670	2034	220,700	802,457	2044	167,300	663,682
2025	134,000	230,277	2035	228,400	144,581	2045	173,200	402,024
2026	167,500	61,884	2036	127,000	207,933	2046	179,300	132,665
2027	173,400	41,129	2037	131,400	250,968	2047	185,600	206,010
2028	179,500	27,137	2038	136,000	145,193	2048	192,100	400,224
2029	185,800	113,560	2039	140,800	144,921	2049	198,800	389,519
2030	192,300	106,830	2040	145,700	273,505	2050	205,800	556,696
2031	199,000	225,105	2041	150,800	302,543	2051	213,000	344,498
2032	206,000	402,005	2042	156,100	451,323	2052	220,500	524,016





## 2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

**Sunvalley Casitas Condominium Association**

**Mesa, Arizona**

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, January 3, 2022.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

## IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Sunvalley Casitas responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan.





We identify the following Long-Lived Property Elements as excluded from the 30-year Reserve Expenditures at this time.

- Electrical Systems, Common
- Foundations
- Pipes, Interior Building, Domestic Water, Sanitary Waste and Vent, Common
- Pipes, Subsurface Utilities
- Pool Structure
- Structural Frames

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$3,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Catch Basins
- Fire Extinguishers
- Flag Pole
- Irrigation System, Controls and Maintenance
- Landscape
- Paint Finishes, Touch Up
- Pipes, Common, Interim Repairs and Waste Rodding
- Railings, Sidewalk
- Signage
- Valves, Small Diameter (We assume replacement as needed in lieu of an aggregate replacement of all small diameter valves as a single event.)
- Water Heater, Cabana
- Other Repairs normally funded through the Operating Budget



**Irrigation controller**



**Water heater**

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Balconies
- Breezeways, Floor Coverings
- Electrical Systems (Including Circuit Protection Panels)
- Heating, Ventilating and Air Conditioning (HVAC) Units
- Interiors
- Light Fixtures, Balconies and Patios
- Patios
- Pipes (Within Units)
- Windows and Doors

Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Perimeter Walls and Fences, North, East and South (Shared with Neighboring Properties)

### 3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

#### Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
  - useful life
  - remaining useful life
- 2022 local cost of replacement
  - Per unit
  - Per phase
  - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

#### Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

#### Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

Sunvalley Casitas  
Condominium Association  
Mesa, Arizona

**Explanatory Notes:**  
1) **3.5%** is the estimated Inflation Rate for estimating Future Replacement Costs.  
2) FY2022 is Fiscal Year beginning January 1, 2022 and ending December 31, 2022.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$		Percentage of Future Expenditures	RUL = 0 FY2022	1 2023	2 2024	3 2025	4 2026	5 2027	6 2028	7 2029	8 2030	9 2031	10 2032	11 2033	12 2034	13 2035	14 2036	15 2037	
						Useful	Remaining			Per Phase (2022)	Total (2022)																		
Exterior Building Elements																													
1.128	3,950	3,950	Square Feet	Breezeways, Wood Frame with Concrete Topping, Inspections and Capital Repairs	2026	8 to 12	4	6.00	100%	23,700	23,700	2.4%					27,196									38,363			
1.129	28	4	Each	Breezeways, Staircases, Replacement, Phased	2037	to 60	15 to 27	12,000.00	100%	48,000	336,000	14.2%															80,417		
1.260	196	196	Each	Light Fixtures	2032	to 20	10	80.00	100%	15,680	15,680	1.3%										22,118							
1.360	110	110	Squares	Roofs, Clay Tiles	2023	to 30	1	1,100.00	100%	121,000	121,000	2.5%	125,235																
1.419	51,200	51,200	Square Feet	Roofs, Foam, Coating Application (Incl. Cabana)	2028	to 10	6	2.75	100%	140,800	140,800	9.8%						173,079											
1.420	50,800	50,800	Square Feet	Roofs, Foam, Replacement	2035	25 to 30	13	11.00	100%	558,800	558,800	17.7%													873,939				
1.425	56	56	Each	Roofs, Scuppers	2028	to 30	6	300.00	100%	16,800	16,800	0.4%						20,651											
1.880	86,600	86,600	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs (Incl. Wood, Steel)	2022	6 to 10	0	1.55	100%	134,230	134,230	17.3%	134,230								176,755								
Property Site Elements																													
4.020	9,100	9,100	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat, and Striping	2022	3 to 5	0	1.80	100%	16,380	16,380	2.7%	16,380								22,324						26,514		
4.040	9,100	9,100	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Areas (Incl. Partial Curbs)	2051	15 to 25	29	14.50	100%	131,950	131,950	7.3%																	
4.045	9,100	9,100	Square Yards	Asphalt Pavement, Total Replacement, Parking Areas (Incl. Partial Curbs)	2026	15 to 25	4	29.00	100%	263,900	263,900	6.1%					302,831												
4.096	12	4	Each	Carports, Renovations, Phased	2027	25 to 35	5 to 9	9,500.00	100%	38,000	114,000	2.9%						45,132		48,347		51,790							
4.140	15,800	660	Square Feet	Concrete Sidewalks, Partial	2024	to 65	2 to 30+	9.50	100%	6,270	150,100	1.3%		6,717					7,977				9,474						
4.245	800	800	Linear Feet	Fence, Steel, North Perimeter, Shared	2027	to 35	5	50.00	50%	20,000	20,000	0.5%						23,754											
4.330	1	1	Allowance	Gates and Fence, Southwest Entrance	2030	to 30	8	7,500.00	100%	7,500	7,500	0.2%									9,876								
4.420	1	1	Allowance	Irrigation System	2027	30 to 40	5	52,000.00	100%	52,000	52,000	1.3%						61,760											
4.500	1	1	Allowance	Landscape, Partial Replacements	2025	to 5	3	10,000.00	100%	10,000	10,000	2.2%				11,087					13,168					15,640			
4.560	13	13	Each	Light Poles and Fixtures	2033	to 25	11	1,700.00	100%	22,100	22,100	0.7%											32,265						
4.600	112	112	Each	Mailboxes	2027	to 35	5	200.00	100%	22,400	22,400	0.5%						26,604											
4.820	12	6	Each	Site Furniture, Phased	2025	10 to 15	3 to 9	950.00	100%	5,700	11,400	1.0%				6,320					7,769						9,549		
Cabana Elements																													
5.070	1	1	Each	Air Handling and Condensing Units, Split System	2024	15 to 20	2	5,000.00	100%	5,000	5,000	0.3%			5,356														
5.500	1	1	Allowance	Interior, Renovation, Complete	2027	to 25	5	26,000.00	100%	26,000	26,000	2.1%						30,880											
5.600	15	15	Squares	Roofs, Tile and Foam	2046	to 30	24	1,100.00	100%	16,500	16,500	0.8%																	
5.800	125	125	Square Feet	Windows and Doors	2027	to 40	5	43.00	100%	5,375	5,375	0.1%						6,384											
Pool Elements																													
6.200	1,640	1,640	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2029	8 to 12	7	5.00	100%	8,200	8,200	0.9%							10,433										
6.400	150	150	Linear Feet	Fence, Steel	2029	to 35	7	69.00	100%	10,350	10,350	0.3%								13,168									
6.500	1	1	Allowance	Furniture	2026	to 12	4	6,000.00	100%	6,000	6,000	0.7%					6,885												
6.600	2	1	Allowance	Mechanical Equipment, Phased	2025	to 15	3 to 10	6,500.00	100%	6,500	13,000	0.9%			7,207							9,169							
6.800	680	680	Square Feet	Pool Finish, Plaster	2029	8 to 12	7	15.00	100%	10,200	10,200	1.2%							12,977										
6.801	150	150	Linear Feet	Pool Finish, Tile	2029	15 to 25	7	36.50	100%	5,475	5,475	0.4%							6,966										
Anticipated Expenditures, By Year (\$4,927,248 over 30 years)													150,610	125,235	12,073	24,614	336,912	194,514	193,730	99,868	199,799	81,883	31,287	32,265	9,474	889,579	64,877	89,966	

RESERVE EXPENDITURES

Sunvalley Casitas Condominium Association Mesa, Arizona																											
Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Unit Cost, \$	Percentage Ownership	Costs, \$		Percentage of Future Expenditures	16 2038	17 2039	18 2040	19 2041	20 2042	21 2043	22 2044	23 2045	24 2046	25 2047	26 2048	27 2049	28 2050	29 2051	30 2052
						Useful	Remaining			Per Phase (2022)	Total (2022)																
Exterior Building Elements																											
1.128	3,950	3,950	Square Feet	Breezeways, Wood Frame with Concrete Topping, Inspections and Capital Repairs	2026	8 to 12	4	6.00	100%	23,700	23,700	2.4%									54,115						
1.129	28	4	Each	Breezeways, Staircases, Replacement, Phased	2037	to 60	15 to 27	12,000.00	100%	48,000	336,000	14.2%		86,144		92,280		98,853		105,893		113,436		121,515			
1.260	196	196	Each	Light Fixtures	2032	to 20	10	80.00	100%	15,680	15,680	1.3%														44,011	
1.360	110	110	Squares	Roofs, Clay Tiles	2023	to 30	1	1,100.00	100%	121,000	121,000	2.5%															
1.419	51,200	51,200	Square Feet	Roofs, Foam, Coating Application (Incl. Cabana)	2028	to 10	6	2.75	100%	140,800	140,800	9.8%								310,621							
1.420	50,800	50,800	Square Feet	Roofs, Foam, Replacement	2035	25 to 30	13	11.00	100%	558,800	558,800	17.7%															
1.425	56	56	Each	Roofs, Scuppers	2028	to 30	6	300.00	100%	16,800	16,800	0.4%															
1.880	86,600	86,600	Square Feet	Walls, Stucco, Paint Finishes and Capital Repairs (Incl. Wood, Steel)	2022	6 to 10	0	1.55	100%	134,230	134,230	17.3%	232,753								306,491						
Property Site Elements																											
4.020	9,100	9,100	Square Yards	Asphalt Pavement, Crack Repair, Patch, Seal Coat, and Striping	2022	3 to 5	0	1.80	100%	16,380	16,380	2.7%				31,491					37,401						
4.040	9,100	9,100	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Areas (Incl. Partial Curbs)	2051	15 to 25	29	14.50	100%	131,950	131,950	7.3%													357,832		
4.045	9,100	9,100	Square Yards	Asphalt Pavement, Total Replacement, Parking Areas (Incl. Partial Curbs)	2026	15 to 25	4	29.00	100%	263,900	263,900	6.1%															
4.096	12	4	Each	Carports, Renovations, Phased	2027	25 to 35	5 to 9	9,500.00	100%	38,000	114,000	2.9%															
4.140	15,800	660	Square Feet	Concrete Sidewalks, Partial	2024	to 65	2 to 30+	9.50	100%	6,270	150,100	1.3%		11,253					13,365				15,873				
4.245	800	800	Linear Feet	Fence, Steel, North Perimeter, Shared	2027	to 35	5	50.00	50%	20,000	20,000	0.5%															
4.330	1	1	Allowance	Gates and Fence, Southwest Entrance	2030	to 30	8	7,500.00	100%	7,500	7,500	0.2%															
4.420	1	1	Allowance	Irrigation System	2027	30 to 40	5	52,000.00	100%	52,000	52,000	1.3%															
4.500	1	1	Allowance	Landscape, Partial Replacements	2025	to 5	3	10,000.00	100%	10,000	10,000	2.2%			18,575				22,061					26,202			
4.560	13	13	Each	Light Poles and Fixtures	2033	to 25	11	1,700.00	100%	22,100	22,100	0.7%															
4.600	112	112	Each	Mailboxes	2027	to 35	5	200.00	100%	22,400	22,400	0.5%															
4.820	12	6	Each	Site Furniture, Phased	2025	10 to 15	3 to 9	950.00	100%	5,700	11,400	1.0%						11,739					14,430				
Cabana Elements																											
5.070	1	1	Each	Air Handling and Condensing Units, Split System	2024	15 to 20	2	5,000.00	100%	5,000	5,000	0.3%					9,949										
5.500	1	1	Allowance	Interior, Renovation, Complete	2027	to 25	5	26,000.00	100%	26,000	26,000	2.1%													70,509		
5.600	15	15	Squares	Roofs, Tile and Foam	2046	to 30	24	1,100.00	100%	16,500	16,500	0.8%									37,675						
5.800	125	125	Square Feet	Windows and Doors	2027	to 40	5	43.00	100%	5,375	5,375	0.1%															
Pool Elements																											
6.200	1,640	1,640	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2029	8 to 12	7	5.00	100%	8,200	8,200	0.9%		14,716										20,759			
6.400	150	150	Linear Feet	Fence, Steel	2029	to 35	7	69.00	100%	10,350	10,350	0.3%															
6.500	1	1	Allowance	Furniture	2026	to 12	4	6,000.00	100%	6,000	6,000	0.7%	10,404												15,721		
6.600	2	1	Allowance	Mechanical Equipment, Phased	2025	to 15	3 to 10	6,500.00	100%	6,500	13,000	0.9%		11,665					14,842								
6.800	680	680	Square Feet	Pool Finish, Plaster	2029	8 to 12	7	15.00	100%	10,200	10,200	1.2%		18,306										25,822			
6.801	150	150	Linear Feet	Pool Finish, Tile	2029	15 to 25	7	36.50	100%	5,475	5,475	0.4%												13,860			
Anticipated Expenditures, By Year (\$4,927,248 over 30 years)													243,157	142,084	18,575	123,771	9,949	110,592	13,365	438,575	450,524	113,436	0	212,259	41,923	428,341	44,011



RESERVE FUNDING PLAN

CASH FLOW ANALYSIS		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
Sunvalley Casitas		FY2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Condominium Association																	
Mesa, Arizona																	
Reserves at Beginning of Year	(Note 1)	204,625	88,537	30,718	119,670	230,277	61,884	41,129	27,137	113,560	106,830	225,105	402,005	586,387	802,457	144,581	207,933
Total Recommended Reserve Contributions	(Note 2)	33,500	67,000	100,500	134,000	167,500	173,400	179,500	185,800	192,300	199,000	206,000	213,200	220,700	228,400	127,000	131,400
Estimated Interest Earned, During Year	(Note 3)	1,022	416	525	1,221	1,019	359	238	491	769	1,158	2,187	3,447	4,844	3,303	1,229	1,601
Anticipated Expenditures, By Year		(150,610)	(125,235)	(12,073)	(24,614)	(336,912)	(194,514)	(193,730)	(99,868)	(199,799)	(81,883)	(31,287)	(32,265)	(9,474)	(889,579)	(64,877)	(89,966)
Anticipated Reserves at Year End		<u>\$88,537</u>	<u>\$30,718</u>	<u>\$119,670</u>	<u>\$230,277</u>	<u>\$61,884</u>	<u>\$41,129</u>	<u>\$27,137</u>	<u>\$113,560</u>	<u>\$106,830</u>	<u>\$225,105</u>	<u>\$402,005</u>	<u>\$586,387</u>	<u>\$802,457</u>	<u>\$144,581</u>	<u>\$207,933</u>	<u>\$250,968</u>
			(NOTE 5)					(NOTE 5)							(NOTE 5)		

(continued)		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Reserves at Beginning of Year		250,968	145,193	144,921	273,505	302,543	451,323	505,669	663,682	402,024	132,665	206,010	400,224	389,519	556,696	344,498
Total Recommended Reserve Contributions		136,000	140,800	145,700	150,800	156,100	161,600	167,300	173,200	179,300	185,600	192,100	198,800	205,800	213,000	220,500
Estimated Interest Earned, During Year		1,382	1,012	1,459	2,009	2,629	3,338	4,078	3,717	1,865	1,181	2,114	2,754	3,300	3,143	3,029
Anticipated Expenditures, By Year		(243,157)	(142,084)	(18,575)	(123,771)	(9,949)	(110,592)	(13,365)	(438,575)	(450,524)	(113,436)	0	(212,259)	(41,923)	(428,341)	(44,011)
Anticipated Reserves at Year End		<u>\$145,193</u>	<u>\$144,921</u>	<u>\$273,505</u>	<u>\$302,543</u>	<u>\$451,323</u>	<u>\$505,669</u>	<u>\$663,682</u>	<u>\$402,024</u>	<u>\$132,665</u>	<u>\$206,010</u>	<u>\$400,224</u>	<u>\$389,519</u>	<u>\$556,696</u>	<u>\$344,498</u>	<u>\$524,016</u>
																(NOTE 4)

Explanatory Notes:

- 1) Year 2022 starting reserves are as of January 1, 2022; FY2022 starts January 1, 2022 and ends December 31, 2022.
- 2) 2022 is the first year of recommended contributions.
- 3) 0.7% is the estimated annual rate of return on invested reserves.
- 4) Accumulated year 2052 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

**FIVE-YEAR OUTLOOK****Sunvalley Casitas  
Condominium Association  
Mesa, Arizona**

Line Item	Reserve Component Inventory	RUL = 0 FY2022	1 2023	2 2024	3 2025	4 2026	5 2027
<b><u>Exterior Building Elements</u></b>							
1.128	Breezeways, Wood Frame with Concrete Topping, Inspections and Capital Repair:					27,196	
1.360	Roofs, Clay Tiles		125,235				
1.880	Walls, Stucco, Paint Finishes and Capital Repairs (Incl. Wood, Steel)	134,230					
<b><u>Property Site Elements</u></b>							
4.020	Asphalt Pavement, Crack Repair, Patch, Seal Coat, and Striping	16,380					
4.045	Asphalt Pavement, Total Replacement, Parking Areas (Incl. Partial Curbs)					302,831	
4.096	Carports, Renovations, Phased						45,132
4.140	Concrete Sidewalks, Partial			6,717			
4.245	Fence, Steel, North Perimeter, Shared						23,754
4.420	Irrigation System						61,760
4.500	Landscape, Partial Replacements				11,087		
4.600	Mailboxes						26,604
4.820	Site Furniture, Phased				6,320		
<b><u>Cabana Elements</u></b>							
5.070	Air Handling and Condensing Units, Split System			5,356			
5.500	Interior, Renovation, Complete						30,880
5.800	Windows and Doors						6,384
<b><u>Pool Elements</u></b>							
6.500	Furniture					6,885	
6.600	Mechanical Equipment, Phased				7,207		
<b>Anticipated Expenditures, By Year (\$4,927,248 over 30 years)</b>		<b>150,610</b>	<b>125,235</b>	<b>12,073</b>	<b>24,614</b>	<b>336,912</b>	<b>194,514</b>

## 4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

### Exterior Building Elements



Residential building elevation



Residential building elevation

### Breezeways, Wood Frame with Concrete Topping

---

**Line Items:** 1.128 and 1.129

**Quantity:** 14 small and 14 large wood frame breezeways with concrete topping which comprise approximately 3,950 square feet of horizontal surface area. In addition, each breezeway has a steel staircase with concrete treads.

**History:** Original. No recent history of repairs.

**Condition:** Good to fair overall with isolated deterioration evident. We note limited locations of carpet at the breezeways added by homeowners. Carpet conceals concrete deterioration, retains water and inhibits drainage. Water trapped by the carpet can result in accelerated concrete deterioration. Therefore, we do not recommend the use of carpet on breezeway surfaces.

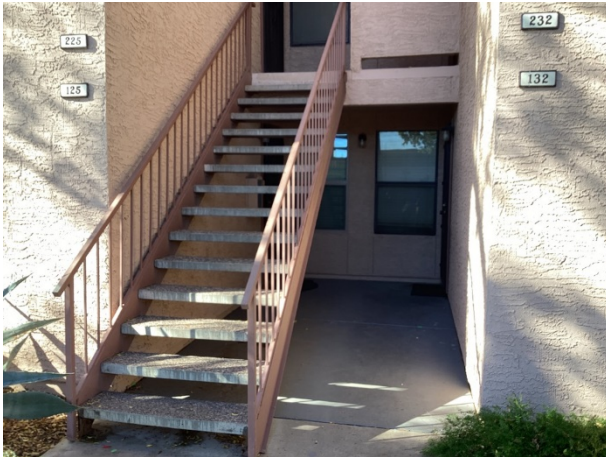




**Staircase and larger breezeway**



**Underside of breezeway**



**Staircase with smaller landing**



**Deterioration at fastener**



**Breezeway with tile**



**Concrete topping with coating**





**Partial carpet floor covering**



**Possible deflection at Building 5, note this location has carpet present**



**Corrosion at Building 8**



**Significant corrosion at Building 5**

**Useful Life:** Inspections and capital repairs every 8- to 12-years. The staircases have a useful life of up to 60 years with the benefit of periodic maintenance. Periodic maintenance should include applications of a protective paint finish and partial replacement of deteriorated steel. We include paint finish applications on the Line Item 1.880.

**Component Detail Notes:** We surmise the breezeways comprise thinset lightweight concrete over a waterproof membrane atop the wood structure below. A waterproof membrane minimizes storm water penetration into the wood structure and therefore minimizes future breezeway deterioration.

Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish. The painting contractor should remove all soil, dirt, oil, grease and other foreign materials before application of the paint finish to maximize its useful life. The contractor should also remove paint blisters and rust prior to the paint finish application. We recommend the use of a power wire brush, scraper and/or sander as effective means of removal. The Association should require the application of a primer



on bare material. The primer for material surfaces should include a rust inhibitor for added protection.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes the following activities per event:

- Removal and replacement of up to five percent (5%) of the thinset concrete topping and underlying waterproof membrane
- Partial replacement of up to five percent (5%) of wood components
- Repairs of adjacent wall surfaces
- Repairs to the railings as necessary
- Replacement of perimeter sealants as needed
- Replacement of wood balcony support posts as needed
- Application of a waterproof coating

## Light Fixtures

---

**Line Item:** 1.260

**Quantity:** Approximately 196 exterior metal light fixtures

**History:** The age of the fixtures was unavailable at the time of our inspection though were converted to LED in approximately 2017.

**Condition:** Good to fair overall



Security light fixture



Exterior light fixtures

**Useful Life:** Up to 20 years

**Priority/Criticality:** Per Board discretion

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Replace burned out bulbs at common fixtures as needed
  - Inspect and repair broken or dislodged fixtures
  - Ensure a waterproof seal between the fixture and building exists

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Roofs, Clay Tiles

---

**Line Item:** 1.360

**Quantity:** Approximately 110 *squares*<sup>1</sup> at the residential buildings

**History:** Original. We recommend the Association should conduct inspections of the roofs annually and fund these inspections through the operating budget.

**Condition:** Fair overall with previous repairs, and chipped and loose tiles evident from our visual inspection from the ground. Management and the Board report a limited history of leaks and inform us the Association will obtain bids to replace in the near future.



**Tile roof overview**



**Tile roof overview**

<sup>1</sup> We quantify the roof area in squares where one square is equal to 100 square feet of surface area.





**Previous repairs evident**



**Chipped tiles evident**



**Vegetation debris**

**Useful Life:** Up to 30 years

**Component Detail Notes:** A tile roof rarely fails at all points of application simultaneously. Rather, occurrences of roof leaks will increase as more clay tiles crack, break and dislodge. This deterioration will result in increased maintenance costs such that replacement becomes the least costly long-term alternative as compared to ongoing repairs.

A clay tile roof system comprises sheathing, underlayments, battens and the tiles themselves. Replacement standards should conform to the local building code and manufacturer's specifications at the time of actual replacement. The manner of construction is such that the underlayment is the primary line of defense from water infiltration. The tiles act to shade the underlayment from harmful sunlight and to protect the roof from heavy winds. Most storm water is shed from the roof tiles into the gutters or over the edge of the roof. However, this tile style is meant to allow water to pass between the tiles onto the underlayment. The underlayment thus sheds any remaining water into the gutters. In fact, horizontal driving rains will force their way up and under the tile only to be shed at some other point.

**Preventative Maintenance Notes:** We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Record any areas of water infiltration, flashing deterioration, damage or loose tiles
  - Implement repairs as needed if issues are reoccurring
  - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation
  - Trim tree branches that are near or in contact with roof
  - Periodic cleaning at areas with organic growth (We do not recommend pressure washing as it may cause further damage to tiles.)

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Roofs, Foam

---

**Line Items:** 1.419 and 1.420

**Quantity:** Approximately 50,800 square feet of spray polyurethane foam (SPF) roofing at the residential buildings

**History:** Replaced in 2004. The roofs were coated from 2018 to 2019 and included 10-year warranty. The cabana roofs, flat and tile, were both replaced in 2019 due to multiple leaks.

**Condition:** Reported good overall. Management and the Board do not report a history of leaks.

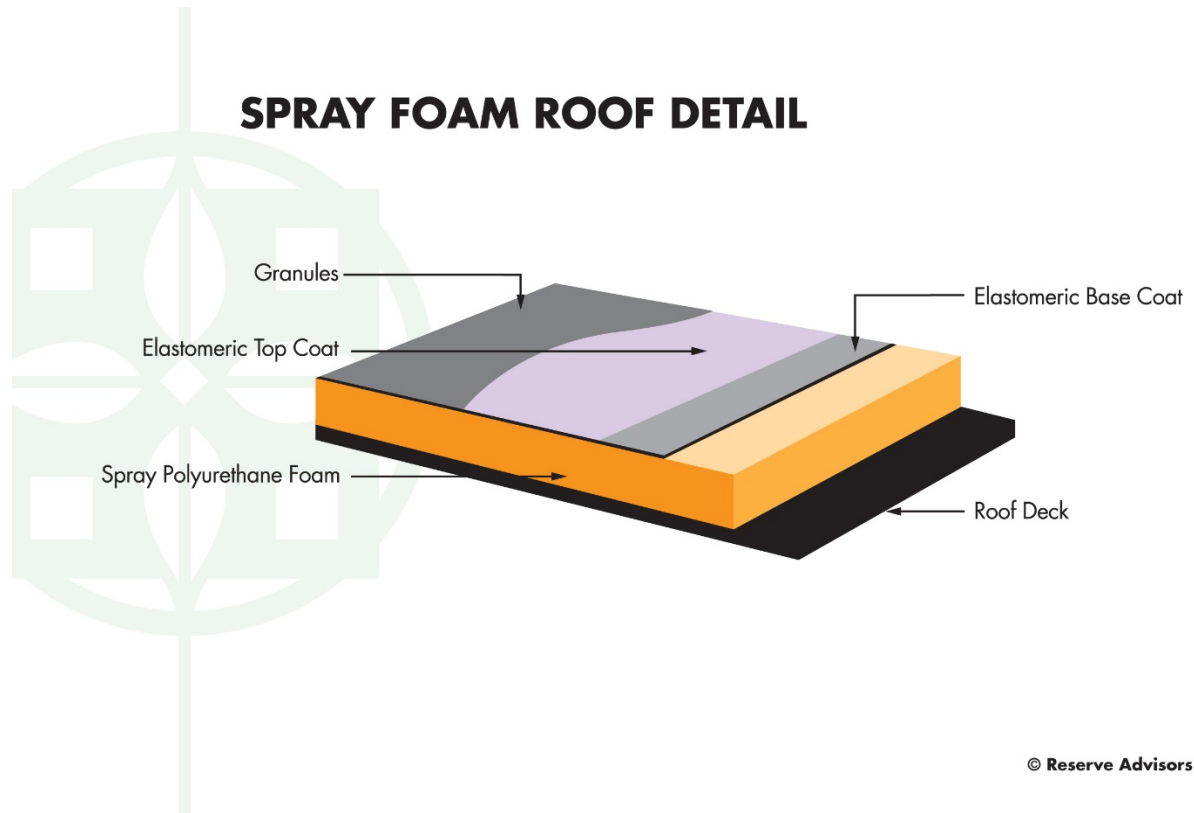
**Useful Life:** 25- to 30-years for the roof with coating applications up to every 10 years

**Component Detail Notes:** SPF roofs are seamless spray-applied insulating foam plastics that are installed as a liquid and then expand into a solid many times the original volume. An SPF roof is a two-part system that includes sprayed foam and a protective coating. The spray polyurethane foam is water resistant by itself. However, ultraviolet rays from the sun can deteriorate the surface of SPF roofs. A protective coating, such as an elastomeric coating, provides a water resistant and protective membrane.

SPF roofs are lightweight and can be installed in varying thickness to provide slope for drainage. However, the foam should be installed in uniform passes from ½ to one inch thick. Loss of adhesion will result if installed at less than ½ inch. Excessive temperature

build-up will result if installed in passes greater than one inch. The contractor should follow the manufacturer's directions and specifications upon installation of the roofs.

The following image details the components of a typical SPF roof:



***Preventative Maintenance Notes:*** We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Note drainage issues with water ponding after 48 hours of rainfall event. Verify scuppers and drains are free of debris. Replace damaged or missing drain covers.
  - Inspect perimeter flashing for loose fasteners, deflections, and sealant damage
  - Verify foam surface is free of ruptures or damage, and areas of extensive blistering. Damaged or saturated foam should be cut out and replaced.
  - Remove oil spills or contaminants from mechanical equipment
  - Touch-up coating applications as needed
  - If frequency of leaks increase or location of water infiltration is unknown, we recommend the consideration of a thermal image inspection



**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Roofs, Scuppers

---

**Line Item:** 1.240

**Quantity:** 56 each

**History and Condition:** Original as they were not replaced with the roofs though have likely been repaired



**Scupper**

**Useful Life:** Up to 30 years

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association replace the scuppers in conjunction with the next roof coating application.

## Walls, Stucco

---

**Line Item:** 1.880

**Quantity:** Approximately 86,600 square feet of the building exteriors. This quantity includes stucco at the perimeter walls, retaining walls, mailbox kiosk and trash enclosures, and wood trim, soffit and fascia. The Association also paints the doors, and steel fences, staircases and carports.

**History:** Recently started painting the buildings and the previously noted components. The buildings were previously painted in 2011.

**Condition:** Fair overall with cracks, coating deterioration and finish stains evident.



**Stucco wall finishes**



**Stucco cracks and peeling paint at cabana**



**Stucco crack**



**Peeling paint at wood trim**





**Finish deterioration**



**Stucco cracks at retaining wall by Building 6**



**Finish stains**



**Stucco crack**



**Peeling finish**



**General fade at south facing elevation**





**South perimeter wall overview, note – Association paints their side**



**East perimeter walls overview, note – Association paints their side**



**North wall overview, note – Association paints their side**



**Wall paint finish deterioration and damaged fence pickets**

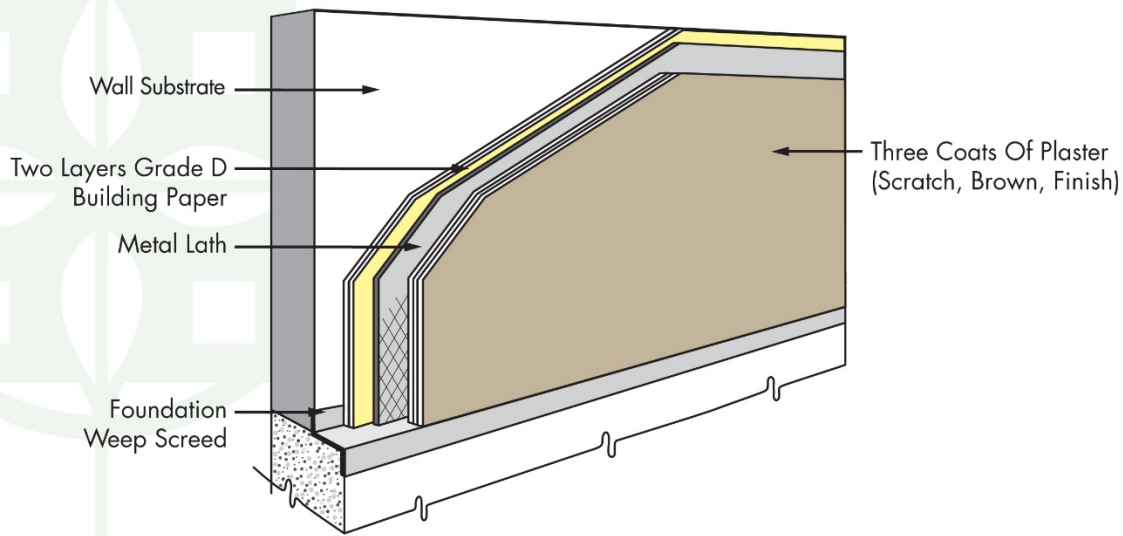


**Step crack at west perimeter wall**

**Useful Life:** We recommend inspections, repairs and paint finish applications every 6- to 10-years.

**Component Detail Notes:** The following graphic details the typical components of a stucco wall system on frame construction although it may not reflect the actual configuration at Sunvalley Casitas:

## STUCCO DETAIL



© Reserve Advisors

Correct and complete preparation of the surface before application of the paint finish maximizes the useful life of the paint finish and surface. The contractor should remove all loose, peeled or blistered paint before application of the new paint finish. The contractor should then power wash the surface to remove all dirt and biological growth. Water-soluble cleaners that will not attack Portland cement are acceptable for removing stains.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost is based on information provided by the Association and anticipates the following in coordination with each paint finish application:

- Complete inspection of the stucco
- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of up to one percent (1%), of the stucco walls (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of up to five percent (5%) of the wood trim, soffit and fascia

- Replacement of up to thirty-three percent (33%) of the sealants in coordination with each paint finish application.

## Property Site Elements

### **Asphalt Pavement, Crack Repair, Patch, Seal Coat, and Striping**

---

**Line Item:** 4.020

**Quantity:** Approximately 9,100 square yards

**History:** Repaired in 2017.

**Condition:** Fair to poor overall

**Useful Life:** Three- to five-years

**Component Detail Notes:** Proposals should include mechanically routing and filling all cracks with hot emulsion. Repairs should also include patching at areas exhibiting settlement, potholes, or excessive cracking. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks, therefore, unrepaired cracks render the seal coat applications useless. These activities minimize the damaging effects of vehicle fluids, maintain a uniform and positive appearance, and maximize the useful life of the pavement.

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Management and the Board inform us that seal coat applications and repairs are planned for the near term. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement.

### **Asphalt Pavement, Repaving**

---

**Line Items:** 4.040 and 4.045

**Quantity:** Approximately 9,100 square yards at the parking areas

**History:** The pavement was previously overlaid.

**Condition:** Fair to poor overall with frequent cracks, settlement, potholes, alligator cracks and raveling evident.





**Extensive pavement cracks**



**Raveling pavement**



**Alligator cracks and potholes**



**Pavement pothole formation**



**Concrete curb spalls**

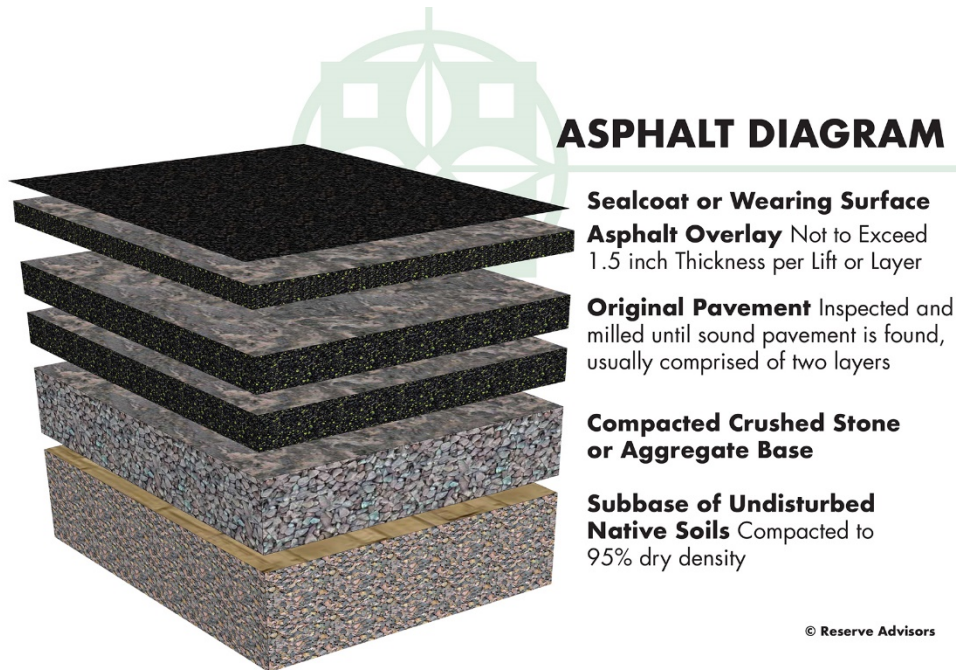


**Significant alligator cracks**

***Useful Life:*** 15- to 25-years with the benefit of timely crack repairs and patching



**Component Detail Notes:** The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course. The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Sunvalley Casitas:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the total replacement method for initial repaving followed by the mill and overlay method for subsequent repaving at Sunvalley Casitas.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
  - Repair areas which could cause vehicular damage such as potholes

- As needed:
  - Perform crack repairs and patching

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%). Our costs also include allowances for partial replacement of up to ten percent (10%) of the concrete curbs.

## Carports

---

**Line Item:** 4.096

**Quantity:** 12 steel frame carports of varying sizes comprise approximately 15,800 square feet:

- Light fixtures – 25 each
- Paint finishes (We include paint finishes on a previous Line Item 1.880)
- Roofs, metal – 158 squares

**History:** Limited history of repairs and partial replacements. The carports will be painted in conjunction with the buildings as previously discussed.

**Condition:** Good to fair overall with isolated damage and rust evident



**Carports**



**Metal roofing**



**Carport**



**Isolated damage**

**Useful Lives:** Renovations every 25- to 35-years to include replacement of light fixtures and roofs, and structure repairs as needed

**Component Detail Notes:** Capital repairs should include partial replacement of columns and structural components as needed. With proper maintenance and replacement of the above elements, these types of carports have an indeterminate useful life.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Concrete Sidewalks

---

**Line Item:** 4.140

**Quantity:** Approximately 15,800 square feet

**Condition:** Good to fair overall with periodic cracks, spalled concrete and trip hazards evident.





**Sidewalk settlement**



**Sidewalk cracks**



**Sidewalk spalls**



**Coating delamination at unit entrances**

**Useful Life:** Up to 65 years although interim deterioration of areas is common

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair major cracks, spalls and trip hazards
  - Mark with orange safety paint prior to replacement or repair
  - Repair or perform concrete leveling in areas in immediate need of repair or possible safety hazard

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 3,960 square feet of concrete sidewalks, or twenty-five percent (25.1%) of the total, will require replacement during the next 30 years.

## **Fence, Steel**

---

**Line Item:** 4.245

**Quantity:** 800 linear feet located at the north perimeter

**History:** Original

**Condition:** Fair overall condition with finish deterioration and limited damage evident

**Useful Life:** Up to 35 years for replacement with the benefit of periodic paint finishes. We include paint finishes on a previous Line Item 1.880.

**Component Detail Notes:** Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose fasteners or sections, finish deterioration, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost reflects the approximately fifty percent (50%) cost of ownership.

## **Gates and Fence**

---

**Line Item:** 4.330

**Quantity:** 75 linear feet at the southwest entrance

**History and Condition:** Likely original. The gate is reportedly kept closed.



**Gates and fence**

**Useful Life:** Up to 10 years for the operators and up to 20 years for the gates

**Preventative Maintenance Notes:** We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Ensure gates operate freely
  - Inspect for any wear, rust and loose fasteners
  - Inspect and correct tension in belts and chains, and lubricate hinges and chains as necessary
  - Check alignment of pulleys
  - Check for no oil leakage at the gear box
  - Check the control board for water damage. Clean and remove insects and other pests as needed.
  - Check all wiring for insulation damage and loose connections. If applicable, check functionality of battery power supply systems

**Priority/Criticality:** Not recommended to defer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## **Irrigation System**

---

**Line Item:** 4.420

**Quantity:** Approximately 40,000 square feet and reportedly five zones

**History:** Previous modifications have been completed but the system is primarily original



**Condition:** Unsatisfactory operational condition, and Management and the Board report under watered and over watered areas.



**Irrigated lawn area**

**Useful Life:** 30- to 40-years

**Component Detail Notes:** Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Valves

Sunvalley Casitas should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs
  - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.



## Landscape

---

**Line Item:** 4.500

**Component Detail Notes:** The Association contains a large quantity of trees, shrubbery and other landscape elements. Replacement of these elements is an ongoing need. Many associations budget for these replacements as normal maintenance. Other associations fund ongoing replacements from reserves. Large amounts of landscape may need replacement due to disease, drought or other forces of nature. If the cost of removal and replacement is substantial, funding from reserves is logical. The Association may also desire to periodically update the appearance of the community through major improvements to the landscape.



**Landscape overview**

**Useful Life:** At the request of Management and the Board, we include a landscape allowance for tree removal, tree replacement and rock replenishment every blank years.

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Light Poles and Fixtures

---

**Line Item:** 4.560

**Quantity:** Five steel poles with light fixtures at the trash enclosures, six poles with globe fixtures, and two light poles with fixtures at the picnic areas

**History:** Original though have been converted to LED

**Condition:** Good to fair overall with finish deterioration evident.



**Light pole and fixture**

**Useful Life:** Up to 25 years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
  - Replaced burned out bulbs as needed

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The poles will be painted in conjunction with the buildings and this expense is included under Line Item 1.880.

## **Mailboxes**

---

**Line Item:** 4.600

**Quantity:** 112 mailboxes

**History:** Original.

**Condition:** Good to fair overall



**Mailbox kiosk**

**Useful Life:** Up to 25 years

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
  - Inspect and repair damage, vandalism, and finish deterioration
  - Verify posts are anchored properly

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Paint finishes and roof replacement are included on previous line items.

## Site Furniture

---

**Line Item:** 4.820

**Quantity:**

- Picnic Tables (4)
- Trash Receptacles (4)
- Grills (4)

**History:** Age varies

**Condition:** Good to fair overall

**Useful Life:** 10- to 15-years

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Cabana Elements



Cabana elevation



Cabana elevation

## Air Handling and Condensing Units, Split System

---

**Line Item:** 5.070

**Quantity:** One Goodman split system

**History:** The age was unavailable at the time of our inspection though the system is likely more than 15 years of age.

**Condition:** Reported satisfactory without operational deficiencies



Split system condensing unit

**Useful Life:** 15- to 20-years



**Component Detail Notes:** A split system air conditioner consists of an outside condensing unit, an interior evaporator coil, refrigerant lines and an interior air handling unit. The condensing unit has a cooling capacity of two-tons. The split system uses R-22 refrigerant. This type of refrigerant is no longer in production and costs of replacement of the coolant will likely continue to rise. Updates to this reserve study will continue to monitor the rate of repairs and possible need for acceleration of the replacement.

**Preventative Maintenance Notes:** We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. We also recommend the Association maintain a maintenance contract with a qualified professional. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Lubricate motors and bearings
  - Change or clean air filters as needed
  - Inspect condenser base and piping insulation
  - Inspect base pan, coil, cabinet and clear obstructions as necessary
- Annually:
  - Clean coils and drain pans, clean fan assembly, check refrigerant charge, inspect fan drive system and controls
  - Inspect and clean accessible ductwork as needed
  - Clean debris from inside cabinet, inspect condenser compressor and associated tubing for damage

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The condensing unit may require replacement prior to replacement of the related interior forced air unit. For purposes of this Reserve Study, we assume coordination of replacement of the interior forced air unit, evaporator coil, refrigerant lines and exterior condensing unit.

## Interior Renovations

---

**Line Item:** 5.500

**Quantity:** The clubhouse interior components include:

- Tile floor coverings
- Paint finishes at the walls
- Paint finishes at the ceilings
- Plumbing fixtures
- Light fixtures
- Furnishings
- Kitchen cabinets, countertops, and appliances

**History:** Ages vary though the finishes appear primarily dated.

**Condition:** Fair overall



**Cabana interior**



**Rest room**

**Useful Life:** Complete renovation every 25 years

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim renovations and paint finishes are funded through the operating budget.

## Roofs, Tile and Foam

---

**Line Item:** 5.600

**Quantity:** Approximately 15 squares

**History:** As mentioned previously, the cabana roofs, flat and tile, were both replaced in 2019 due to multiple leaks.

**Condition:** Good overall

**Useful Life:** Up to 30 years

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include coating applications at the foam roof on a previous line item, 1.419, in coordination with the residential foam roofs.

## Windows and Doors

---

**Line Item:** 5.800

**Quantity:** Approximately 125 square feet

**History:** Original.

**Condition:** Good to fair condition



**Cabana aluminum frame windows**

**Useful Life:** Up to 40 years

**Priority/Criticality:** Not recommended to defer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.



## Pool Elements



Pool overview

### Concrete Deck

---

**Line Item:** 6.200

**Quantity:** 2,320 square feet

**History:** Inspected and repaired, or coating applied, in 2019.

**Condition:** Good overall with isolated cracks and coating deterioration evident



Pool deck coating



Minor crack



**Textured coating delamination**

**Useful Life:** The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years in conjunction with coating replacements.

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and repair large cracks, trip hazards, and possible safety hazards
  - Inspect and repair pool coping for cracks, settlement, heaves or sealant deterioration
  - Repair concrete spalling and conduct coating repairs in areas with delamination
  - Schedule periodic pressure cleanings as needed

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for the following per event:

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement
- Coating replacement



## Fence, Steel

---

**Line Item:** 6.400

**Quantity:** 150 linear feet

**History:** Original.

**Condition:** Good to fair overall with periodic rust evident.



**Steel pool fence**



**Fence rust**

**Useful Life:** Up to 35 years with the benefit of periodic paint finishes funded through the operating budget

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
  - Inspect and repair loose fasteners or sections, and damage
  - Repair leaning sections and clear vegetation from fence areas which could cause damage

**Priority/Criticality:** Not recommended to defer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

## Furniture

---

**Line Item:** 6.500

**Quantity:** The pool furniture includes the following:

- Chairs (22)
- Lounges (12)



- Tables (4)
- Ladders and life safety equipment

**History:** Replaced in approximately 2014.

**Condition:** Good to fair overall



**Pool furniture**

**Useful Life:** Up to 12 years

**Priority/Criticality:** Per Board discretion

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing, cushion replacements, reupholstering and other repairs to the furniture as normal maintenance to maximize its useful life.

## **Mechanical Equipment**

---

**Line Item:** 6.600

**Quantity:** The mechanical equipment includes the following:

- Automatic chlorinators and controls
- Electrical panel
- Interconnected pipe, fittings and valves
- Pumps, filters, and heaters

**History:** Age varies.

**Condition:** Reported satisfactory without operational deficiencies



**Pool mechanical equipment**

**Useful Life:** Up to 15 years

**Preventative Maintenance Notes:** We recommend the Association maintain a maintenance contract with a qualified professional and follow the manufacturer's specific recommended maintenance and local, state and/or federal inspection guidelines.

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to fifty percent (50%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

## **Pool Finishes, Plaster and Tile**

---

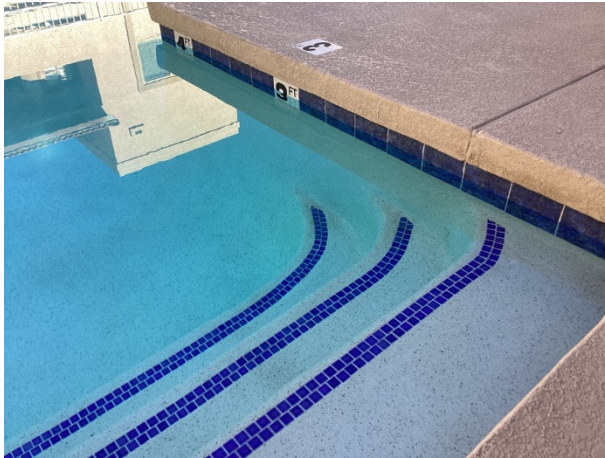
**Line Items:** 6.800 and 6.801

**Quantity:** 680 square feet of plaster based on the horizontal surface area and approximately 150 linear feet of tile

**History:** Plaster finish: Replaced in 2019.

Tile: Unknown

**Condition:** Good overall with isolated tile damage evident.



**Pool plaster finish with tile perimeter**



**Tile damage**

**Useful Life:** 8- to 12-years for the plaster and 15- to 25-years for the tile

**Preventative Maintenance Notes:** We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
  - Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
  - Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
  - Test handrails and safety features for proper operation

**Priority/Criticality:** Defer only upon opinion of independent professional or engineer

**Expenditure Detail Notes:** Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event. Removal and replacement of the finish provides the opportunity to inspect the pool structure and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structure, we recommend the Association budget for the following:

- Removal and replacement of the plaster finish
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

## Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in





time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

## 5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Sunvalley Casitas can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards<sup>1</sup> set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local<sup>2</sup> costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Mesa, Arizona at an annual inflation rate<sup>3</sup>. Isolated or regional markets of

<sup>1</sup> Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

<sup>2</sup> See Credentials for additional information on our use of published sources of cost data.

<sup>3</sup> Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Sunvalley Casitas and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.



## 6. CREDENTIALS

### HISTORY AND DEPTH OF SERVICE

**Founded in 1991**, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

**No Conflict of Interest** - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

### TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

### OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

### VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to a 2,600,000-square foot 98-story highrise. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

### OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

**STEPHANIE A. MUELLER, P.E., RS**  
**Responsible Advisor**

**CURRENT CLIENT SERVICES**

Stephanie A. Mueller, a Civil Engineer, is an Advisor for Reserve Advisors. Ms. Mueller is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. She also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. She is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services on townhomes and planned unit developments.

The following is a partial list of clients served by Stephanie Mueller demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.



**Pinnacle Pointe** Located in Scottsdale, this gated community comprises 84 condominium units with stucco façade and foam roofs built from 2008 to 2015. The community includes a pool and spa, and exercise facility.

**Vistancia Village** This Peoria community of more than 3,000 homes features two amenity centers with recreational and lap pools, water slides, playgrounds, sport courts, and indoor gymnasium. The community includes nine gated parcels.

**Mountain Park Ranch** A large-scale community with more than 7,000 units in southern Phoenix with views of South Mountain Park features three amenity centers with multiple pools, tennis courts and playgrounds.

**Privada Community** Construction of this exclusive neighborhood in Scottsdale began in 2002. The community includes gated entry, streets, an irrigation system and detailed landscaping.

**Sunset Point II** Located in Tucson, this community comprises 273 single family homes built in 1987. The primary amenities are a pool, spa and wading pool.

**Holiday at Pueblo del Sol** Located in Sierra Vista, this homeowners association still under development includes a community center with fitness and meeting rooms, two pools, walking paths, and parks with playgrounds and gazebos.

**Saguaro Co-op** 354 members at this Benson cooperative development constructed since 1990. The co-up includes a central clubhouse with meeting spaces, information technology for members and asphalt pavement access streets.

**PRIOR RELEVANT EXPERIENCE**

Before joining Reserve Advisors, Ms. Mueller attended the University of Wisconsin in Madison, Wisconsin where she attained her Bachelor of Science degree in Civil Engineering. Her studies focused on structural engineering. At the University of Wisconsin, she managed a team responsible for the design of a new drinking water facility for a rural Wisconsin town.

**EDUCATION**

University of Wisconsin-Madison - B.S. Civil Engineering

University of Wisconsin-Milwaukee - M.S. Civil Engineering

**PROFESSIONAL AFFILIATIONS**

*Reserve Specialist (RS)* – Community Associations Institute

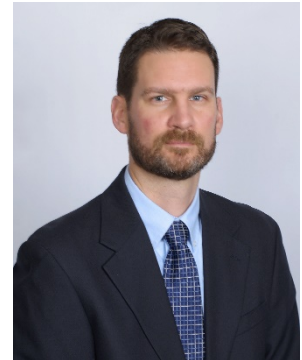
*Professional Engineer (P.E.)* – Arizona

**ALAN M. EBERT, P.E., PRA, RS**  
**Director of Quality Assurance**

**CURRENT CLIENT SERVICES**

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



**Brownsville Winter Haven** Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

**Rosemont Condominiums** This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

**Stillwater Homeowners Association** Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

**Birchfield Community Services Association** This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

**Oakridge Manor Condominium Association** Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

**Memorial Lofts Homeowners Association** This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

**PRIOR RELEVANT EXPERIENCE**

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

**EDUCATION**

University of Wisconsin-Madison - B.S. Geological Engineering

**PROFESSIONAL AFFILIATIONS/DESIGNATIONS**

*Professional Engineering License* – Wisconsin, North Carolina, Illinois, Colorado

*Reserve Specialist (RS)* - Community Associations Institute

*Professional Reserve Analyst (PRA)* - Association of Professional Reserve Analysts



## RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

**Association of Construction Inspectors**, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at [www.iami.org](http://www.iami.org).

**American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc.**, (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at [www.ashrae.org](http://www.ashrae.org). Reserve Advisors actively participates in its local chapter and holds individual memberships.

**Community Associations Institute**, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

**Marshall & Swift / Boeckh**, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at [www.marshallswift.com](http://www.marshallswift.com).

**R.S. Means CostWorks**, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at [www.rsmeans.com](http://www.rsmeans.com).

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

## 7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

**Cash Flow Method** - A method of calculating Reserve Contributions 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 Method** - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

**Current Cost of Replacement** - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local*/market prices for *materials*, *labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

**Fully Funded Balance** - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

**Funding Goal (Threshold)** - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

**Future Cost of Replacement** - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

**Long-Lived Property Component** - Property component of Sunvalley Casitas responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

**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.

**Remaining Useful Life** - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

**Reserve Component** - Property elements with: 1) Sunvalley Casitas responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

**Reserve Component Inventory** - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

**Reserve Contribution** - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

**Reserve Expenditure** - Future Cost of Replacement of a Reserve Component.

**Reserve Fund Status** - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

**Reserve Funding Plan** - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

**Reserve Study** - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

**Useful Life** - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.

## 8. PROFESSIONAL SERVICE CONDITIONS

**Our Services** - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

**Report** - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

**Your Obligations** - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

**Use of Our Report and Your Name** - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

**Payment Terms, Due Dates and Interest Charges** - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.