

# CAPITAL RESERVE STUDY

prepared for:

Midvale Park HOA

Date of report:

2/23/2017

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# FOREWARD

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2/23/2017

Midvale Park HOA

Regarding Fiscal Year beginning: 1/1/2017

We are pleased to submit this Reserve Study. This report is a budgeting tool designed to help you navigate the uncertain future. It contains financial projections to help you understand your future reserve expenses. This report will help you answer the

Do we have enough money in Reserves to maintain our assets now and in the future?  
How much money should we have in Reserves?  
Is our level of budgeted reserve contributions adequate?

If you have questions about this Reserve Study, please contact us. We look forward to doing business with you in the future.

Thank you,

Capital Reserve Analysts,

Prepared by:

*Casey Arnett*

Casey Arnett



# TABLE OF CONTENTS

|  |    |
|--|----|
| <b>1. REPORT GUIDE</b>                                   |    |
| 1.1 Executive Summary                                    | 4  |
| 1.2 Short-Term Needs and Special Issues                  | 4  |
| 1.3 Reserve Funding Objectives and Recommendations       | 4  |
| 1.4 Purpose and Methodology                              | 4  |
| 1.5 Data Tables  | 4  |
| 1.6 Condition Assessment/Maintenance Recommendations     | 4  |
| <b>2. EXECUTIVE SUMMARY</b>                              |    |
| 2.1 Project Overview                                     | 5  |
| 2.2 Financial Assumptions                                | 5  |
| 2.3 Reserve Fund Status                                  | 5  |
| 2.4 Funding Recommendations                              | 5  |
| <b>3. SHORT-TERM NEEDS AND SPECIAL ISSUES</b>            |    |
| 3.1 Reserve Fund Strength                                | 6  |
| 3.2 5-Year Funding Comparison                            | 7  |
| 3.3 Specific Recommendations                             | 8  |
| <b>4. RESERVE FUNDING OBJECTIVES AND RECOMMENDATIONS</b> |    |
| 4.1 Funding Alternatives                                 | 9  |
| 4.2 Funding Sources and Projections                      | 10 |
| 4.3 Funding Sources and Projections                      | 10 |
| <b>5. PURPOSE AND METHODOLOGY</b>                        |    |
| 5.1 Purpose  | 11 |
| 5.2 Reserve Component Four-Part Test                     | 11 |
| 5.3 Determining Useful Life Expectancies                 | 11 |
| 5.4 Cost Estimation Methods                              | 11 |
| 5.5 Reserve Status and Funding Strategy                  | 11 |
| <b>6. DATA TABLES</b>                                    |    |
| 6.1 Funding Plans (Full, Threshold, Baseline)            | 12 |
| 6.2 Reserve Component List                               | 13 |
| 6.3 Fully Funded Balance Calculations                    | 14 |
| 6.4 Annual Expenses (30 Years)                           | 15 |
| <b>7. DISCLOSURES AND LIMITATIONS</b>                    |    |
| <b>8. SUPPLEMENTAL ANALYSIS</b>                          |    |
| <b>9. PHYSICAL ANALYSIS</b>                              |    |
|  | 24 |

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# 1. REPORT GUIDE

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Our analysis and recommendations are divided into five easy-to-understand sections

**EXECUTIVE SUMMARY**

Provides an overview of the Association's current physical condition and financial situation, outlining significant findings and conclusions. This section of the report should be used as a quick reference in helping the reader to understand the parameters and results of the study.

**SHORT-TERM NEEDS AND SPECIAL ISSUES**

Highlights and prioritizes near-term reserve needs into an easy-to-understand income/expense statement. This section should be used during the annual budget process to ensure a balanced budget and prepare for long-term success.

**RESERVE FUNDING OBJECTIVES AND RECOMMENDATIONS**

Examines projected reserve expenses and outlines our recommended funding plan compared with Baseline and Threshold alternatives. This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations

**PURPOSE AND METHODOLOGY**

Details the framework, methods, and materials used in developing the reserve study and the associated funding plan. This section provides a comprehensive understanding of the methodology and the process taken to develop the report.

**DATA TABLES, DISCLOSURES AND PHYSICAL ASSESSMENTS**

Examines report finding and results with projections for individual reserve components expenses and recommended funding. This section includes detailed tables outlining projected expenses, funding requirements and reserve balance calculations. Provides in-depth, detailed condition assessments along with maintenance recommendations.

## 2. EXECUTIVE SUMMARY

The project/property description and resultant findings are summarized in the table below. This is a quick reference to find key financial metrics and assumptions regarding our projections.

### 2.1 PROJECT OVERVIEW

|  |                                      |
|--|--------------------------------------|
| Association Name:                            | <b>Midvale Park HOA</b>              |
| Location:                                    | <b>Tucson, Arizona</b>               |
| Year Constructed: (Avg. For Budget Purposes) | <b>1987</b>                          |
| Project Description:                         | <b>Single Family Homes</b>           |
| Type of Analysis:                            | <b>Level I</b>                       |
| Funding Strategy                             | <b>Full Funding with a 100% Goal</b> |
| Number of Voting Units:                      | <b>3,550</b>                         |
| Date Prepared:                               | <b>2/23/2017</b>                     |

### 2.2 FINANCIAL ASSUMPTIONS

|                                 |                   |
|---------------------------------|-------------------|
| Fiscal Yr. Start:               | <b>1/1/2017</b>   |
| Fiscal Yr. End:                 | <b>12/31/2017</b> |
| Inflation Rate: (30-YR Average) | <b>2.92%</b>      |
| Interest Rate: (30-YR Average)  | <b>2.50%</b>      |

### 2.3 RESERVE FUND STATUS

|                            |                  |
|----------------------------|------------------|
| Beginning Reserve Balance: | <b>\$293,493</b> |
| 100% Funded:               | <b>\$480,375</b> |
| Percent Funded:            | <b>61%</b>       |
| Reserve Fund Strength:     | <b>Fair</b>      |

### 2.4 FUNDING RECOMMENDATIONS

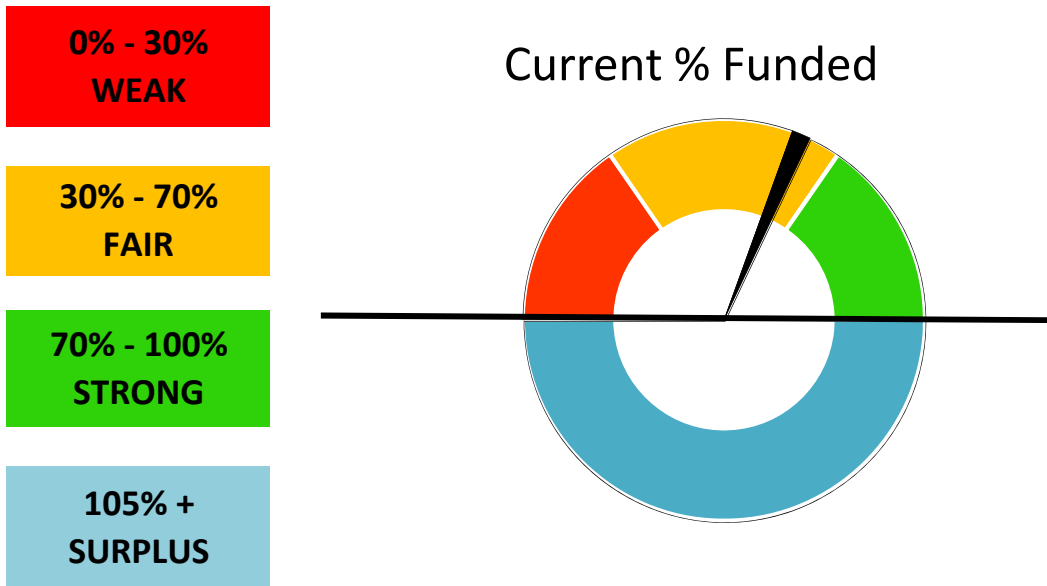
|                                   |                  |           |                 |
|-----------------------------------|------------------|-----------|-----------------|
| Recommended Annual Contributions: | <b>\$170,400</b> |           |                 |
| Annual Increase:                  | <b>0%</b>        | <b>7</b>  | Number of Years |
| Annual Increase:                  | <b>3%</b>        | <b>23</b> | Number of Years |
| Special Assessment:               | <b>\$0</b>       |           | Year 1          |
| Special Assessment:               | <b>\$0</b>       |           | Year 2          |
| Special Assessment:               | <b>\$0</b>       |           | Year 3          |
| Special Assessment:               | <b>\$0</b>       |           | Year 4          |
| Special Assessment:               | <b>\$0</b>       |           | Year 5          |

# 3. SHORT-TERM NEEDS

## 3.1 RESERVE FUND STRENGTH

Reserve Strength is measured as a percentage. Typically, associations with a percent funded level of 70% and above have low risk for special assessments. Associations with a percent funded level of 30% and below have a high risk of special assessments and deferred maintenance. The chart below illustrates current Reserve Fund Strength.

Current Reserve Fund Percentage is **61%** this is considered a Fair financial position



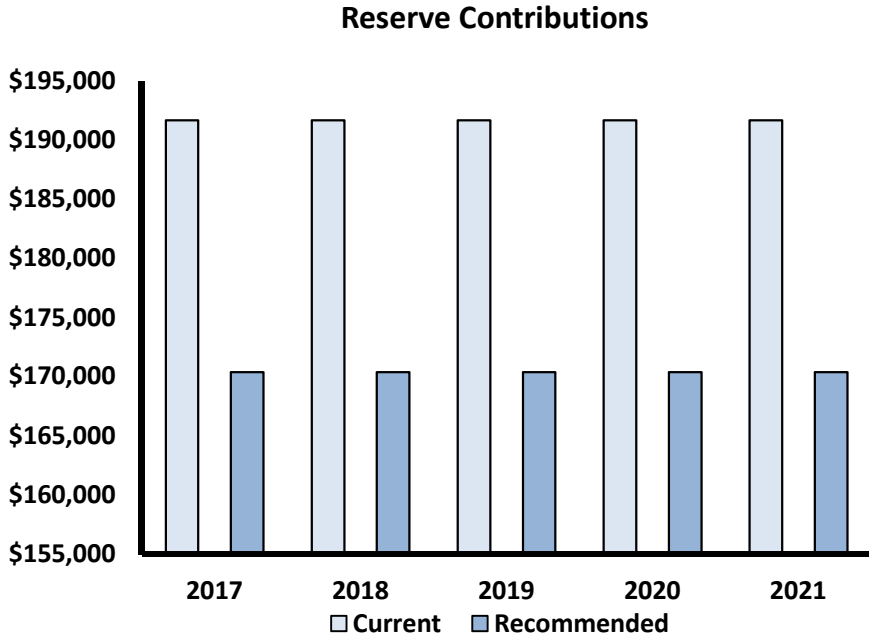
### SPECIAL ASSESSMENT/DEFERRED MAINTENANCE RISK MATRIX

This table can help you understand risk levels associated with your percent funded status and community age.

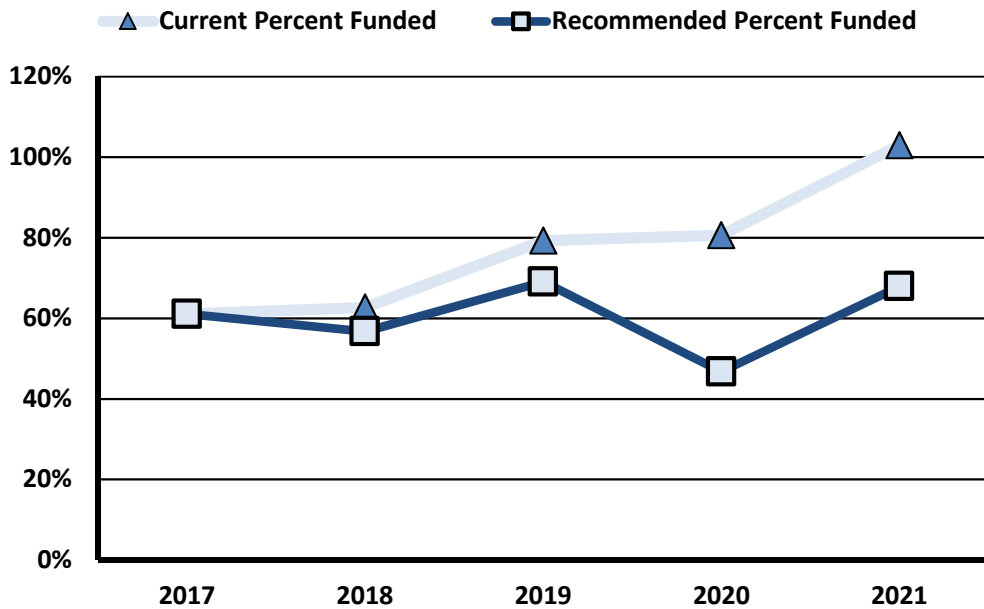
|          |         | YEARS SINCE CONSTRUCTION |        |        |        |        |        |        |
|----------|---------|--------------------------|--------|--------|--------|--------|--------|--------|
|          |         | 5                        | 10     | 15     | 20     | 25     | 30     | 35     |
| % FUNDED | 0-10    | 53.00%                   | 54.00% | 55.00% | 56.00% | 57.00% | 58.00% | 59.00% |
|          | 15-25   | 39.00%                   | 40.00% | 41.00% | 42.00% | 43.00% | 44.00% | 45.00% |
|          | 30-40   | 17.00%                   | 17.10% | 17.20% | 17.30% | 17.40% | 17.50% | 17.60% |
|          | 45-55   | 10.00%                   | 10.10% | 10.20% | 10.30% | 10.40% | 10.50% | 10.60% |
|          | 60-70   | 3.00%                    | 3.10%  | 3.20%  | 3.30%  | 3.40%  | 3.50%  | 3.60%  |
|          | 75-85   | 2.50%                    | 3.50%  | 4.50%  | 5.50%  | 6.50%  | 7.50%  | 8.50%  |
|          | 90-100  | 1.00%                    | 1.01%  | 1.02%  | 1.03%  | 1.04%  | 1.05%  | 1.06%  |
|          | 105-115 | 5.00%                    | 5.00%  | 5.00%  | 5.00%  | 5.00%  | 5.01%  | 5.01%  |

**3.2 FIVE YEAR FUNDING COMPARISON**

The graph below shows a comparison between the current levels of annual reserve contributions as measured against our recommended level of reserve contributions with a Full Funding approach.



The graph below shows the reserve fund strength (fund percentage) over time with the current Funding Plan compared to our Recommended Funding Plan.



**3.3 SPECIFIC RECOMMENDATIONS**

**Five Year Recommended Funding Plan**

| <b>FISCAL YEAR</b>              | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2018</b> |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Starting Reserve Balance</b> | \$293,493   | \$204,449   | \$289,439   | \$89,525    | \$168,896   |
| <b>Recommended Contribs.</b>    | \$170,400   | \$170,400   | \$170,400   | \$170,400   | \$170,400   |
| <b>Special Assessment</b>       | \$0         | \$0         | \$0         | \$0         | \$0         |
| <b>Interest Earnings</b>        | \$2,477     | \$2,457     | \$1,885     | \$1,286     | \$2,083     |
| <b>Total Income</b>             | \$466,370   | \$377,306   | \$461,725   | \$261,210   | \$341,379   |
| <b>Total Expenses</b>           | \$261,922   | \$87,866    | \$372,200   | \$92,315    | \$91,549    |
| <b>Ending Reserve Balance:</b>  | \$204,449   | \$289,439   | \$89,525    | \$168,896   | \$249,830   |

The table above shows our five year forecast based on a funding goal of 100%. The table below calculates the current budget Deficit/Surplus.

The figure below can be used to understand the impact of increasing/decreasing reserve contributions will have on a per unit basis.

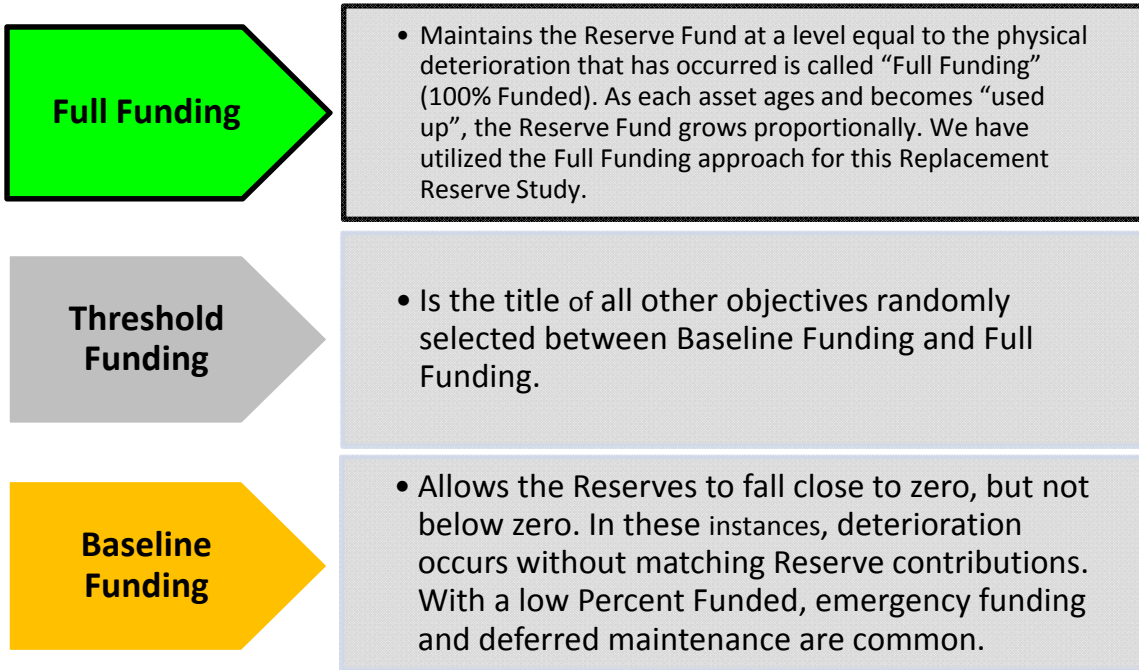
|   |          | <b>Per Unit</b> |
|---|----------|-----------------|
| Current Reserve Contributions per month     | \$15,974 | \$4.50          |
| Recommended Reserve Contributions per month | \$14,200 | \$4.00          |
| Current Deficit/Surplus                     | \$1,774  | <b>\$0.50</b>   |
| Recommended Special Assessment YR 1         | \$0      | \$0             |
| Recommended Special Assessment YR 2         | \$0      | \$0             |



# 4. FUNDING OBJECTIVES AND OPTIONS

## 4.1 FUNDING ALTERNATIVES

Funding Alternatives fall under these three categories/methods according to the Community Associations Institute's National Reserve Study Standards.

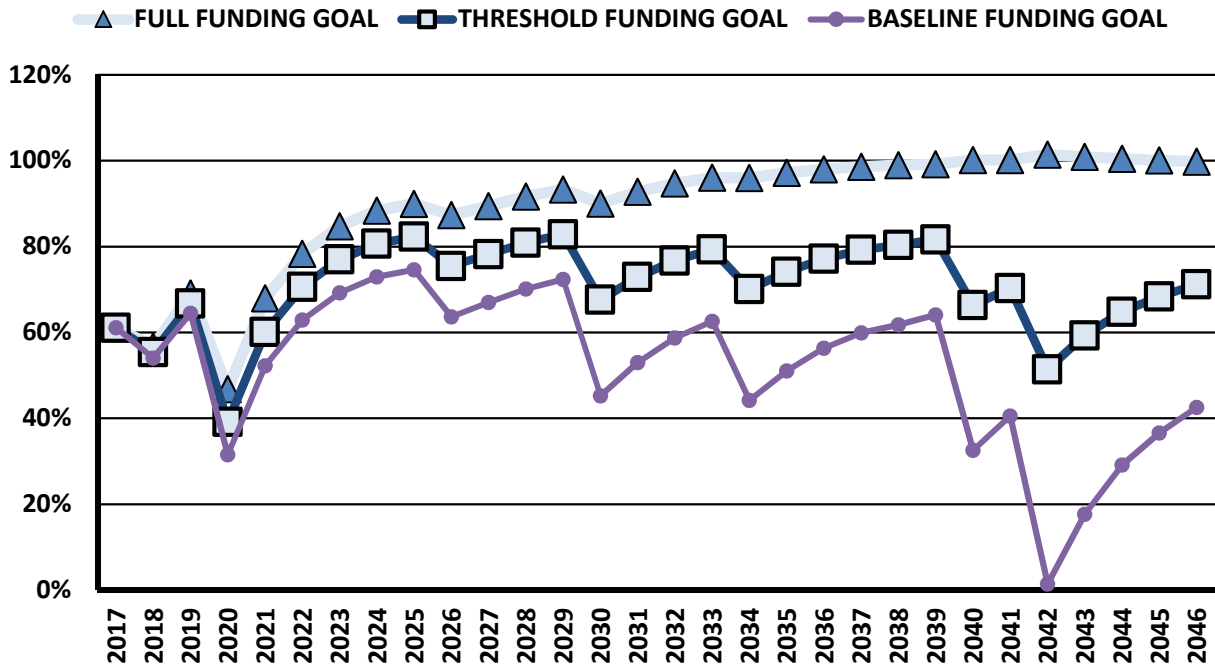


The level of risk (probability of a budget deficit) is different with each plan. The need for Special Assessments or Emergency Capital are greatest with a "Baseline" approach and smallest with a "Full Funding" approach. In order to ensure funds are available when needed and contributions are evenly distributed, we recommend implementing a "Full Funding" objective.

|                          | Reserve Contributions | Min Reserve Balance | Total Contributions | Average Percent Funded Level |
|--------------------------|-----------------------|---------------------|---------------------|------------------------------|
| <b>Full Funding</b>      | \$170,400             | \$89,525            | \$6,900,027         | 89%                          |
| <b>Threshold Funding</b> | \$165,600             | \$74,907            | \$6,705,660         | 71%                          |
| <b>Baseline Funding</b>  | \$160,800             | \$5,700             | \$6,511,293         | 52%                          |

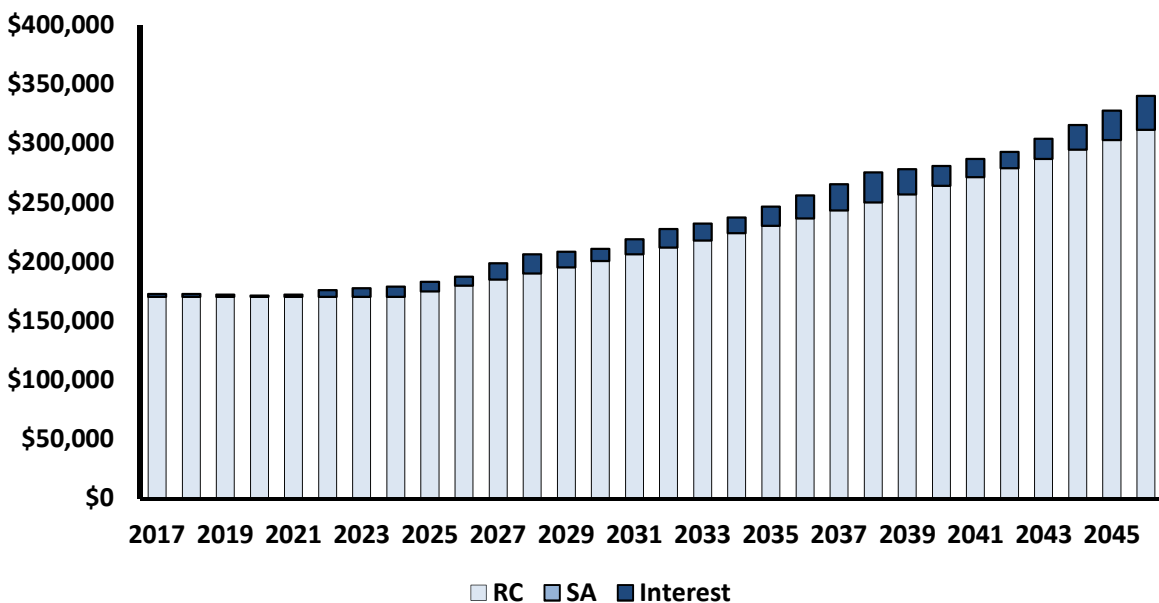
**4.2 FUNDING SOURCES AND PROJECTIONS**

This chart shows the percent funded level over time with each of the three funding objectives (Full, Threshold and Baseline).



Annual increases to Reserve Contributions should be made to keep up with inflation. These increases will vary by year but typically fall between 1-3%.

**TOTAL RECOMMENDED CONTRIBUTIONS**



# 5. PURPOSE AND METHODOLOGY

## 5.1 PURPOSE OF A RESERVE STUDY

A Reserve Study is a budgeting tool to help prepare and plan for future expenditures. It should be noted that the projections made in this study are just that, projections and do not predict with 100% surety the future. We do however, use well defined methodologies and extensive research is done in preparation of each Reserve Study. In this Report you will find the Reserve Component List. It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the client is responsible to maintain or replace. Based on that list and your starting balance we calculated the Reserve Fund Strength, which is measured as “Percent Funded”, and created a recommended 30-year Reserve Funding Strategy to offset future Reserve expenditures.

## 5.2 RESERVE COMPONENT CRITERIA (FOUR-PART TEST)

Credentialed Reserve Study professionals utilize CAI’s national-standard four-part test to determine which expenses should be funded through Reserves.

- Part 1: Item must be a common area maintenance responsibility.
- Part 2: the component must have a limited life.
- Part 3: the limited life must be predictable.
- Part 4: the repair or replacement cost must be above a minimum threshold cost.

This means that Reserve Components should be major, predictable expenses. It is incorrect to include “lifetime” components, unpredictable expenses (such as insurance related losses), and expenses more appropriately handled from the Operational Budget.

## 5.3 USEFUL LIFE EXPECTANCIES

- 1) Visual Inspection (observed wear and age)
- 2) Cost Database of experience and similar projects
- 3) Client Component History
- 4) Vendor Expertise and Recommendations

## 5.4 COST ESTIMATION

- 1) Client Cost History
- 2) Comparison to Cost database
- 3) Vendor Recommendations
- 4) Industry cost estimating software

## 5.5 RESERVE STATUS AND FUNDING STRATEGY

Do you have enough money in Reserves to fund future capital replacements?

The following steps are performed in order to determine Reserve Status and Funding:

- 1) Calculate your **Fully Funded Balance**. (see Definitions Page for detailed explanation)
- 2) Compare to the Reserve Fund Balance (where you currently are), and express as a percentage.

### Recommended Funding Strategy

We utilize four funding principles in establishing our recommended Reserve Contributions:

1. Ensuring that the client has sufficient funds to perform current reserve projects on time.
2. Put in place a stable contribution rate over the 30-years.
3. Evenly distributed contributions over the years.
4. Assist board members and officials in doing their fiduciary duty.

## **DATA TABLES APPENDIX**

MIDVALE PARK RESERVE STUDY

| Year                    | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      | 2024      | 2025      | 2026        |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|
| <b>Starting Balance</b> | \$293,493 | \$204,449 | \$289,439 | \$89,525  | \$168,896 | \$249,830 | \$326,560 | \$405,171 | \$478,896 | \$345,119   |
| <b>FFB</b>              | \$480,375 | \$360,331 | \$419,102 | \$191,396 | \$248,464 | \$319,085 | \$385,214 | \$458,448 | \$532,203 | \$395,234   |
| <b>% Funded</b>         | 61%       | 57%       | 69%       | 47%       | 68%       | 78%       | 85%       | 88%       | 90%       | 87%         |
| <b>Rating</b>           | Fair      | Fair      | Fair      | Fair      | Fair      | Strong    | Strong    | Strong    | Strong    | Strong      |
| <b>RC</b>               | \$170,400 | \$170,400 | \$170,400 | \$170,400 | \$170,400 | \$170,400 | \$170,400 | \$170,400 | \$175,137 | \$180,006   |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0         |
| <b>Interest</b>         | \$2,477   | \$2,457   | \$1,885   | \$1,286   | \$2,083   | \$5,707   | \$7,245   | \$8,753   | \$8,159   | \$7,584     |
| <b>Expenses</b>         | \$261,922 | \$87,866  | \$372,200 | \$92,315  | \$91,549  | \$99,377  | \$99,033  | \$105,429 | \$317,073 | \$111,849   |
| <b>Ending Balance</b>   | \$204,449 | \$289,439 | \$89,525  | \$168,896 | \$249,830 | \$326,560 | \$405,171 | \$478,896 | \$345,119 | \$420,859   |
| Year                    | 2027      | 2028      | 2029      | 2030      | 2031      | 2032      | 2033      | 2034      | 2035      | 2036        |
| <b>Starting Balance</b> | \$420,859 | \$508,135 | \$595,944 | \$299,519 | \$384,615 | \$478,373 | \$572,546 | \$403,407 | \$499,217 | \$604,724   |
| <b>FFB</b>              | \$470,747 | \$554,288 | \$638,448 | \$332,796 | \$414,424 | \$504,988 | \$596,145 | \$420,297 | \$513,542 | \$616,886   |
| <b>% Funded</b>         | 89%       | 92%       | 93%       | 90%       | 93%       | 95%       | 96%       | 96%       | 97%       | 98%         |
| <b>Rating</b>           | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong      |
| <b>RC</b>               | \$185,010 | \$190,153 | \$195,440 | \$200,873 | \$206,457 | \$212,197 | \$218,096 | \$224,159 | \$230,390 | \$236,795   |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0         |
| <b>Interest</b>         | \$13,729  | \$16,316  | \$13,233  | \$10,110  | \$12,754  | \$15,531  | \$14,423  | \$13,339  | \$16,314  | \$19,439    |
| <b>Expenses</b>         | \$111,463 | \$118,661 | \$505,098 | \$125,887 | \$125,453 | \$133,554 | \$401,658 | \$141,687 | \$141,198 | \$150,316   |
| <b>Ending Balance</b>   | \$508,135 | \$595,944 | \$299,519 | \$384,615 | \$478,373 | \$572,546 | \$403,407 | \$499,217 | \$604,724 | \$710,642   |
| Year                    | 2037      | 2038      | 2039      | 2040      | 2041      | 2042      | 2043      | 2044      | 2045      | 2046        |
| <b>Starting Balance</b> | \$710,642 | \$801,109 | \$917,176 | \$516,654 | \$628,643 | \$406,727 | \$520,080 | \$645,339 | \$770,728 | \$908,866   |
| <b>FFB</b>              | \$720,940 | \$809,642 | \$924,689 | \$515,917 | \$627,679 | \$401,094 | \$515,275 | \$642,130 | \$769,762 | \$911,036   |
| <b>% Funded</b>         | 99%       | 99%       | 99%       | 100%      | 100%      | 101%      | 101%      | 100%      | 100%      | 100%        |
| <b>Rating</b>           | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    | Strong      |
| <b>RC</b>               | \$243,378 | \$250,144 | \$257,098 | \$264,245 | \$271,591 | \$279,142 | \$286,902 | \$294,878 | \$303,075 | \$311,501   |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0         |
| <b>Interest</b>         | \$22,341  | \$25,393  | \$21,190  | \$16,926  | \$15,301  | \$13,697  | \$17,223  | \$20,927  | \$24,822  | \$28,908    |
| <b>Expenses</b>         | \$175,252 | \$159,470 | \$678,810 | \$169,182 | \$508,809 | \$179,485 | \$178,865 | \$190,416 | \$189,758 | \$202,012   |
| <b>Ending Balance</b>   | \$801,109 | \$917,176 | \$516,654 | \$628,643 | \$406,727 | \$520,080 | \$645,339 | \$770,728 | \$908,866 | \$1,047,263 |

FULL FUNDING GOAL

MIDVALE PARK RESERVE STUDY

| Year                    | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      | 2024      | 2025      | 2026      |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Starting Balance</b> | \$293,493 | \$199,625 | \$279,743 | \$74,907  | \$149,308 | \$225,223 | \$296,613 | \$369,777 | \$437,946 | \$298,367 |
| <b>FFB</b>              | \$480,375 | \$360,331 | \$419,102 | \$191,396 | \$248,464 | \$319,085 | \$385,214 | \$458,448 | \$532,203 | \$395,234 |
| <b>% Funded</b>         | 61%       | 55%       | 67%       | 39%       | 60%       | 71%       | 77%       | 81%       | 82%       | 75%       |
| <b>Rating</b>           | Fair      | Fair      | Fair      | Fair      | Fair      | Strong    | Strong    | Strong    | Strong    | Strong    |
| <b>RC</b>               | \$165,600 | \$165,600 | \$165,600 | \$165,600 | \$165,600 | \$165,600 | \$165,600 | \$165,600 | \$170,204 | \$174,935 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$2,453   | \$2,385   | \$1,764   | \$1,116   | \$1,863   | \$5,167   | \$6,598   | \$7,997   | \$7,290   | \$6,598   |
| <b>Expenses</b>         | \$261,922 | \$87,866  | \$372,200 | \$92,315  | \$91,549  | \$99,377  | \$99,033  | \$105,429 | \$317,073 | \$111,849 |
| <b>Ending Balance</b>   | \$199,625 | \$279,743 | \$74,907  | \$149,308 | \$225,223 | \$296,613 | \$369,777 | \$437,946 | \$298,367 | \$368,051 |
| Year                    | 2027      | 2028      | 2029      | 2030      | 2031      | 2032      | 2033      | 2034      | 2035      | 2036      |
| <b>Starting Balance</b> | \$368,051 | \$448,453 | \$529,035 | \$225,014 | \$302,132 | \$387,512 | \$472,893 | \$294,528 | \$380,663 | \$476,026 |
| <b>FFB</b>              | \$470,747 | \$554,288 | \$638,448 | \$332,796 | \$414,424 | \$504,988 | \$596,145 | \$420,297 | \$513,542 | \$616,886 |
| <b>% Funded</b>         | 78%       | 81%       | 83%       | 68%       | 73%       | 77%       | 79%       | 70%       | 74%       | 77%       |
| <b>Rating</b>           | Strong    | Strong    | Strong    | Fair      | Strong    | Strong    | Strong    | Strong    | Strong    | Strong    |
| <b>RC</b>               | \$179,799 | \$184,797 | \$189,934 | \$195,214 | \$200,641 | \$206,219 | \$211,952 | \$217,844 | \$223,901 | \$230,125 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$12,067  | \$14,446  | \$11,144  | \$7,790   | \$10,192  | \$12,715  | \$11,341  | \$9,978   | \$12,660  | \$15,478  |
| <b>Expenses</b>         | \$111,463 | \$118,661 | \$505,098 | \$125,887 | \$125,453 | \$133,554 | \$401,658 | \$141,687 | \$141,198 | \$150,316 |
| <b>Ending Balance</b>   | \$448,453 | \$529,035 | \$225,014 | \$302,132 | \$387,512 | \$472,893 | \$294,528 | \$380,663 | \$476,026 | \$571,313 |
| Year                    | 2037      | 2038      | 2039      | 2040      | 2041      | 2042      | 2043      | 2044      | 2045      | 2046      |
| <b>Starting Balance</b> | \$571,313 | \$650,642 | \$755,043 | \$342,306 | \$441,509 | \$206,213 | \$305,570 | \$416,191 | \$526,274 | \$648,414 |
| <b>FFB</b>              | \$720,940 | \$809,642 | \$924,689 | \$515,917 | \$627,679 | \$401,094 | \$515,275 | \$642,130 | \$769,762 | \$911,036 |
| <b>% Funded</b>         | 79%       | 80%       | 82%       | 66%       | 70%       | 51%       | 59%       | 65%       | 68%       | 71%       |
| <b>Rating</b>           | Strong    | Strong    | Strong    | Fair      | Strong    | Fair      | Fair      | Fair      | Fair      | Strong    |
| <b>RC</b>               | \$236,522 | \$243,098 | \$249,856 | \$256,802 | \$263,941 | \$271,278 | \$278,820 | \$286,571 | \$294,538 | \$302,726 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$18,058  | \$20,774  | \$16,217  | \$11,583  | \$9,572   | \$7,563   | \$10,666  | \$13,928  | \$17,360  | \$20,963  |
| <b>Expenses</b>         | \$175,252 | \$159,470 | \$678,810 | \$169,182 | \$508,809 | \$179,485 | \$178,865 | \$190,416 | \$189,758 | \$202,012 |
| <b>Ending Balance</b>   | \$650,642 | \$755,043 | \$342,306 | \$441,509 | \$206,213 | \$305,570 | \$416,191 | \$526,274 | \$648,414 | \$770,090 |

THRESHOLD FUNDING GOAL

MIDVALE PARK RESERVE STUDY

| Year                    | 2017      | 2018      | 2019      | 2020      | 2021      | 2022      | 2023      | 2024      | 2025      | 2026      |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Starting Balance</b> | \$293,493 | \$194,801 | \$270,047 | \$60,290  | \$129,721 | \$200,615 | \$266,665 | \$334,383 | \$396,995 | \$251,615 |
| <b>FFB</b>              | \$480,375 | \$360,331 | \$419,102 | \$191,396 | \$248,464 | \$319,085 | \$385,214 | \$458,448 | \$532,203 | \$395,234 |
| <b>% Funded</b>         | 61%       | 54%       | 64%       | 32%       | 52%       | 63%       | 69%       | 73%       | 75%       | 64%       |
| <b>Rating</b>           | Fair      | Fair      | Fair      | Fair      | Fair      | Fair      | Fair      | Strong    | Strong    | Fair      |
| <b>RC</b>               | \$160,800 | \$160,800 | \$160,800 | \$160,800 | \$160,800 | \$160,800 | \$160,800 | \$160,800 | \$165,270 | \$169,865 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$2,429   | \$2,313   | \$1,643   | \$945     | \$1,643   | \$4,627   | \$5,951   | \$7,241   | \$6,422   | \$5,612   |
| <b>Expenses</b>         | \$261,922 | \$87,866  | \$372,200 | \$92,315  | \$91,549  | \$99,377  | \$99,033  | \$105,429 | \$317,073 | \$111,849 |
| <b>Ending Balance</b>   | \$194,801 | \$270,047 | \$60,290  | \$129,721 | \$200,615 | \$266,665 | \$334,383 | \$396,995 | \$251,615 | \$315,242 |
| Year                    | 2027      | 2028      | 2029      | 2030      | 2031      | 2032      | 2033      | 2034      | 2035      | 2036      |
| <b>Starting Balance</b> | \$315,242 | \$388,771 | \$462,125 | \$150,510 | \$219,649 | \$296,652 | \$373,240 | \$185,649 | \$262,109 | \$347,328 |
| <b>FFB</b>              | \$470,747 | \$554,288 | \$638,448 | \$332,796 | \$414,424 | \$504,988 | \$596,145 | \$420,297 | \$513,542 | \$616,886 |
| <b>% Funded</b>         | 67%       | 70%       | 72%       | 45%       | 53%       | 59%       | 63%       | 44%       | 51%       | 56%       |
| <b>Rating</b>           | Fair      | Strong    | Strong    | Fair      | Fair      | Fair      | Fair      | Fair      | Fair      | Fair      |
| <b>RC</b>               | \$174,587 | \$179,441 | \$184,429 | \$189,556 | \$194,826 | \$200,242 | \$205,809 | \$211,530 | \$217,411 | \$223,455 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$10,404  | \$12,575  | \$9,054   | \$5,470   | \$7,630   | \$9,900   | \$8,259   | \$6,617   | \$9,006   | \$11,517  |
| <b>Expenses</b>         | \$111,463 | \$118,661 | \$505,098 | \$125,887 | \$125,453 | \$133,554 | \$401,658 | \$141,687 | \$141,198 | \$150,316 |
| <b>Ending Balance</b>   | \$388,771 | \$462,125 | \$150,510 | \$219,649 | \$296,652 | \$373,240 | \$185,649 | \$262,109 | \$347,328 | \$431,983 |
| Year                    | 2037      | 2038      | 2039      | 2040      | 2041      | 2042      | 2043      | 2044      | 2045      | 2046      |
| <b>Starting Balance</b> | \$431,983 | \$500,174 | \$592,909 | \$167,957 | \$254,375 | \$5,700   | \$91,060  | \$187,042 | \$281,820 | \$387,961 |
| <b>FFB</b>              | \$720,940 | \$809,642 | \$924,689 | \$515,917 | \$627,679 | \$401,094 | \$515,275 | \$642,130 | \$769,762 | \$911,036 |
| <b>% Funded</b>         | 60%       | 62%       | 64%       | 33%       | 41%       | 1%        | 18%       | 29%       | 37%       | 43%       |
| <b>Rating</b>           | Fair      | Fair      | Fair      | Fair      | Fair      | Weak      | Weak      | Weak      | Fair      | Fair      |
| <b>RC</b>               | \$229,667 | \$236,051 | \$242,614 | \$249,358 | \$256,290 | \$263,415 | \$270,738 | \$278,265 | \$286,001 | \$293,951 |
| <b>SA</b>               | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       | \$0       |
| <b>Interest</b>         | \$13,776  | \$16,154  | \$11,244  | \$6,241   | \$3,843   | \$1,430   | \$4,110   | \$6,929   | \$9,898   | \$13,018  |
| <b>Expenses</b>         | \$175,252 | \$159,470 | \$678,810 | \$169,182 | \$508,809 | \$179,485 | \$178,865 | \$190,416 | \$189,758 | \$202,012 |
| <b>Ending Balance</b>   | \$500,174 | \$592,909 | \$167,957 | \$254,375 | \$5,700   | \$91,060  | \$187,042 | \$281,820 | \$387,961 | \$492,918 |

BASELINE FUNDING GOAL

MIDVALE PARK RESERVE STUDY

TABLE 1. RESERVE COMPONENT LIST

| ITEM #    | CATEGORY                | LOCATION         | RESERVE ASSET DESCRIPTION                 | QTY     | % FUNDED | UOM | EST. LIFE | RUL | CURRENT COST     | IN-SVC YR | REPL YR | FUTURE COST |
|-----------|-------------------------|------------------|---|---------|----------|-----|-----------|-----|------------------|-----------|---------|-------------|
| 1         | Landscape + Irrig.      | Midvale/Oaktree  | Irrigation Controllers - Replace          | N/A     | 0%       | EA. | 12        | 6   | \$0              | 2011      | 2023    | \$0         |
| 2         | Landscape + Irrig.      | Midvale Easement | Landscape/Irrigation - Renovation         | 258,200 | 20%      | SF  | 10        | 2   | \$169,659        | 2009      | 2019    | \$178,248   |
| 3         | Landscape + Irrig.      | Midvale Meridian | Landscape/Irrigation - Renovation         | 62,392  | 20%      | SF  | 10        | 2   | \$52,114         | 2009      | 2019    | \$54,753    |
| 4         | Landscape + Irrig.      | Midvale Meridian | Pavers - Partial Replace/Repair           | 5,664   | 0%       | SF  | 20        | 12  | \$0              | 2009      | 2029    | \$0         |
| 5         | Landscape + Irrig.      | Oaktree/Headley  | Landscape/Irrigation - Renovation         | 14,517  | 20%      | SF  | 10        | 2   | \$7,275          | 2009      | 2019    | \$7,644     |
| 6         | Landscape + Irrig.      | Midvale/Oaktree  | Backflow Valves - Replace                 | N/A     | 0%       | EA. | 12        | 12  | \$0              | 2009      | 2029    | \$0         |
| 7         | Landscape + Irrig.      | Irvington        | Landscape/Irrigation - Renovation         | 17,304  | 20%      | SF  | 10        | 2   | \$10,599         | 2009      | 2019    | \$11,136    |
| 8         | Landscape + Irrig.      | Mission          | Landscape/Irrigation - Renovation         | 63,210  | 20%      | SF  | 10        | 2   | \$31,679         | 2009      | 2019    | \$33,282    |
| 9         | Landscape + Irrig.      | Drexel Rd        | Flood Channel - Maintain                  | 1       | 100%     | LS  | 2         | 1   | \$2,784          | 2016      | 2018    | \$2,854     |
| 10        | Perimeter Wall Painting | Midvale          | Stucco Surfaces - Repair/Paint            | 83,915  | 100%     | SF  | 8         | 0   | \$79,438         | 2009      | 2017    | \$96,787    |
| 11        | Perimeter Wall Painting | Irvington        | Block Surfaces - Repair/Paint             | 18,746  | 100%     | SF  | 8         | 0   | \$13,570         | 2009      | 2017    | \$16,534    |
| 12        | Perimeter Wall Painting | Headley          | Block Surfaces - Repair/Paint             | 12,220  | 100%     | SF  | 8         | 0   | \$8,846          | 2009      | 2017    | \$10,778    |
| 13        | Perimeter Wall Painting | Oaktree          | Slumpstone Surfaces - Repair/Paint        | 46,345  | 100%     | SF  | 8         | 0   | \$36,130         | 2009      | 2017    | \$44,021    |
| 14        | Perimeter Wall Painting | Mission          | Block Surfaces - Repair/Paint             | 10,627  | 100%     | SF  | 8         | 0   | \$7,693          | 2009      | 2017    | \$9,373     |
| 15        | Perimeter Wall Painting | Drexel Rd        | Block Surfaces - Repair/Paint             | 26,539  | 100%     | SF  | 8         | 0   | \$19,212         | 2009      | 2017    | \$23,408    |
| 16        | Perimeter Wall Replace  | Midvale Park Rd  | Block/Stucco - Replace/Repair (Allowance) | 83,915  | 3%       | SF  | 1         | 0   | \$32,355         | 2016      | 2017    | \$33,163    |
| 17        | Perimeter Wall Replace  | Irvington        | Block Walls - Replace/Repair (Allowance)  | 18,746  | 3%       | SF  | 1         | 0   | \$5,781          | 2016      | 2017    | \$5,925     |
| 18        | Perimeter Wall Replace  | Headley          | Block Walls - Replace/Repair (Allowance)  | 12,220  | 3%       | SF  | 1         | 0   | \$3,768          | 2016      | 2017    | \$3,863     |
| 19        | Perimeter Wall Replace  | Oaktree          | Slumpstone - Replace/Repair (Allowance)   | 46,345  | 3%       | SF  | 1         | 0   | \$23,815         | 2016      | 2017    | \$24,410    |
| 20        | Perimeter Wall Replace  | Mission          | Block Walls - Replace/Repair (Allowance)  | 10,627  | 3%       | SF  | 1         | 0   | \$3,277          | 2016      | 2017    | \$3,359     |
| 21        | Perimeter Wall Replace  | Drexel Rd        | Block Walls - Replace/Repair (Allowance)  | 26,539  | 3%       | SF  | 1         | 0   | \$8,184          | 2016      | 2017    | \$8,389     |
| 22        | Perimeter Wall Replace  | Newcastle Court  | Block Walls - Replace/Repair (Allowance)  | 9,795   | 3%       | SF  | 1         | 0   | \$3,021          | 2016      | 2017    | \$3,096     |
| 23        | Perimeter Wall Replace  | Commerce Court   | Block Walls - Replace/Repair (Allowance)  | 8,879   | 3%       | SF  | 1         | 0   | \$2,738          | 2016      | 2017    | \$2,807     |
| 24        | Monumentation           | Midvale Entry    | Monument - Repair/Paint                   | 560     | 100%     | SF  | 8         | 8   | \$1,247          | 2004      | 2025    | \$1,520     |
| 25        | Monumentation           | Midvale Entry    | Monument - Replace                        | 1       | 100%     | EA. | 20        | 0   | \$11,694         | 1990      | 2017    | \$19,162    |
| 26        | Monumentation           | Drexel Entry     | Monument - Repair/Paint                   | 440     | 100%     | SF  | 8         | 8   | \$1,225          | 2004      | 2025    | \$1,493     |
| 27        | Monumentation           | Drexcel Entry    | Monument - Replace                        | 1       | 100%     | EA. | 20        | 0   | \$2,400          | 1990      | 2017    | \$3,933     |
| <b>27</b> | <b>Total Components</b> |                  |   |         |          |     |           |     | <b>\$538,505</b> |           |         |             |



TABLE 2. CONTRIBUTION CALCULATION DETAIL

| ITEM #    | RESERVE ASSET DESCRIPTION                 | EL | RL | COST             | FFB              | FUND ALLOCATION  | RC ALLOCATION   | RC CALCS         | FFB CUMULATE | DETERIORATION    | SIGNIFICANCE   |
|-----------|---|----|----|------------------|------------------|------------------|-----------------|------------------|--------------|------------------|----------------|
| 1         | Irrigation Controllers - Replace          | 12 | 6  | \$0              | \$0              | \$0              | \$0             | \$0              | \$0          | \$0              | 0.00%          |
| 2         | Landscape/Irrigation - Renovation         | 10 | 2  | \$169,659        | \$135,727        | \$135,727        | \$1,814         | \$16,966         | \$135,727    | \$16,966         | 12.75%         |
| 3         | Landscape/Irrigation - Renovation         | 10 | 2  | \$52,114         | \$41,692         | \$41,692         | \$557           | \$5,211          | \$177,419    | \$5,211          | 3.92%          |
| 4         | Pavers - Partial Replace/Repair           | 20 | 12 | \$0              | \$0              | \$0              | \$0             | \$0              | \$177,419    | \$0              | 0.00%          |
| 5         | Landscape/Irrigation - Renovation         | 10 | 2  | \$7,275          | \$5,820          | \$5,820          | \$78            | \$728            | \$183,239    | \$728            | 0.55%          |
| 6         | Backflow Valves - Replace                 | 12 | 12 | \$0              | \$0              | \$0              | \$0             | \$0              | \$183,239    | \$0              | 0.00%          |
| 7         | Landscape/Irrigation - Renovation         | 10 | 2  | \$10,599         | \$8,479          | \$8,479          | \$113           | \$1,060          | \$191,718    | \$1,060          | 0.80%          |
| 8         | Landscape/Irrigation - Renovation         | 10 | 2  | \$31,679         | \$25,343         | \$25,343         | \$339           | \$3,168          | \$217,061    | \$3,168          | 2.38%          |
| 9         | Flood Channel - Maintain                  | 2  | 1  | \$2,784          | \$1,392          | \$1,392          | \$149           | \$1,392          | \$218,453    | \$1,392          | 1.05%          |
| 10        | Stucco Surfaces - Repair/Paint            | 8  | 0  | \$79,438         | \$79,438         | \$75,040         | \$1,062         | \$9,930          | \$297,891    | \$9,930          | 7.46%          |
| 11        | Block Surfaces - Repair/Paint             | 8  | 0  | \$13,570         | \$13,570         | \$0              | \$181           | \$1,696          | \$311,461    | \$1,696          | 1.27%          |
| 12        | Block Surfaces - Repair/Paint             | 8  | 0  | \$8,846          | \$8,846          | \$0              | \$118           | \$1,106          | \$320,308    | \$1,106          | 0.83%          |
| 13        | Slumpstone Surfaces - Repair/Paint        | 8  | 0  | \$36,130         | \$36,130         | \$0              | \$483           | \$4,516          | \$356,438    | \$4,516          | 3.39%          |
| 14        | Block Surfaces - Repair/Paint             | 8  | 0  | \$7,693          | \$7,693          | \$0              | \$103           | \$962            | \$364,131    | \$962            | 0.72%          |
| 15        | Block Surfaces - Repair/Paint             | 8  | 0  | \$19,212         | \$19,212         | \$0              | \$257           | \$2,401          | \$383,342    | \$2,401          | 1.80%          |
| 16        | Block/Stucco - Replace/Repair (Allowance) | 1  | 0  | \$32,355         | \$32,355         | \$0              | \$3,460         | \$32,355         | \$415,697    | \$32,355         | 24.31%         |
| 17        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$5,781          | \$5,781          | \$0              | \$618           | \$5,781          | \$421,478    | \$5,781          | 4.34%          |
| 18        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$3,768          | \$3,768          | \$0              | \$403           | \$3,768          | \$425,246    | \$3,768          | 2.83%          |
| 19        | Slumpstone - Replace/Repair (Allowance)   | 1  | 0  | \$23,815         | \$23,815         | \$0              | \$2,547         | \$23,815         | \$449,061    | \$23,815         | 17.89%         |
| 20        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$3,277          | \$3,277          | \$0              | \$350           | \$3,277          | \$452,338    | \$3,277          | 2.46%          |
| 21        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$8,184          | \$8,184          | \$0              | \$875           | \$8,184          | \$460,523    | \$8,184          | 6.15%          |
| 22        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$3,021          | \$3,021          | \$0              | \$323           | \$3,021          | \$463,543    | \$3,021          | 2.27%          |
| 23        | Block Walls - Replace/Repair (Allowance)  | 1  | 0  | \$2,738          | \$2,738          | \$0              | \$293           | \$2,738          | \$466,281    | \$2,738          | 2.06%          |
| 24        | Monument - Repair/Paint                   | 8  | 8  | \$1,247          | \$0              | \$0              | \$0             | \$0              | \$466,281    | \$156            | 0.12%          |
| 25        | Monument - Replace                        | 20 | 0  | \$11,694         | \$11,694         | \$0              | \$63            | \$585            | \$477,975    | \$585            | 0.44%          |
| 26        | Monument - Repair/Paint                   | 8  | 8  | \$1,225          | \$0              | \$0              | \$0             | \$0              | \$477,975    | \$153            | 0.12%          |
| 27        | Monument - Replace                        | 20 | 0  | \$2,400          | \$2,400          | \$0              | \$13            | \$120            | \$480,375    | \$120            | 0.09%          |
| <b>27</b> | <b>Total Components</b>                   |    |    | <b>\$538,505</b> | <b>\$480,375</b> | <b>\$293,493</b> | <b>\$14,200</b> | <b>\$132,780</b> |              | <b>\$133,089</b> | <b>100.00%</b> |

MIDVALE PARK RESERVE STUDY

TABLE 3. ANNUAL EXPENSE PROJECTIONS YEARS 1-10

| ITEM #                | SUB-CATEGORY     | RESERVE ASSET DESCRIPTION                 | 2017             | 2018            | 2019             | 2020            | 2021            | 2022            | 2023            | 2024             | 2025             | 2026             |
|-----------------------|------------------|---|------------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| 1                     | Midvale/Oaktree  | Irrigation Controllers - Replace          | \$0              | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 2                     | Midvale Easement | Landscape/Irrigation - Renovation         | \$0              | \$0             | \$178,248        | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 3                     | Midvale Meridian | Landscape/Irrigation - Renovation         | \$0              | \$0             | \$54,753         | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 4                     | Midvale Meridian | Pavers - Partial Replace/Repair           | \$0              | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 5                     | Oaktree/Headley  | Landscape/Irrigation - Renovation         | \$0              | \$0             | \$7,644          | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 6                     | Midvale/Oaktree  | Backflow Valves - Replace                 | \$0              | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 7                     | Irvington        | Landscape/Irrigation - Renovation         | \$0              | \$0             | \$11,136         | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 8                     | Mission          | Landscape/Irrigation - Renovation         | \$0              | \$0             | \$33,282         | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 9                     | Drexel Rd        | Flood Channel - Maintain                  | \$0              | \$2,854         | \$0              | \$2,998         | \$0             | \$3,228         | \$0             | \$3,424          | \$0              | \$3,633          |
| 10                    | Midvale          | Stucco Surfaces - Repair/Paint            | \$79,438         | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$100,629        | \$0              |
| 11                    | Irvington        | Block Surfaces - Repair/Paint             | \$13,570         | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$17,190         | \$0              |
| 12                    | Headley          | Block Surfaces - Repair/Paint             | \$8,846          | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$11,206         | \$0              |
| 13                    | Oaktree          | Slumpstone Surfaces - Repair/Paint        | \$36,130         | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$45,769         | \$0              |
| 14                    | Mission          | Block Surfaces - Repair/Paint             | \$7,693          | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$9,745          | \$0              |
| 15                    | Drexel Rd        | Block Surfaces - Repair/Paint             | \$19,212         | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$24,337         | \$0              |
| 16                    | Midvale Park Rd  | Block/Stucco - Replace/Repair (Allowance) | \$32,355         | \$33,163        | \$33,992         | \$34,842        | \$35,713        | \$37,508        | \$38,633        | \$39,792         | \$40,986         | \$42,215         |
| 17                    | Irvington        | Block Walls - Replace/Repair (Allowance)  | \$5,781          | \$5,925         | \$6,074          | \$6,225         | \$6,381         | \$6,702         | \$6,903         | \$7,110          | \$7,323          | \$7,543          |
| 18                    | Headley          | Block Walls - Replace/Repair (Allowance)  | \$3,768          | \$3,863         | \$3,959          | \$4,058         | \$4,160         | \$4,369         | \$4,500         | \$4,635          | \$4,774          | \$4,917          |
| 19                    | Oaktree          | Slumpstone - Replace/Repair (Allowance)   | \$23,815         | \$24,410        | \$25,021         | \$25,646        | \$26,287        | \$27,608        | \$28,436        | \$29,289         | \$30,168         | \$31,073         |
| 20                    | Mission          | Block Walls - Replace/Repair (Allowance)  | \$3,277          | \$3,359         | \$3,443          | \$3,529         | \$3,617         | \$3,799         | \$3,913         | \$4,031          | \$4,151          | \$4,276          |
| 21                    | Drexel Rd        | Block Walls - Replace/Repair (Allowance)  | \$8,184          | \$8,389         | \$8,599          | \$8,813         | \$9,034         | \$9,488         | \$9,772         | \$10,066         | \$10,367         | \$10,679         |
| 22                    | Newcastle Court  | Block Walls - Replace/Repair (Allowance)  | \$3,021          | \$3,096         | \$3,174          | \$3,253         | \$3,334         | \$3,502         | \$3,607         | \$3,715          | \$3,826          | \$3,941          |
| 23                    | Commerce Court   | Block Walls - Replace/Repair (Allowance)  | \$2,738          | \$2,807         | \$2,877          | \$2,949         | \$3,022         | \$3,174         | \$3,269         | \$3,368          | \$3,469          | \$3,573          |
| 24                    | Midvale Entry    | Monument - Repair/Paint                   | \$0              | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$1,580          | \$0              |
| 25                    | Midvale Entry    | Monument - Replace                        | \$11,694         | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| 26                    | Drexel Entry     | Monument - Repair/Paint                   | \$0              | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$1,552          | \$0              |
| 27                    | Drexcel Entry    | Monument - Replace                        | \$2,400          | \$0             | \$0              | \$0             | \$0             | \$0             | \$0             | \$0              | \$0              | \$0              |
| <b>Total Expenses</b> |                  |   | <b>\$261,922</b> | <b>\$87,866</b> | <b>\$372,200</b> | <b>\$92,315</b> | <b>\$91,549</b> | <b>\$99,377</b> | <b>\$99,033</b> | <b>\$105,429</b> | <b>\$317,073</b> | <b>\$111,849</b> |

MIDVALE PARK RESERVE STUDY

TABLE 4. ANNUAL EXPENSE PROJECTIONS YEARS 11-20

| ITEM #                | SUB-CATEGORY     | RESERVE ASSET DESCRIPTION                 | 2027             | 2028             | 2029             | 2030             | 2031             | 2032             | 2033             | 2034             | 2035             | 2036             |
|-----------------------|------------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1                     | Midvale/Oaktree  | Irrigation Controllers - Replace          | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 2                     | Midvale Easement | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$241,893        | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 3                     | Midvale Meridian | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$74,303         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 4                     | Midvale Meridian | Pavers - Partial Replace/Repair           | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 5                     | Oaktree/Headley  | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$10,373         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 6                     | Midvale/Oaktree  | Backflow Valves - Replace                 | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 7                     | Irvington        | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$15,112         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 8                     | Mission          | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$45,166         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 9                     | Drexel Rd        | Flood Channel - Maintain                  | \$0              | \$3,854          | \$0              | \$4,089          | \$0              | \$4,338          | \$0              | \$4,602          | \$0              | \$4,882          |
| 10                    | Midvale          | Stucco Surfaces - Repair/Paint            | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$127,474        | \$0              | \$0              | \$0              |
| 11                    | Irvington        | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$21,776         | \$0              | \$0              | \$0              |
| 12                    | Headley          | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$14,195         | \$0              | \$0              | \$0              |
| 13                    | Oaktree          | Slumpstone Surfaces - Repair/Paint        | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$57,978         | \$0              | \$0              | \$0              |
| 14                    | Mission          | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$12,345         | \$0              | \$0              | \$0              |
| 15                    | Drexel Rd        | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$30,829         | \$0              | \$0              | \$0              |
| 16                    | Midvale Park Rd  | Block/Stucco - Replace/Repair (Allowance) | \$43,482         | \$44,786         | \$46,130         | \$47,514         | \$48,939         | \$50,407         | \$51,919         | \$53,477         | \$55,081         | \$56,734         |
| 17                    | Irvington        | Block Walls - Replace/Repair (Allowance)  | \$7,769          | \$8,002          | \$8,242          | \$8,490          | \$8,744          | \$9,007          | \$9,277          | \$9,555          | \$9,842          | \$10,137         |
| 18                    | Headley          | Block Walls - Replace/Repair (Allowance)  | \$5,064          | \$5,216          | \$5,373          | \$5,534          | \$5,700          | \$5,871          | \$6,047          | \$6,229          | \$6,416          | \$6,608          |
| 19                    | Oaktree          | Slumpstone - Replace/Repair (Allowance)   | \$32,005         | \$32,965         | \$33,954         | \$34,973         | \$36,022         | \$37,103         | \$38,216         | \$39,362         | \$40,543         | \$41,760         |
| 20                    | Mission          | Block Walls - Replace/Repair (Allowance)  | \$4,404          | \$4,536          | \$4,672          | \$4,813          | \$4,957          | \$5,106          | \$5,259          | \$5,417          | \$5,579          | \$5,747          |
| 21                    | Drexel Rd        | Block Walls - Replace/Repair (Allowance)  | \$10,999         | \$11,329         | \$11,669         | \$12,019         | \$12,379         | \$12,751         | \$13,133         | \$13,527         | \$13,933         | \$14,351         |
| 22                    | Newcastle Court  | Block Walls - Replace/Repair (Allowance)  | \$4,059          | \$4,181          | \$4,307          | \$4,436          | \$4,569          | \$4,706          | \$4,847          | \$4,993          | \$5,142          | \$5,297          |
| 23                    | Commerce Court   | Block Walls - Replace/Repair (Allowance)  | \$3,680          | \$3,790          | \$3,904          | \$4,021          | \$4,142          | \$4,266          | \$4,394          | \$4,526          | \$4,661          | \$4,801          |
| 24                    | Midvale Entry    | Monument - Repair/Paint                   | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$2,002          | \$0              | \$0              | \$0              |
| 25                    | Midvale Entry    | Monument - Replace                        | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 26                    | Drexel Entry     | Monument - Repair/Paint                   | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$1,966          | \$0              | \$0              | \$0              |
| 27                    | Drexcel Entry    | Monument - Replace                        | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| <b>Total Expenses</b> |                  |   | <b>\$111,463</b> | <b>\$118,661</b> | <b>\$505,098</b> | <b>\$125,887</b> | <b>\$125,453</b> | <b>\$133,554</b> | <b>\$401,658</b> | <b>\$141,687</b> | <b>\$141,198</b> | <b>\$150,316</b> |

TABLE 5. ANNUAL EXPENSE PROJECTIONS YEARS 21-30

| ITEM #                | SUB-CATEGORY     | RESERVE ASSET DESCRIPTION                 | 2037             | 2038             | 2039             | 2040             | 2041             | 2042             | 2043             | 2044             | 2045             |
|-----------------------|------------------|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1                     | Midvale/Oaktree  | Irrigation Controllers - Replace          | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 2                     | Midvale Easement | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$325,084        | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 3                     | Midvale Meridian | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$99,857         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 4                     | Midvale Meridian | Pavers - Partial Replace/Repair           | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 5                     | Oaktree/Headley  | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$13,940         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 6                     | Midvale/Oaktree  | Backflow Valves - Replace                 | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 7                     | Irvington        | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$20,309         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 8                     | Mission          | Landscape/Irrigation - Renovation         | \$0              | \$0              | \$60,700         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 9                     | Drexel Rd        | Flood Channel - Maintain                  | \$0              | \$5,180          | \$0              | \$5,495          | \$0              | \$5,830          | \$0              | \$6,185          | \$0              |
| 10                    | Midvale          | Stucco Surfaces - Repair/Paint            | \$0              | \$0              | \$0              | \$0              | \$161,481        | \$0              | \$0              | \$0              | \$0              |
| 11                    | Irvington        | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$27,586         | \$0              | \$0              | \$0              | \$0              |
| 12                    | Headley          | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$17,982         | \$0              | \$0              | \$0              | \$0              |
| 13                    | Oaktree          | Slumpstone Surfaces - Repair/Paint        | \$0              | \$0              | \$0              | \$0              | \$73,445         | \$0              | \$0              | \$0              | \$0              |
| 14                    | Mission          | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$15,638         | \$0              | \$0              | \$0              | \$0              |
| 15                    | Drexel Rd        | Block Surfaces - Repair/Paint             | \$0              | \$0              | \$0              | \$0              | \$39,053         | \$0              | \$0              | \$0              | \$0              |
| 16                    | Midvale Park Rd  | Block/Stucco - Replace/Repair (Allowance) | \$58,436         | \$60,189         | \$61,995         | \$63,854         | \$65,770         | \$67,743         | \$69,775         | \$71,869         | \$74,025         |
| 17                    | Irvington        | Block Walls - Replace/Repair (Allowance)  | \$10,441         | \$10,754         | \$11,077         | \$11,409         | \$11,751         | \$12,104         | \$12,467         | \$12,841         | \$13,226         |
| 18                    | Headley          | Block Walls - Replace/Repair (Allowance)  | \$6,806          | \$7,010          | \$7,221          | \$7,437          | \$7,660          | \$7,890          | \$8,127          | \$8,371          | \$8,622          |
| 19                    | Oaktree          | Slumpstone - Replace/Repair (Allowance)   | \$43,012         | \$44,303         | \$45,632         | \$47,001         | \$48,411         | \$49,863         | \$51,359         | \$52,900         | \$54,487         |
| 20                    | Mission          | Block Walls - Replace/Repair (Allowance)  | \$5,919          | \$6,097          | \$6,279          | \$6,468          | \$6,662          | \$6,862          | \$7,068          | \$7,280          | \$7,498          |
| 21                    | Drexel Rd        | Block Walls - Replace/Repair (Allowance)  | \$14,782         | \$15,225         | \$15,682         | \$16,152         | \$16,637         | \$17,136         | \$17,650         | \$18,179         | \$18,725         |
| 22                    | Newcastle Court  | Block Walls - Replace/Repair (Allowance)  | \$5,456          | \$5,619          | \$5,788          | \$5,961          | \$6,140          | \$6,325          | \$6,514          | \$6,710          | \$6,911          |
| 23                    | Commerce Court   | Block Walls - Replace/Repair (Allowance)  | \$4,945          | \$5,094          | \$5,247          | \$5,404          | \$5,566          | \$5,733          | \$5,905          | \$6,082          | \$6,265          |
| 24                    | Midvale Entry    | Monument - Repair/Paint                   | \$0              | \$0              | \$0              | \$0              | \$2,536          | \$0              | \$0              | \$0              | \$0              |
| 25                    | Midvale Entry    | Monument - Replace                        | \$21,120         | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| 26                    | Drexel Entry     | Monument - Repair/Paint                   | \$0              | \$0              | \$0              | \$0              | \$2,490          | \$0              | \$0              | \$0              | \$0              |
| 27                    | Drexcel Entry    | Monument - Replace                        | \$4,335          | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              | \$0              |
| <b>Total Expenses</b> |                  |   | <b>\$175,252</b> | <b>\$159,470</b> | <b>\$678,810</b> | <b>\$169,182</b> | <b>\$508,809</b> | <b>\$179,485</b> | <b>\$178,865</b> | <b>\$190,416</b> | <b>\$189,758</b> |

# Disclosures

CRA has no other involvement(s) with the client which could result in actual or perceived conflicts of interest.

**Physical Analysis:**

Capital Reserve Analysts did conduct a physical inspection.

**Completeness:**

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

**Reliance on Client Data:**

Information provided by the official representative of the client regarding financial, physical, quantity, or historical issues will be deemed reliable by CRA.

**Scope:**

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

**Reserve Balance:**

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

**Reserve Projects:**

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

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters. Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a "one-year" document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected.

Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections.

It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually. We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's and its vendors representation of current and historical Reserve projects reliable.

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

# Definitions

**CASH FLOW METHOD:** A method of developing a Reserve Funding Plan where contributions to the Reserve fund are designed to offset the variable annual expenditures from the Reserve fund. Different

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

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

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

**CURRENT REPLACEMENT COST:** See "Replacement Cost."

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

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

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

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

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

**FFB = Current Cost X Effective Age / Useful Life**

Or

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

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

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

**Baseline Funding:** Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

**Full Funding:** Setting a Reserve funding goal of attaining and maintaining Reserves at or near 100% funded.

**Statutory Funding:** Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

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

## MIDVALE PARK RESERVE STUDY

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

Funding Principles:

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

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

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

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

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

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

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

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

**RESERVE PROVIDER:** An individual that prepares Reserve Studies.

**RESERVE STUDY:** A budget planning tool which identifies the current status of the Reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures. The

Reserve Study consists of two parts: The Physical Analysis and the Financial Analysis. "Our budget and finance committee is soliciting proposals to update our Reserve Study for next year's budget."