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## “Full” Reserve Study



## De Anza Links HOA Green Valley, Arizona

**Report #: 28034-0**  
**For Period Beginning: January 1, 2015**  
**Expires: December 31, 2015**  
**Date Prepared: January 28, 2015**



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

**W**e don't want you to be surprised. This Report is designed to help you anticipate, and prepare for, the major common area expenses your association will face. Inside you will find:

- 1) The Reserve Component List (the “Scope and Schedule” of your Reserve projects) – telling you what your association is Reserving for, what condition they are in now, and what they'll cost to replace.**
- 2) An Evaluation of your current Reserve Fund Size and Strength (Percent Funded). This tells you your financial starting point, revealing your risk of deferred maintenance and special assessments.**
- 3) A Recommended Multi-Year Reserve Funding Plan, answering the question... “What do we do now?”**

**More Questions?**

Visit our website at [www.ReserveStudy.com](http://www.ReserveStudy.com) or call us at:

480-361-5340 or 800-393-7903

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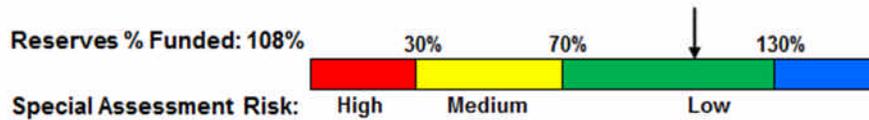
# 3- Minute Executive Summary

**Association:** De Anza Links HOA **#:** 28034-0  
**Location:** Green Valley, Arizona **# of Units:** 39  
**Report Period:** January 1, 2015 through December 31, 2015

***Findings/Recommendations as-of 1/1/2015:***

<b>Projected Starting Reserve Balance:</b> .....	<b>\$24,300</b>
<b>Current Fully Funded Reserve Balance:</b> .....	<b>\$22,579</b>
<b>Average Reserve Deficit (Surplus) Per Unit:</b> .....	<b>\$(44)</b>
<b>Approved 2015 Monthly Reserve Contributions:</b> .....	<b>\$291</b>
<b>Alternate Minimum Contributions* To Keep Reserves Above \$0:</b> .....	<b>\$240</b>
<b>Recommended 2015 Special Assessment for Reserves:</b> .....	<b>\$0</b>

**Most Recent Budgeted Reserve Contribution Rate:** ..... **\$291**



***Economic Assumptions:***

**Net Annual “After Tax” Interest Earnings Accruing to Reserves.....1.00%**  
**Annual Inflation Rate .....3.00%**

- This is a “Full” Reserve Study (original, created “from scratch”) based on our site inspection on November 26, 2014. It was prepared by a credentialed Reserve Specialist (RS).
- The Reserve expense threshold for this analysis is \$1,000. This means no expenses under \$1,000 are funded in the Reserve Study.
- Because your Reserve Fund is 108% Funded, this means the association’s special assessment & deferred maintenance risk is currently low. The objective of your multi-year Funding Plan is to Fully Fund your Reserves, where associations enjoy a low risk of Reserve cash flow problems.
- The association has approved Reserve contributions of \$291/month for the 2015 Fiscal Year. We recommend moderate annual increases after 2015 to strengthen the funding plan and to help offset inflation.

\*officially called “Baseline Funding”

#	Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Cost Estimate
103	Concrete - Repair	5	2	\$1,000
501	Block Walls - Repair	25	16	\$2,700
503	View Fence - Replace	30	21	\$28,500
701	Monuments - Refurbish	20	11	\$6,000
801	Backflow Valves - Replace	20	11	\$4,000
805	Landscape Granite - Replenish	5	3	\$5,000
1105	Block Walls - Repaint	7	5	\$3,000
1106	Culvert Rails - Repaint	5	0	\$1,400
1107	View Fence - Repaint	5	0	\$3,700
9	Total Funded Components			

Note: Yellow highlighted line items are expected to require attention in the initial year.

### Introduction



A Reserve Study is the art and science of anticipating, and preparing for, an association’s major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a combination of research and well-defined computations, following consistent National Reserve Study Standard principles.

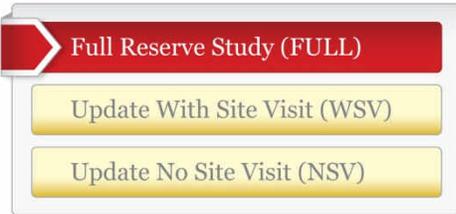
The foundation of this and every Reserve Study is your Reserve Component List (what you are reserving for). This is because the Reserve Component List defines the *scope and schedule* of all your anticipated upcoming Reserve projects. Based on that List and your starting balance, we calculate the association’s Reserve Fund Strength (reported in terms of “Percent Funded”). Then we compute a Reserve Funding Plan to provide for the Reserve needs of the association. These form the three results of your Reserve Study.



Reserve contributions are not “for the future”. Reserve contributions are designed to offset the ongoing, daily deterioration of your Reserve assets. Done well, a stable, budgeted Reserve Funding Plan will collect sufficient funds from the owners who enjoyed the use of those assets, so the association is financially prepared for the irregular expenditures scattered through future years when those projects eventually require replacement.

### Methodology

LEVELS OF SERVICE



For this [Full Reserve Study](#), we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents.

We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List *from scratch*.

### *Which Physical Assets are Funded by Reserves?*

National Reserve Study Standards outlines a 4-part test to determine which expenses should appear in your Reserve Component List. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the remaining life must be predictable (or it by definition is a *surprise* which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost (often between .5% and 1% of an association's total budget). This limits Reserve



RESERVE COMPONENT "FOUR-PART TEST"

Components to major, predictable expenses. Within this framework, it is inappropriate to include *lifetime* components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

### *How do we establish Useful Life and Remaining Useful Life estimates?*

- 1) Visual Inspection (observed wear and age)
- 2) Association Reserves database of experience
- 3) Client History (install dates & previous life cycle information)
- 4) Vendor Evaluation and Recommendation

### *How do we establish Current Repair/Replacement Cost Estimates?*

In this order...

- 1) Actual client cost history, or current proposals
- 2) Comparison to Association Reserves database of work done at similar associations
- 3) Vendor Recommendations
- 4) Reliable National Industry cost estimating guidebooks

### *How much Reserves are enough?*

Reserve adequacy is not measured in cash terms. Reserve adequacy is found when the *amount* of current Reserve cash is compared to Reserve component deterioration (the *needs of the association*). Having *enough* means the association can execute its projects in a timely manner with existing Reserve funds. Not having *enough* typically creates deferred maintenance or special assessments.

Adequacy is measured in a two-step process:

- 1) Calculate the *value of deterioration* at the association (called Fully Funded Balance, or FFB).
- 2) Compare that to the Reserve Fund Balance, and express as a percentage.



Each year, the *value of deterioration* at the association changes. When there is more deterioration (as components approach the time they need to be replaced), there should be more cash to offset that deterioration and prepare for the expenditure. Conversely, the *value of deterioration* shrinks after projects are accomplished. The *value of deterioration* (the FFB) changes each year, and is a moving but predictable target.

There is a high risk of special assessments and deferred maintenance when the Percent Funded is *weak*, below 30%. Approximately 30% of all associations are in this high risk range. While the 100% point is Ideal (indicating Reserve cash is equal to the *value of deterioration*), a Reserve Fund in the 70% -130% range is considered strong (low risk of special assessment).

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

*How much should we contribute?*



**RESERVE FUNDING PRINCIPLES**

According to National Reserve Study Standards, there are four Funding Principles to balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. Second, a stable contribution is desirable because it keeps these naturally irregular expenses from unsettling the budget.

Reserve contributions that are evenly distributed over current and future owners enable each owner to pay their fair share of the association’s Reserve expenses over the years. And finally, we develop a plan that is fiscally responsible and safe for Board Members to recommend to their association. Remember, it is the Board’s job to provide for the ongoing care of the common areas. Board Members invite liability exposure when Reserve contributions are inadequate to offset ongoing common area deterioration.

*What is our Recommended Funding Goal?*

Maintaining the Reserve Fund at a level equal to the *value* of deterioration is called “Full Funding” (100% Funded). As each asset ages and becomes “used up”, the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** Evidence shows that associations in the 70-130% range *enjoy a low risk of special assessments or deferred maintenance.*

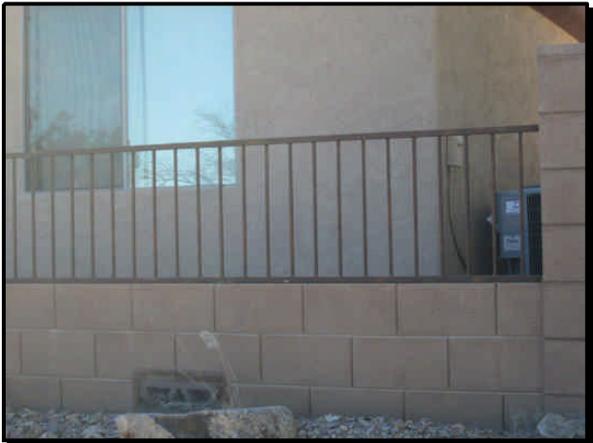


**FUNDING OBJECTIVES**

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. Doing so allows the Reserve Fund to drop into the 0-30% range, where there is a high risk of special assessments & deferred maintenance. Since Baseline Funding still provides for the timely execution of all Reserve projects, and only the “margin of safety” is different, Baseline Funding contributions average only 10% - 15% less than Full Funding contributions. Threshold Funding is the title of all other Cash or Percent Funded objectives *between* Baseline Funding and Full Funding.

**Site Inspection Notes**

During our site visit on November 26, 2014, we started by meeting with Community Manager Mr. John Garen with Santa Rita Management Services, LLC. We discussed the community and any issues or concerns. We also discussed Reserve projects completed in the past, and those planned for the future.



### Projected Expenses

While this Reserve Study looks forward 30 years, we have no expectation that all these expenses will all take place as anticipated. This Reserve Study needs to be updated annually, because we expect the timing of these expenses to shift and the size of these expenses to change. We do feel more certain of the timing and cost of near-term expenses than expenses many years away. Your *first five years* of projected Reserve expenses total \$11,625. Adding the next five years, your *first ten years* of projected Reserve expenses are \$28,578. Please be aware of your near-term expenses, which we are able to project more accurately than the more distant projections.

The figure below summarizes the projected future expenses at your association as defined by your Reserve Component List. A summary of these expenses are shown in Table 5, while details of the projects that make up these expenses are shown in Table 6.

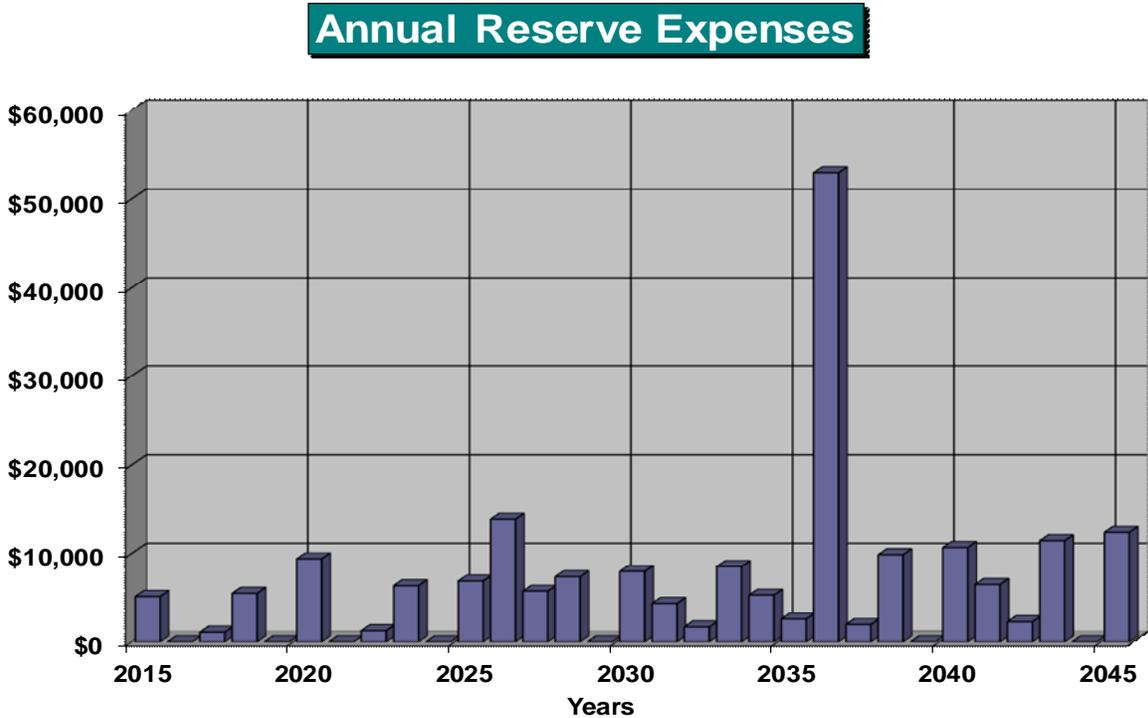


Figure 1

### Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be \$24,300 as-of the start of your Fiscal Year on January 1, 2015. This is based on your actual balance on November 18, 2014 of \$23,931 and anticipated Reserve contributions projected through the end of your Fiscal Year. As of January 1, 2015, your Fully Funded Balance is computed to be \$22,579 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 108% Funded. Across the country, less than 1% of associations in this range experience special assessments or deferred maintenance.

### Recommended Funding Plan

The association has already approved Reserve contributions of \$291/month this Fiscal Year. We recommend moderate annual increases after 2015 to strengthen the funding plan and to help offset inflation. The overall 30-yr plan, in perspective, is shown below. This same information is shown numerically in Tables 5 & 6.

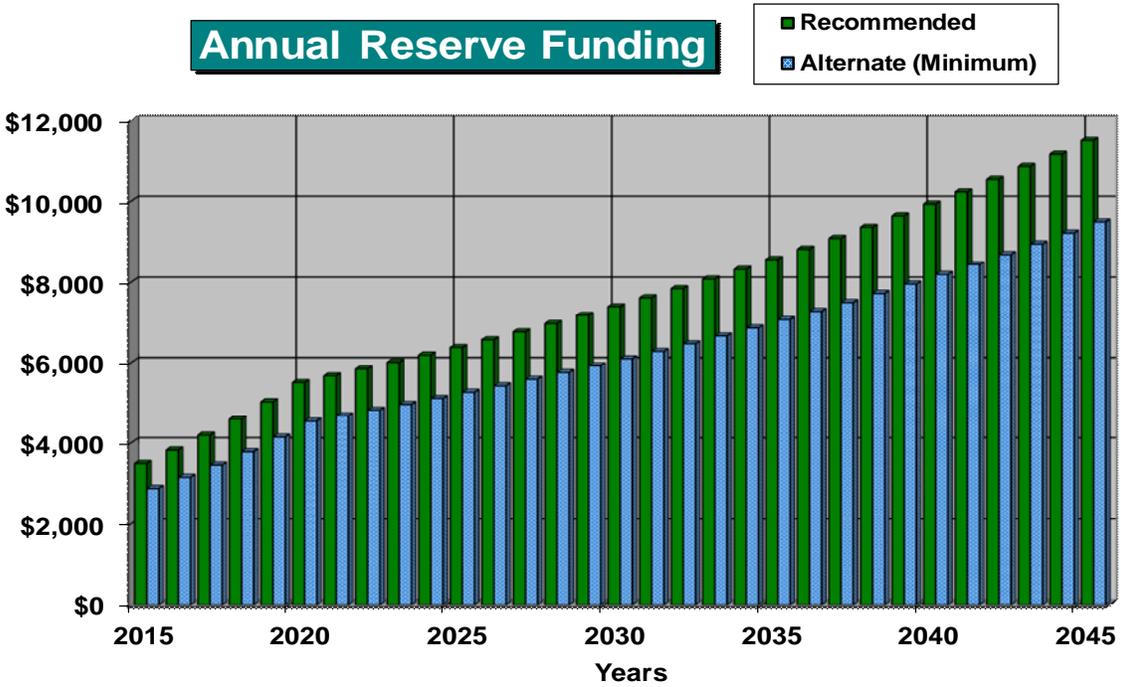


Figure 2

The following chart shows your Reserve balance under our recommended Full Funding Plan, an alternate Baseline Funding Plan, and at your current budgeted contribution rate, compared to your always-changing Fully Funded Balance target.

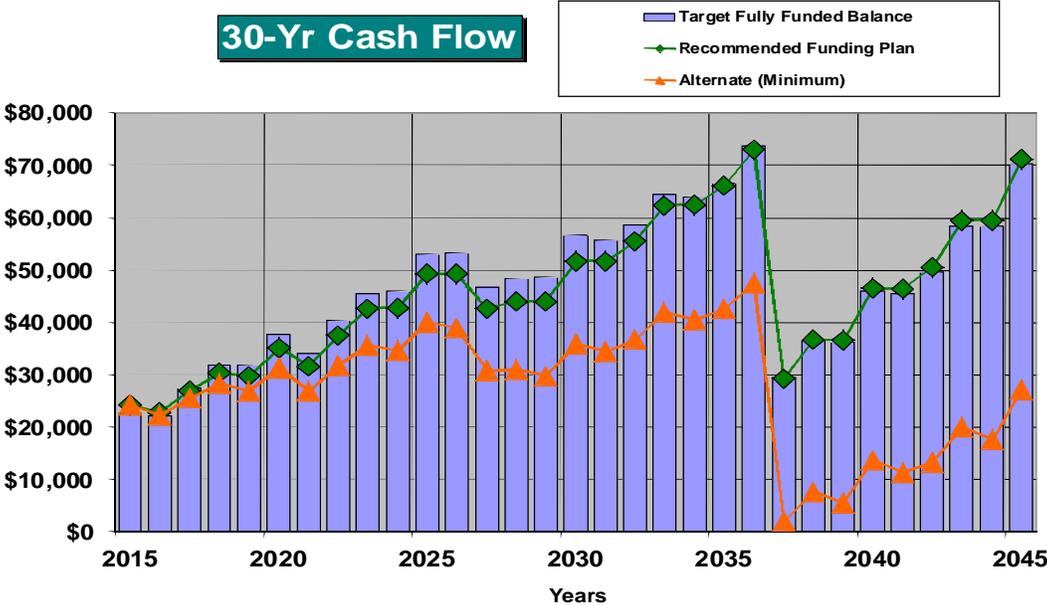


Figure 3

This figure shows this same information, plotted on a [Percent Funded](#) scale.

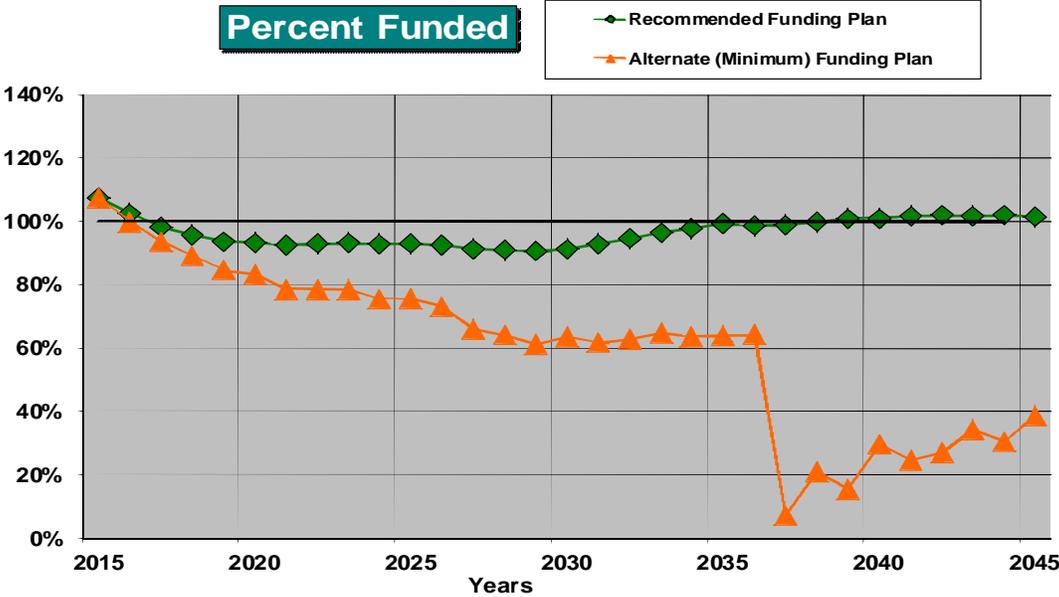


Figure 4

## **Table Descriptions**

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

Table 1 is a summary of your Reserve Components (your Reserve Component List), the information found in Table 2.

Table 2 is your Reserve Component List, which forms the foundation of this Reserve Study. This table represents the information from which all other tables are derived.

Table 3 shows the calculation of your Fully Funded Balance, the measure of your current Reserve component deterioration. For each component, the Fully Funded Balance is the fraction of life used up multiplied by its estimated Current Replacement Cost.

Table 4 shows the significance of each component to Reserve needs of the association, helping you see which components have more (or less) influence than others on your total Reserve contribution rate. The deterioration cost/yr. of each component is calculated by dividing Current Replacement Cost by Useful Life, then that component's percentage of the total is displayed.

Table 5: This table provides a one-page 30-year summary of the cash flowing into and out of the Reserve Fund, with a display of the Fully Funded Balance, Percent Funded, and special assessment risk for each year.

Table 6: This table shows the cash flow detail for the next 30 years. This table makes it possible to see which components are projected to require repair or replacement each year, and the size of those individual expenses.

**Table 2: Reserve Component List Detail****28034-0**

#	Component	Quantity	Useful Life	Rem. Useful Life	[ --- Current Cost Estimate --- ]	
					Best Case	Worst Case
103	Concrete - Repair	Numerous Sq Ft	5	2	\$900	\$1,100
501	Block Walls - Repair	Approx 9,200 Sq Ft	25	16	\$2,400	\$3,000
503	View Fence - Replace	Approx 820 LF	30	21	\$25,000	\$32,000
701	Monuments - Refurbish	(4) Monuments	20	11	\$5,300	\$6,700
801	Backflow Valves - Replace	(4) Valves	20	11	\$3,400	\$4,600
805	Landscape Granite - Replenish	Approx 225 Tons	5	3	\$4,000	\$6,000
1105	Block Walls - Repaint	Approx 9,200 Sq Ft	7	5	\$2,600	\$3,400
1106	Culvert Rails - Repaint	Approx 370 LF	5	0	\$1,200	\$1,600
1107	View Fence - Repaint	Approx 820 LF	5	0	\$3,200	\$4,200
9	Total Funded Components					

**Table 3: Fully Funded Balance****28034-0**

#	Component	Current Cost Estimate	X	Effective Age	/	Useful Life	=	Fully Funded Balance
103	Concrete - Repair	\$1,000	X	3	/	5	=	\$600
501	Block Walls - Repair	\$2,700	X	9	/	25	=	\$972
503	View Fence - Replace	\$28,500	X	9	/	30	=	\$8,550
701	Monuments - Refurbish	\$6,000	X	9	/	20	=	\$2,700
801	Backflow Valves - Replace	\$4,000	X	9	/	20	=	\$1,800
805	Landscape Granite - Replenish	\$5,000	X	2	/	5	=	\$2,000
1105	Block Walls - Repaint	\$3,000	X	2	/	7	=	\$857
1106	Culvert Rails - Repaint	\$1,400	X	5	/	5	=	\$1,400
1107	View Fence - Repaint	\$3,700	X	5	/	5	=	\$3,700
								\$22,579

**Table 4: Component Significance****28034-0**

#	Component	Useful Life	Current Cost Estimate	Deterioration Cost/Yr.	Deterioration Significance
103	Concrete - Repair	5	\$1,000	\$200	4.8%
501	Block Walls - Repair	25	\$2,700	\$108	2.6%
503	View Fence - Replace	30	\$28,500	\$950	22.6%
701	Monuments - Refurbish	20	\$6,000	\$300	7.1%
801	Backflow Valves - Replace	20	\$4,000	\$200	4.8%
805	Landscape Granite - Replenish	5	\$5,000	\$1,000	23.8%
1105	Block Walls - Repaint	7	\$3,000	\$429	10.2%
1106	Culvert Rails - Repaint	5	\$1,400	\$280	6.7%
1107	View Fence - Repaint	5	\$3,700	\$740	17.6%
9	Total Funded Components			\$4,207	100.0%

**Table 5: 30-Year Reserve Plan Summary**

**28034-0**

**Report Start Date: 01/01/15**

**Interest: 1.0%**

**Inflation: 3.0%**

**Reserve Fund Strength Calculations  
(All values as of Fiscal Year Start Date)**

**Projected Reserve Balance Changes**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	Reserve Contribs.	Loans or Special Assmts	Interest Income	Reserve Expenses
2015	\$24,300	\$22,579	107.6%	Low	\$3,492	\$0	\$236	\$5,100
2016	\$22,928	\$22,336	102.6%	Low	\$3,824	\$0	\$250	\$0
2017	\$27,001	\$27,469	98.3%	Low	\$4,187	\$0	\$287	\$1,061
2018	\$30,414	\$31,797	95.7%	Low	\$4,585	\$0	\$301	\$5,464
2019	\$29,837	\$31,858	93.7%	Low	\$5,020	\$0	\$325	\$0
2020	\$35,182	\$37,690	93.3%	Low	\$5,497	\$0	\$334	\$9,390
2021	\$31,623	\$34,172	92.5%	Low	\$5,662	\$0	\$346	\$0
2022	\$37,631	\$40,371	93.2%	Low	\$5,832	\$0	\$401	\$1,230
2023	\$42,634	\$45,644	93.4%	Low	\$6,007	\$0	\$427	\$6,334
2024	\$42,734	\$45,978	92.9%	Low	\$6,187	\$0	\$460	\$0
2025	\$49,382	\$53,011	93.2%	Low	\$6,373	\$0	\$494	\$6,854
2026	\$49,394	\$53,364	92.6%	Low	\$6,564	\$0	\$460	\$13,842
2027	\$42,576	\$46,705	91.2%	Low	\$6,761	\$0	\$433	\$5,703
2028	\$44,067	\$48,410	91.0%	Low	\$6,964	\$0	\$441	\$7,343
2029	\$44,128	\$48,662	90.7%	Low	\$7,173	\$0	\$479	\$0
2030	\$51,780	\$56,675	91.4%	Low	\$7,388	\$0	\$517	\$7,946
2031	\$51,740	\$55,754	92.8%	Low	\$7,609	\$0	\$536	\$4,333
2032	\$55,553	\$58,694	94.6%	Low	\$7,838	\$0	\$589	\$1,653
2033	\$62,327	\$64,654	96.4%	Low	\$8,073	\$0	\$624	\$8,512
2034	\$62,512	\$63,905	97.8%	Low	\$8,315	\$0	\$643	\$5,261
2035	\$66,210	\$66,665	99.3%	Low	\$8,565	\$0	\$695	\$2,529
2036	\$72,941	\$73,886	98.7%	Low	\$8,821	\$0	\$511	\$53,018
2037	\$29,255	\$29,553	99.0%	Low	\$9,086	\$0	\$330	\$1,916
2038	\$36,755	\$36,768	100.0%	Low	\$9,359	\$0	\$367	\$9,868
2039	\$36,612	\$36,259	101.0%	Low	\$9,639	\$0	\$416	\$0
2040	\$46,668	\$46,154	101.1%	Low	\$9,929	\$0	\$465	\$10,678
2041	\$46,383	\$45,612	101.7%	Low	\$10,226	\$0	\$485	\$6,470
2042	\$50,625	\$49,660	101.9%	Low	\$10,533	\$0	\$550	\$2,221
2043	\$59,487	\$58,487	101.7%	Low	\$10,849	\$0	\$595	\$11,440
2044	\$59,491	\$58,371	101.9%	Low	\$11,175	\$0	\$654	\$0

**Table 6: 30-Year Income/Expense Detail (yrs 0 through 4)****28034-0**

Fiscal Year	2015	2016	2017	2018	2019
Starting Reserve Balance	\$24,300	\$22,928	\$27,001	\$30,414	\$29,837
Annual Reserve Contribution	\$3,492	\$3,824	\$4,187	\$4,585	\$5,020
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$236	\$250	\$287	\$301	\$325
<b>Total Income</b>	<b>\$28,028</b>	<b>\$27,001</b>	<b>\$31,475</b>	<b>\$35,300</b>	<b>\$35,182</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$1,061	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$5,464	\$0
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$1,400	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$3,700	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$5,100</b>	<b>\$0</b>	<b>\$1,061</b>	<b>\$5,464</b>	<b>\$0</b>
Ending Reserve Balance:	\$22,928	\$27,001	\$30,414	\$29,837	\$35,182

**Table 6: 30-Year Income/Expense Detail (yrs 5 through 9)****28034-0**

Fiscal Year	2020	2021	2022	2023	2024
Starting Reserve Balance	\$35,182	\$31,623	\$37,631	\$42,634	\$42,734
Annual Reserve Contribution	\$5,497	\$5,662	\$5,832	\$6,007	\$6,187
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$334	\$346	\$401	\$427	\$460
<b>Total Income</b>	<b>\$41,013</b>	<b>\$37,631</b>	<b>\$43,864</b>	<b>\$49,068</b>	<b>\$49,382</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$1,230	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$6,334	\$0
1105 Block Walls - Repaint	\$3,478	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$1,623	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$4,289	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$9,390</b>	<b>\$0</b>	<b>\$1,230</b>	<b>\$6,334</b>	<b>\$0</b>
Ending Reserve Balance:	\$31,623	\$37,631	\$42,634	\$42,734	\$49,382

**Table 6: 30-Year Income/Expense Detail (yrs 10 through 14)****28034-0**

Fiscal Year	2025	2026	2027	2028	2029
Starting Reserve Balance	\$49,382	\$49,394	\$42,576	\$44,067	\$44,128
Annual Reserve Contribution	\$6,373	\$6,564	\$6,761	\$6,964	\$7,173
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$494	\$460	\$433	\$441	\$479
<b>Total Income</b>	<b>\$56,248</b>	<b>\$56,418</b>	<b>\$49,770</b>	<b>\$51,471</b>	<b>\$51,780</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$1,426	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$8,305	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$5,537	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$7,343	\$0
1105 Block Walls - Repaint	\$0	\$0	\$4,277	\$0	\$0
1106 Culvert Rails - Repaint	\$1,881	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$4,972	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$6,854</b>	<b>\$13,842</b>	<b>\$5,703</b>	<b>\$7,343</b>	<b>\$0</b>
Ending Reserve Balance:	\$49,394	\$42,576	\$44,067	\$44,128	\$51,780

**Table 6: 30-Year Income/Expense Detail (yrs 15 through 19)****28034-0**

Fiscal Year	2030	2031	2032	2033	2034
Starting Reserve Balance	\$51,780	\$51,740	\$55,553	\$62,327	\$62,512
Annual Reserve Contribution	\$7,388	\$7,609	\$7,838	\$8,073	\$8,315
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$517	\$536	\$589	\$624	\$643
<b>Total Income</b>	<b>\$59,686</b>	<b>\$59,886</b>	<b>\$63,980</b>	<b>\$71,024</b>	<b>\$71,470</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$1,653	\$0	\$0
501 Block Walls - Repair	\$0	\$4,333	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$8,512	\$0
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$5,261
1106 Culvert Rails - Repaint	\$2,181	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$5,764	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$7,946</b>	<b>\$4,333</b>	<b>\$1,653</b>	<b>\$8,512</b>	<b>\$5,261</b>
Ending Reserve Balance:	\$51,740	\$55,553	\$62,327	\$62,512	\$66,210

**Table 6: 30-Year Income/Expense Detail (yrs 20 through 24)****28034-0**

Fiscal Year	2035	2036	2037	2038	2039
Starting Reserve Balance	\$66,210	\$72,941	\$29,255	\$36,755	\$36,612
Annual Reserve Contribution	\$8,565	\$8,821	\$9,086	\$9,359	\$9,639
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$695	\$511	\$330	\$367	\$416
<b>Total Income</b>	<b>\$75,470</b>	<b>\$82,273</b>	<b>\$38,671</b>	<b>\$46,480</b>	<b>\$46,668</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$1,916	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$53,018	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$9,868	\$0
1105 Block Walls - Repaint	\$0	\$0	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$2,529	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$0	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$2,529</b>	<b>\$53,018</b>	<b>\$1,916</b>	<b>\$9,868</b>	<b>\$0</b>
Ending Reserve Balance:	\$72,941	\$29,255	\$36,755	\$36,612	\$46,668

**Table 6: 30-Year Income/Expense Detail (yrs 25 through 29)****28034-0**

Fiscal Year	2040	2041	2042	2043	2044
Starting Reserve Balance	\$46,668	\$46,383	\$50,625	\$59,487	\$59,491
Annual Reserve Contribution	\$9,929	\$10,226	\$10,533	\$10,849	\$11,175
Recommended Special Assessments	\$0	\$0	\$0	\$0	\$0
Interest Earnings	\$465	\$485	\$550	\$595	\$654
<b>Total Income</b>	<b>\$57,062</b>	<b>\$57,095</b>	<b>\$61,708</b>	<b>\$70,931</b>	<b>\$71,320</b>
# Component					
103 Concrete - Repair	\$0	\$0	\$2,221	\$0	\$0
501 Block Walls - Repair	\$0	\$0	\$0	\$0	\$0
503 View Fence - Replace	\$0	\$0	\$0	\$0	\$0
701 Monuments - Refurbish	\$0	\$0	\$0	\$0	\$0
801 Backflow Valves - Replace	\$0	\$0	\$0	\$0	\$0
805 Landscape Granite - Replenish	\$0	\$0	\$0	\$11,440	\$0
1105 Block Walls - Repaint	\$0	\$6,470	\$0	\$0	\$0
1106 Culvert Rails - Repaint	\$2,931	\$0	\$0	\$0	\$0
1107 View Fence - Repaint	\$7,747	\$0	\$0	\$0	\$0
<b>Total Expenses</b>	<b>\$10,678</b>	<b>\$6,470</b>	<b>\$2,221</b>	<b>\$11,440</b>	<b>\$0</b>
Ending Reserve Balance:	\$46,383	\$50,625	\$59,487	\$59,491	\$71,320

## Accuracy, Limitations, and Disclosures

Because we have no control over future events, we do not expect that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect Reserve funds to continue to earn interest, so we believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. We can control measurements, which we attempt to establish within 5% accuracy through a combination of on-site measurements, drawings, and satellite imagery. The starting Reserve Balance and interest rate earned on deposited Reserve funds that you provided to us were considered reliable and were not confirmed independently. We have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable. Component Useful Life, Remaining Useful Life, and Current Cost estimates assume a stable economic environment and lack of natural disasters.

Because the physical condition of your components, the association's Reserve balance, the economic environment, and legislative environment change each year, this Reserve Study is by nature a "one-year" document. Because a long-term perspective improves the accuracy of near-term planning, this Report projects expenses for the next 30 years. It is our recommendation and that of the Financial Accounting Standards Board (FASB) that your Reserve Study be updated each year as part of the annual budget process.

Association Reserves and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. DJ Vlaming, R.S., company president, is a credentialed Reserve Specialist (#61). All work done by Association Reserves – AZ, LLC is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association's situation.

Component quantities indicated in this Report were developed by Association Reserves unless noted otherwise in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed. This Report and the site inspection were accomplished only for Reserve budget purposes (to help identify and address the normal deterioration of properly built and installed components with predictable life expectancies). The Funding Plan in this Report was developed using the cash-flow methodology to achieve the specified Funding Objective.

Association Reserves' liability in any matter involving this Reserve Study is limited to our Fee for services rendered.

## Terms and Definitions

<b>BTU</b>	British Thermal Unit (a standard unit of energy)
<b>DIA</b>	Diameter
<b>GSF</b>	Gross Square Feet (area). Equivalent to Square Feet
<b>GSY</b>	Gross Square Yards (area). Equivalent to Square Yards
<b>HP</b>	Horsepower
<b>LF</b>	Linear Feet (length)

**Effective Age:** The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

**Fully Funded Balance (FFB):** The value of the deterioration of the Reserve Components. This is the fraction of life “used up” of each component multiplied by its estimated Current Replacement. While calculated for each component, it is summed together for an association total.

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

**Inflation:** Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 6.

**Interest:** Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary.

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

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

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

**Component Details**

# Association Reserves - AZ, LLC

# Component Details

Client: 28034A De Anza Links HOA

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**Comp # : 103      Concrete - Repair**

Quantity: Numerous Sq Ft

Location : Concrete drainage areas

Funded? : Yes

History : Installed around 2006.

Evaluation : There is no expectancy to completely replace the concrete. This component provides an allowance for periodic repairs and/or partial replacements.

Useful Life:  
5 years

Remaining Life:  
2 years



Best Case: \$900

Worst Case: \$1,100

Allowance for repairs and/or partial replacement

Higher allowance

Cost Source: ARI Cost Allowance

---

**Comp # : 403      Mailboxes - Replace**

Quantity: (4) Clusters

Location : Bordering community streets

Funded? : No Responsibility of the Post Office, not the association.

History : Installed around 2006.

Evaluation : There are (3) 12-box clusters and (1) 8-box cluster. No Reserve funding required.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

---

Client: 28034A De Anza Links HOA

**Comp # : 501      Block Walls - Repair**

Quantity: Approx 9,200 Sq Ft

Location : Common walls throughout community

Funded? : Yes

History : Installed around 2006.

Evaluation : Walls are expected to last the life of the community under normal circumstances. This component provides an allowance for repairs and/or partial replacement due to excessive settling or other sources of damage.

Useful Life:  
25 years

Remaining Life:  
16 years



Best Case: \$2,400

Worst Case: \$3,000

Estimate to repair 3% of the total

Higher estimate to repair 3% of the total

Cost Source: ARI Cost Database

**Comp # : 503      View Fence - Replace**

Quantity: Approx 820 LF

Location : Bordering golf course at De Anza Links I & small section at north end of De Anza Links II

Funded? : Yes

History : Installed around 2006.

Evaluation : Long life component under normal circumstances. Treat repairs as an Operating expense. Complete replacement should be anticipated eventually.

Useful Life:  
30 years

Remaining Life:  
21 years



Best Case: \$25,000

Worst Case: \$32,000

Estimate to replace

Higher estimate

Cost Source: ARI Cost Database

Client: 28034A De Anza Links HOA

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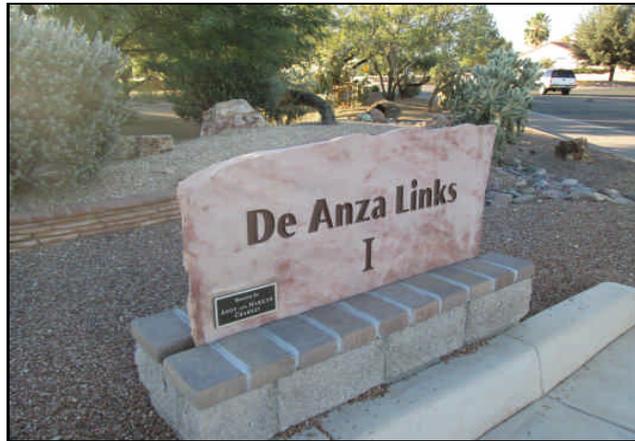
**Comp # : 701      Monuments - Refurbish      Quantity: (4) Monuments**  
Location : (1) at entrance to De Anza Links I, (2) at entrances to De Anza Links II, & (1) bordering I19  
Funded? : Yes

History : Installed around 2006.

Evaluation : Appear attractive and in nice shape. Expect to eventually replace the signage to update and modernize the appearance.

Useful Life:  
20 years

Remaining Life:  
11 years



Best Case: \$5,300  
Estimate to refurbish

Worst Case: \$6,700  
Higher estimate

Cost Source: ARI Cost Database

---

**Comp # : 800      Irrigation System - Repair      Quantity: Lines, Valves, Etc.**  
Location : Common areas throughout community  
Funded? : No Repair as-needed using Operating funds.

History : Installed around 2006.

Evaluation : No Reserve funding required.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

---

Client: 28034A De Anza Links HOA

**Comp # : 801 Backflow Valves - Replace**  
Location : (1) at De Anza Links I & (3) at De Anza Links II  
Funded? : Yes

Quantity: (4) Valves

History : Installed around 2006.

Evaluation : No problems reported. Funding is provided to eventually replace or rebuild the backflow valves.

Useful Life:  
20 years

Remaining Life:  
11 years



Best Case: \$3,400  
Estimate to replace

Worst Case: \$4,600  
Higher estimate

Cost Source: ARI Cost Database

**Comp # : 803 Irrigation Controller - Replace**  
Location : East of I19 & W Calle Torres Blancas  
Funded? : No Replacement cost is under the threshold.

Quantity: (1) Irritrol MC-4 Plus

History : Installed around 2006.

Evaluation : Treat replacement as an Operating expense. Date Code: J0640.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

Client: 28034A De Anza Links HOA

---

**Comp # : 805 Landscape Granite - Replenish**

Quantity: Approx 225 Tons

Location : Common areas throughout community

Funded? : Yes

History : Installed around 2006.

Evaluation : There is no expectancy to replace the granite. This component provides an allowance to top dress the existing granite with a new 1" layer. There is no expectancy to replenish the entire community at one time. Funding is provided for periodic, partial replenishing.

Useful Life:  
5 years

Remaining Life:  
3 years



Best Case: \$4,000  
Estimate to replenish

Worst Case: \$6,000  
Higher estimate

Cost Source: ARI Cost Database

---

**Comp # : 807 Rip-Rap - Replace**

Quantity: Numerous Sq Ft

Location : Common areas throughout community

Funded? : No Rip-rap is expected to last indefinitely. There is no expectancy for replacement in the foreseeable future.

History : Installed around 2006.

Evaluation : No Reserve funding required.

Useful Life:

Remaining Life:



Best Case:

Worst Case:

Cost Source:

---

# Association Reserves - AZ, LLC

# Component Details

Client: 28034A De Anza Links HOA

---

**Comp # : 1105      Block Walls - Repaint**

Quantity: Approx 9,200 Sq Ft

Location : Common walls throughout community

Funded? : Yes

History : Installed around 2006.

Evaluation : Walls are unpainted. Per the association's request, funding is provided to eventually paint the walls. Once painted, periodic repainting will be required.

Useful Life:  
7 years

Remaining Life:  
5 years



Best Case: \$2,600  
Estimate to repaint

Worst Case: \$3,400  
Higher estimate

Cost Source: ARI Cost Database

---

**Comp # : 1106      Culvert Rails - Repaint**

Quantity: Approx 370 LF

Location : Bordering drainage areas at De Anza Links I

Funded? : Yes

History : Installed around 2006.

Evaluation : Surfaces exhibit fading and rust. Recommend planning to repaint in the near future. Coordinate with repainting the view fence, if possible.

Useful Life:  
5 years

Remaining Life:  
0 years



Best Case: \$1,200  
Estimate to repaint

Worst Case: \$1,600  
Higher estimate

Cost Source: ARI Cost Database

---

**Client:** 28034A De Anza Links HOA

---

**Comp # :** 1107 **View Fence - Repaint**

**Quantity:** Approx 820 LF

**Location :** Bordering golf course at De Anza Links I & small section at north end of De Anza Links II

**Funded? :** Yes

**History :** Installed around 2006.

**Evaluation :** Surfaces exhibit rust and oxidation. Recommend planning to repaint in the near future. Repaint periodically to maintain the appearance and to inhibit rust.

**Useful Life:**  
5 years

**Remaining Life:**  
0 years



**Best Case:** \$3,200  
Estimate to repaint

**Worst Case:** \$4,200  
Higher estimate

**Cost Source:** ARI Cost Database

---