



**RESERVE STUDY UPDATE  
FOR  
SAN MARCOS COUNTRY CLUB ESTATES  
HOMEOWNERS ASSOCIATION**



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September 27, 2023



## EXECUTIVE SUMMARY

### SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION

September 27, 2023

Starting Reserve Balance 1/1/2024	\$1,033,874
Projected Fully Funded Reserve Balance 1/1/2024	\$1,406,878
Percent Fully Funded 1/1/2024	73%
Annual Reserve Contribution 2023	\$76,956

This study is an update to a previous study performed by Advanced Reserve Solutions dated March 21, 2019. This update was performed with a field visit.

This study is based on the cash flow method of funding. This reserve analysis is based on an observation and assessment of the condition of the reserve fund based on a field assessment of the condition of the assets of the association, a projection of the useful life and remaining useful life of those assets, and the replacement costs for those assets. The financial information was provided by the association on the reserve fund balance and contribution to the fund. The general guideline used in our studies to determine whether the cost to replace or maintain an asset is paid from reserves or operations is if the replacement cost exceeds \$500 it is included in reserves. That can be modified at the direction of the Board.

Following are some key points relative to your study:

1. The study has a fiscal year beginning date of January 1, 2024.
2. The study reflects a beginning balance for the reserve fund of \$1,033,874 and an annual contribution of \$76,956. The financial information was provided by the association and was not audited. As reflected by the Current Assessment Funding Model Projection in the report, on pages 1-1 and 1-2, the reserve fund, based on current funding, runs out of funds in 2036 so some increase in funding is needed. Reserve funds are generally considered to be in a healthy condition if the reserve balance is at or above 70% of the fully funded balance.
3. Because of the underfunded condition, based on the current funding, an Alternate Funding Model is included in the report, on pages 1-3 and 1-4, for consideration by the Association. The model suggests a 10% annual increase in the annual reserve funding in 2024 through 2031. Other funding alternatives can be prepared if desired by the Board. Note that with this funding model, the reserve fund maintains an annual balance of \$700,000 or more in most years. It dips slightly below that level when the first phase of pavement is replaced but quickly increases. We believe this level of funding is appropriate for your community. The study

includes a 4% inflation in 2024 through 2027 and 3.5% in following years on costs based on current construction cost indexes so some increase in funding over time is needed to stay even with cost increases from inflation.

4. This study should be compared with the operating budget to make sure there are no overlaps or gaps of items in this study and in the operating budget.
5. The physical assessment of components was based on field reviews conducted on July 17, 2023. The field review consisted of on-site observations of common areas and facilities. No sampling or destructive testing was performed. The on-site observation is not a comprehensive quality inspection. Quantification of assets was accomplished with a combination of information in the prior study and information provided by the association.
6. The consultant has no other involvement with the association that could be considered a conflict of interest. To our knowledge, there are no material issues that have not been disclosed that would cause a distortion of the association's reserve fund.

Report was prepared by:

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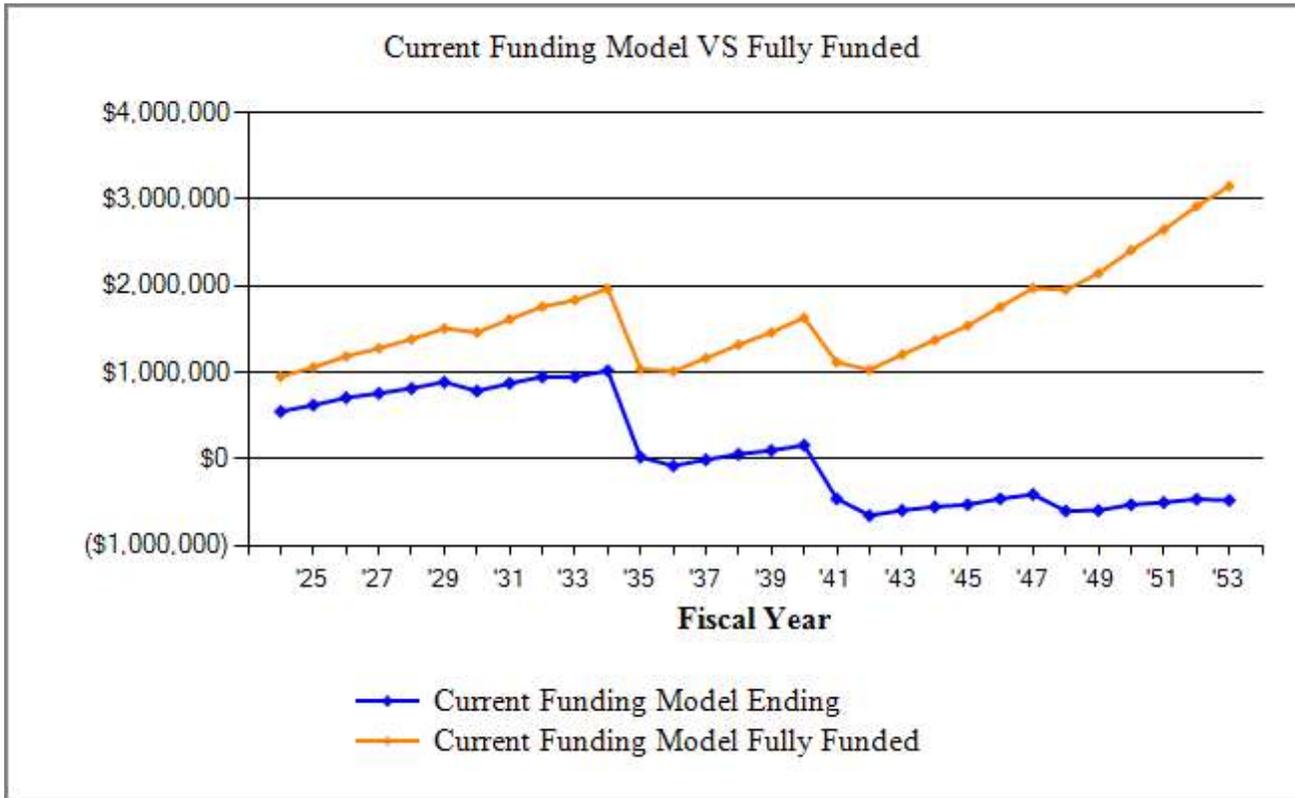
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**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Current Assessment Funding Model Summary**

Report Date	September 27, 2023
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	160

<i>Report Parameters</i>	
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	2.00%
2024 Beginning Balance	\$1,033,874



<i>Current Assessment Funding Model Summary of Calculations</i>	
Required Monthly Contribution	\$6,413.00
<i>\$40.08 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$849.35</u>
Total Monthly Allocation to Reserves	\$7,262.35
<i>\$45.39 per unit monthly</i>	

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Current Assessment Funding Model Projection**

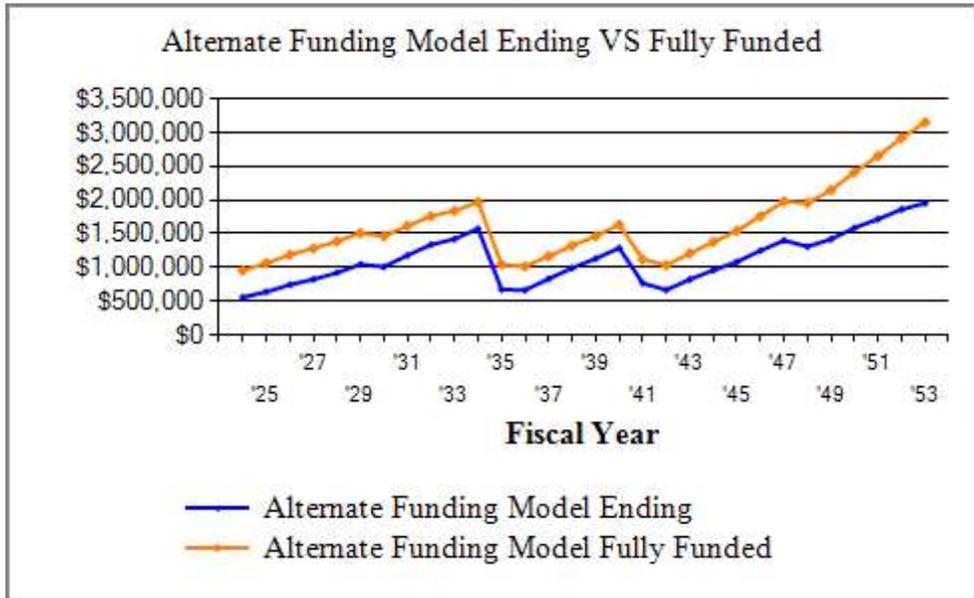
Beginning Balance: \$1,033,874

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	1,760,451	76,956	10,192	570,476	550,546	952,605	58%
2025	1,830,869	76,956	11,626	16,120	623,008	1,060,001	59%
2026	1,904,104	76,956	13,316	4,867	708,412	1,186,838	60%
2027	1,980,268	76,956	14,326	40,214	759,481	1,279,387	59%
2028	2,049,577	76,956	15,475	34,345	817,567	1,384,442	59%
2029	2,121,313	76,956	16,897	21,991	889,429	1,509,314	59%
2030	2,195,558	76,956	14,864	194,589	786,660	1,463,389	54%
2031	2,270,467	76,956	16,600	5,809	874,407	1,614,169	54%
2032	2,349,933	76,956	18,097	19,372	950,088	1,760,229	54%
2033	2,432,181	76,956	18,097	95,064	950,077	1,836,991	52%
2034	2,482,960	76,956	19,488	26,118	1,020,403	1,968,074	52%
2035	2,569,863	76,956		1,074,115	23,245	1,040,956	2%
2036	2,659,809	76,956		177,110	-76,909	1,013,839	
2037	2,752,902	76,956		7,140	-7,094	1,165,883	
2038	2,849,253	76,956	427	13,302	56,987	1,321,209	4%
2039	2,948,977	76,956	1,274	35,440	99,777	1,463,549	7%
2040	3,052,191	76,956	2,463	19,308	159,889	1,632,215	10%
2041	3,159,018	76,956		694,639	-457,795	1,118,257	
2042	3,269,584	76,956		270,480	-651,319	1,030,490	
2043	3,384,019	76,956		17,067	-591,430	1,207,290	
2044	3,502,460	76,956		36,842	-551,317	1,375,355	
2045	3,625,046	76,956		51,191	-525,551	1,540,189	
2046	3,751,923	76,956		9,731	-458,327	1,759,642	
2047	3,883,240	76,956		26,859	-408,230	1,975,195	
2048	4,019,153	76,956		267,625	-598,899	1,955,462	
2049	4,159,824	76,956		70,132	-592,075	2,146,028	
2050	4,305,417	76,956		11,167	-526,286	2,411,106	
2051	4,456,107	76,956		51,369	-500,698	2,650,908	
2052	4,612,071	76,956		38,546	-462,288	2,919,674	
2053	4,773,493	76,956		91,070	-476,403	3,151,041	

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Alternate Funding Model Summary**

Report Date	September 27, 2023
Budget Year Beginning	January 1, 2024
Budget Year Ending	December 31, 2024
Total Units	160

<i>Report Parameters</i>	
Interest Rate on Reserve Deposit	1.00%
2024 Beginning Balance	\$1,033,874



The model suggests a 10% annual increase in the annual funding in 2024 through 2031. Other funding alternatives can be prepared if desired by the Board. Note that the study includes 4% inflation in 2024 through 2026 and 3.5% in following years on costs based on current construction cost indexes so some increase in funding over time is needed to stay even with cost increases from inflation.

<i>Alternate Funding Model Summary of Calculations</i>	
Required Monthly Contribution	\$7,054.33
<i>\$44.09 per unit monthly</i>	
Average Net Monthly Interest Earned	<u>\$426.27</u>
Total Monthly Allocation to Reserves	\$7,480.60
<i>\$46.75 per unit monthly</i>	

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Alternate Funding Model Projection**

Beginning Balance: \$1,033,874

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2024	1,760,451	84,652	5,115	570,476	553,165	952,605	58%
2025	1,830,869	93,117	5,901	16,120	636,063	1,060,001	60%
2026	1,904,104	102,429	6,897	4,867	740,523	1,186,838	62%
2027	1,980,268	112,672	7,647	40,214	820,628	1,279,387	64%
2028	2,049,577	123,939	8,572	34,345	918,795	1,384,442	66%
2029	2,121,313	136,333	9,750	21,991	1,042,886	1,509,314	69%
2030	2,195,558	149,966	9,337	194,589	1,007,601	1,463,389	69%
2031	2,270,467	164,963	10,960	5,809	1,177,715	1,614,169	73%
2032	2,349,933	164,963	12,533	19,372	1,335,839	1,760,229	76%
2033	2,432,181	164,963	13,361	95,064	1,419,099	1,836,991	77%
2034	2,482,960	164,963	14,890	26,118	1,572,834	1,968,074	80%
2035	2,569,863	164,963	5,906	1,074,115	669,588	1,040,956	64%
2036	2,659,809	164,963	5,844	177,110	663,285	1,013,839	65%
2037	2,752,902	164,963	7,488	7,140	828,595	1,165,883	71%
2038	2,849,253	164,963	9,087	13,302	989,342	1,321,209	75%
2039	2,948,977	164,963	10,479	35,440	1,129,344	1,463,549	77%
2040	3,052,191	164,963	12,048	19,308	1,287,047	1,632,215	79%
2041	3,159,018	164,963	6,848	694,639	764,218	1,118,257	68%
2042	3,269,584	164,963	5,856	270,480	664,557	1,030,490	64%
2043	3,384,019	164,963	7,401	17,067	819,854	1,207,290	68%
2044	3,502,460	164,963	8,762	36,842	956,737	1,375,355	70%
2045	3,625,046	164,963	9,993	51,191	1,080,502	1,540,189	70%
2046	3,751,923	164,963	11,653	9,731	1,247,386	1,759,642	71%
2047	3,883,240	164,963	13,158	26,859	1,398,648	1,975,195	71%
2048	4,019,153	164,963	12,258	267,625	1,308,244	1,955,462	67%
2049	4,159,824	164,963	13,334	70,132	1,416,409	2,146,028	66%
2050	4,305,417	164,963	15,013	11,167	1,585,218	2,411,106	66%
2051	4,456,107	164,963	16,305	51,369	1,715,118	2,650,908	65%
2052	4,612,071	164,963	17,739	38,546	1,859,274	2,919,674	64%
2053	4,773,493	164,963	18,660	91,070	1,951,826	3,151,041	62%

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Asset Summary Report**

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost		
<b>Equipment</b>									
<b>Backflow Preventers - Replace</b> Asset ID: 1028	2020	2040	6,475	20	0	16	11,391	1 @	6,475.00
<b>Electrical Panels - Replace</b> Asset ID: 1024	1992	2027	3,000	35	0	3	3,375	3 @	1,000.00
<b>Gate Access System - Install/Replace</b> Asset ID: 1039	2024	2024	18,000	18	0	0	18,000	1 @	18,000.00
<b>Gate Access System - Software Cost</b> Asset ID: 1041	2024	2024	4,500	1	0	0	4,500	1 @	4,500.00
<b>Gate Operator (Rolling Gate) - Repla..</b> Asset ID: 1018	2015	2033	3,750	18	0	9	5,185	1 @	3,750.00
<b>Gate Operators (Boston St) - Replace</b> Asset ID: 1014	2015	2033	7,500	18	0	9	10,371	2 @	3,750.00
<b>Gate Operators (Frye Rd) - Replace</b> Asset ID: 1008	2015	2030	15,000	15	0	6	18,707	4 @	3,750.00
<b>HVAC (Gatehouse) - Replace</b> Asset ID: 1009	2023	2038	3,600	15	0	14	5,912	1 @	3,600.00
<b>Irrigation Controllers - Replace</b> Asset ID: 1023	2010	2024	750	5	0	0	750	1 @	750.00
<b>Irrigation System - Refurbish</b> Asset ID: 1025	2018	2024	5,000	5	0	0	5,000	1 @	5,000.00
<b>Pet Stations - Replace</b> Asset ID: 1027	2015	2024	2,600	15	-6	0	2,600	4 @	650.00
<b>Surveillance System (Frye Rd &amp; Bost..</b> Asset ID: 1015	2019	2027	4,250	8	0	3	4,781	1 @	4,250.00
<b>Water Feature Equipment - Replace</b> Asset ID: 1030	2018	2024	4,000	5	0	0	4,000	1 @	4,000.00
<b>Fencing/Security</b>									
<b>Emergency Gate - Replace</b> Asset ID: 1017	1993	2033	10,000	40	0	9	13,827	1 @	10,000.00
<b>Grounds Components</b>									
<b>Boston Entrance - Refurbish</b> Asset ID: 1037	1992	2024	170,000	30	2	0	170,000	1 @	170,000.00
<b>Concrete Components - Repair/Repla..</b> Asset ID: 1020	2035	2035	5,000	10	0	11	7,406	1 @	5,000.00
<b>Drywell - Inspect &amp; Clean</b> Asset ID: 1021	2017	2024	4,000	5	0	0	4,000	2 @	2,000.00
<b>Frye Entrance - Refurbish</b> Asset ID: 1038	1992	2024	150,000	30	2	0	150,000	1 @	150,000.00
<b>Granite - Replenish</b> Asset ID: 1022	2014	2024	20,000	6	0	0	20,000	1 @	20,000.00
<b>Water Feature - Refurbish</b> Asset ID: 1031	2022	2032	10,000	10	0	8	13,360	1 @	10,000.00

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Asset Summary Report**

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost		
<b>Lighting</b>									
<b>Lights - Replace</b> Asset ID: 1029	2024	2024	67,600	30	0	0	67,600	1 @	67,600.00
<b>Painting</b>									
<b>Community - Paint</b> Asset ID: 1004	2017	2025	11,000	8	0	1	11,440	1 @	11,000.00
<b>Signs</b>									
<b>Monument Signs - Refurbish</b> Asset ID: 1026	2004	2024	7,500	23	-3	0	7,500	3 @	2,500.00
<b>Monument Signs - Refurbish</b> Asset ID: 1045	2004	2028	15,000	25	-1	4	17,464	2 @	7,500.00
<b>Monument Signs - Refurbish</b> Asset ID: 1046	2004	2028	10,000	25	-1	4	11,642	1 @	10,000.00
<b>Street Signs - Replace</b> Asset ID: 1032	1993	2033	8,000	30	10	9	11,062	20 @	400.00
<b>Streets/Asphalt</b>									
<b>Asphalt (Ph 1) - Remove &amp; Replace</b> Asset ID: 1048	1992	2035	650,000	35	8	11	962,800	200000 @	3.25
<b>Asphalt (Ph 1) - Subgrade Repairs</b> Asset ID: 1001	1992	2035	10,000	35	8	11	14,812	1 @	10,000.00
<b>Asphalt (Ph 2) - Remove &amp; Replace</b> Asset ID: 1042	1992	2041	325,000	35	14	17	591,764	100000 @	3.25
<b>Asphalt (Ph 2) - Subgrade Repairs</b> Asset ID: 1047	1992	2041	5,000	35	14	17	9,104	1 @	5,000.00
<b>Asphalt - Crack Seal</b> Asset ID: 1002	2024	2024	24,000	3	0	0	24,000	1 @	24,000.00
<b>Asphalt - Repairs</b> Asset ID: 1033	2024	2024	1,500	6	0	0	1,500	1 @	1,500.00
<b>Asphalt - Surface Treatment</b> Asset ID: 1003	2024	2024	91,026	6	0	0	91,026	303420 @	0.30
<b>Gate Loops - Install</b> Asset ID: 1034	1992	2035	14,400	20	23	11	21,330	9 @	1,600.00
<b>Pavement Markings (Ph 1) - Remark</b> Asset ID: 1040	1992	2035	2,000	35	8	11	2,962	1 @	2,000.00
<b>Pavement Markings (Ph 2) - Remark</b> Asset ID: 1049	1992	2041	1,000	35	14	17	1,821	1 @	1,000.00
<b>Speed Humps (Ph 1) - Replace</b> Asset ID: 1035	1992	2035	15,000	35	8	11	22,218	1 @	15,000.00
<b>Speed Humps (Ph 2) - Replace</b> Asset ID: 1043	1992	2041	15,000	35	14	17	27,312	1 @	15,000.00
<b>Survey Monuments (Ph 1) - Remove ..</b> Asset ID: 1036	1992	2035	20,000	35	8	11	29,625	1 @	20,000.00

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Asset Summary Report**

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost
<i>Streets/Asphalt continued...</i>							
Survey Monuments (Ph 2) - Remove .. Asset ID: 1044	1992	2041	20,000	35	14	17	36,416
							1 @ 20,000.00

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Backflow Preventers - Replace**

		1 LS	@ \$6,475.00
Asset ID	1028	Asset Actual Cost	\$6,475.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$11,391.06
Placed in Service	January 2020		
Useful Life	20		
Replacement Year	2040		
Remaining Life	16		



Assume replaced around year 2020.

1 - 1" backflow	@	\$1,100.00	\$1,100.00
2 - 1 1/2" backflow	@	\$1,500.00	\$3,000.00
1 - 2" backflow	@	\$2,375.00	<u>\$2,375.00</u>
		Total =	\$6,475.00

**Electrical Panels - Replace**

		3 EA	@ \$1,000.00
Asset ID	1024	Asset Actual Cost	\$3,000.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$3,374.59
Placed in Service	January 1992		
Useful Life	35		
Replacement Year	2027		
Remaining Life	3		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Electrical Panels - Replace continued...*



(3) 100 amp electrical panels.

Gate Access System - Install/Replace		1 LS	@ \$18,000.00
Asset ID	1039	Asset Actual Cost	\$18,000.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$18,000.00
Placed in Service	January 2024		
Useful Life	18		
Replacement Year	2024		
Remaining Life	0		

ButterflyMX access gate system for both the Frye and Boston entrances. Includes intercoms, vehicle readers, controllers, vehicle readers, and vehicle tags.

Gate Access System - Software Cost		1 LS	@ \$4,500.00
Asset ID	1041	Asset Actual Cost	\$4,500.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$4,500.00
Placed in Service	January 2024		
Useful Life	1		
Replacement Year	2024		
Remaining Life	0		

Annual cost for operating software.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Gate Operator (Rolling Gate) - Replace**

		1 EA	@ \$3,750.00
Asset ID	1018	Asset Actual Cost	\$3,750.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$5,185.29
Placed in Service	May 2015		
Useful Life	18		
Replacement Year	2033		
Remaining Life	9		



Working condition. (1) Door King, 924-050, rolling gate operator, mfg date 2015.

**Gate Operators (Boston St) - Replace**

		2 EA	@ \$3,750.00
Asset ID	1014	Asset Actual Cost	\$7,500.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$10,370.59
Placed in Service	May 2015		
Useful Life	18		
Replacement Year	2033		
Remaining Life	9		



Working condition. (2) Liftmaster CSW24VDC, swing gate operators, mfg date 5/2015.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Gate Operators (Frye Rd) - Replace**

		4 EA	@ \$3,750.00
Asset ID	1008	Asset Actual Cost	\$15,000.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$18,707.35
Placed in Service	May 2015		
Useful Life	15		
Replacement Year	2030		
Remaining Life	6		



(4) Liftmaster CSW24VDC, swing gate operators. Mfg date 5/2015.

**HVAC (Gatehouse) - Replace**

		1 EA	@ \$3,600.00
Asset ID	1009	Asset Actual Cost	\$3,600.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$5,912.16
Placed in Service	July 2023		
Useful Life	15		
Replacement Year	2038		
Remaining Life	14		



2 ton split system. Installed in 2023.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Irrigation Controllers - Replace**

		1 LS	@ \$750.00
Asset ID	1023	Asset Actual Cost	\$750.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$750.00
Placed in Service	January 2010		
Useful Life	5		
Replacement Year	2024		
Remaining Life	0		



(5) various styles (X-Core) and ages of irrigation controllers. Budget for \$750 every 5 years for irrigation controllers replacement.

**Irrigation System - Refurbish**

		1 LS	@ \$5,000.00
Asset ID	1025	Asset Actual Cost	\$5,000.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$5,000.00
Placed in Service	August 2018		
Useful Life	5		
Replacement Year	2024		
Remaining Life	0		

Budget for \$5,000 every 5 years to be used on the irrigation system including but not limited to: pipes, valves, heads, lines, heads, etc. Recommend getting information on system and bid for refurbishment from an expert.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Pet Stations - Replace**

		4 EA	@ \$650.00
Asset ID	1027	Asset Actual Cost	\$2,600.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$2,600.00
Placed in Service	January 2015		
Useful Life	15		
Adjustment	-6		
Replacement Year	2024		
Remaining Life	0		



Replacement planned for 2024.

**Surveillance System (Frye Rd & Boston St) - Replace**

		1 LS	@ \$4,250.00
Asset ID	1015	Asset Actual Cost	\$4,250.00
	Grounds	Percent Replacement	100%
Category	Equipment	Future Cost	\$4,780.67
Placed in Service	August 2019		
Useful Life	8		
Replacement Year	2027		
Remaining Life	3		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

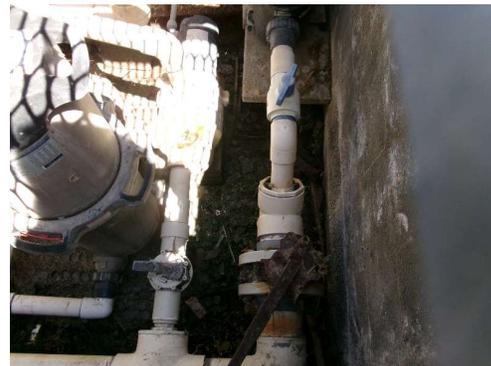
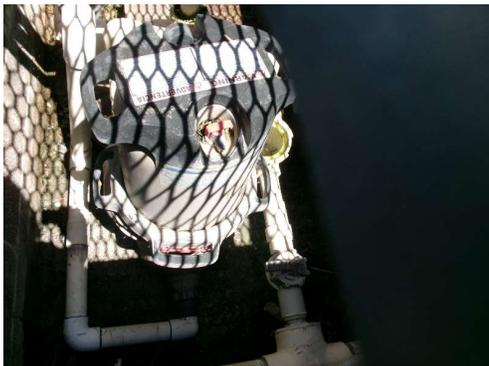
*Surveillance System (Frye Rd & Boston St) - Replace continued...*



Tweaknology in 2019 installed on Frye Rd (4) cameras and (1) NVR. Boston St installed (2) cameras and (1) NVR outdoor pole mounted systems for a total of \$4,127.50.

**Water Feature Equipment - Replace**

Asset ID	1030	1 LS	@ \$4,000.00
Category	Grounds Equipment	Asset Actual Cost	\$4,000.00
Placed in Service	July 2018	Percent Replacement	100%
Useful Life	5	Future Cost	\$4,000.00
Replacement Year	2024		
Remaining Life	0		



Non-working condition. Includes (1) 1/2 HP pump & motor and (1) filter.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Emergency Gate - Replace**

Asset ID	1017	1 LS	@ \$10,000.00
	Grounds	Asset Actual Cost	\$10,000.00
Category	Fencing/Security	Percent Replacement	100%
Placed in Service	January 1993	Future Cost	\$13,827.45
Useful Life	40		
Replacement Year	2033		
Remaining Life	9		



Good condition.

2 - 5'8" x 23'4" vehicle gates

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Boston Entrance - Refurbish**

			1 LS @ \$170,000.00
Asset ID	1037	Asset Actual Cost	\$170,000.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	\$170,000.00
Placed in Service	January 1992		
Useful Life	30		
Adjustment	2		
Replacement Year	2024		
Remaining Life	0		



**Concrete Components - Repair/Replace**

			1 LS @ \$5,000.00
Asset ID	1020	Asset Actual Cost	\$5,000.00
	Grounds	Percent Replacement	100%
Category	Grounds Components	Future Cost	\$7,406.15
Placed in Service	January 2035		
Useful Life	10		
Replacement Year	2035		
Remaining Life	11		



Budget for repairs/replacements of sections of concrete or curbing.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Drywell - Inspect & Clean**

			2 EA	@ \$2,000.00
Asset ID	1021	Asset Actual Cost		\$4,000.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$4,000.00
Placed in Service	January 2017			
Useful Life	5			
Replacement Year	2024			
Remaining Life	0			



Dual chamber drywells. Drywells are recommended to be inspected and cleaned every 3-5 years.

**Frye Entrance - Refurbish**

			1 LS	@ \$150,000.00
Asset ID	1038	Asset Actual Cost		\$150,000.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$150,000.00
Placed in Service	January 1992			
Useful Life	30			
Adjustment	2			
Replacement Year	2024			
Remaining Life	0			

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Frye Entrance - Refurbish continued...*



**Granite - Replenish**

			1 LS	@ \$20,000.00
Asset ID	1022	Asset Actual Cost		\$20,000.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$20,000.00
Placed in Service	July 2014			
Useful Life	6			
Replacement Year	2024			
Remaining Life	0			



Fair condition. Budget for \$20,000 every 6 years to be used "where needed".

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Water Feature - Refurbish**

			1 LS	@ \$10,000.00
Asset ID	1031	Asset Actual Cost		\$10,000.00
	Grounds	Percent Replacement		100%
Category	Grounds Components	Future Cost		\$13,359.86
Placed in Service	June 2022			
Useful Life	10			
Replacement Year	2032			
Remaining Life	8			



Budget for refurbishing concrete water feature.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Lights - Replace**

		1 LS	@ \$67,600.00
Asset ID	1029	Asset Actual Cost	\$67,600.00
	Grounds	Percent Replacement	100%
Category	Lighting	Future Cost	\$67,600.00
Placed in Service	January 2024		
Useful Life	30		
Replacement Year	2024		
Remaining Life	0		



Placed in service date unknown. (5) double head lantern carriage lights.

Arizona Experts bid on 9/8/2023 for replacement of (5) LED light fixtures for a total of \$67,522.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Community - Paint**

		1 LS	@ \$11,000.00
Asset ID	1004	Asset Actual Cost	\$11,000.00
	Community	Percent Replacement	100%
Category	Painting	Future Cost	\$11,440.00
Placed in Service	January 2017		
Useful Life	8		
Replacement Year	2025		
Remaining Life	1		



Property Rock Resources painted all common walls and included DRYLOC on the inside and outside of planter boxes for a total of \$7,126. Noted fading and chipping.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

<b>Monument Signs - Refurbish</b>		3 EA	@ \$2,500.00
Asset ID	1026	Asset Actual Cost	\$7,500.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	\$7,500.00
Placed in Service	January 2004		
Useful Life	23		
Adjustment	-3		
Replacement Year	2024		
Remaining Life	0		



Good condition. (3) monuments. Lettering "San Marcos Country Club Estates". Locations (2) Frye Road and (1) Alma School Road.

<b>Monument Signs - Refurbish</b>		2 EA	@ \$7,500.00
Asset ID	1045	Asset Actual Cost	\$15,000.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	\$17,463.51
Placed in Service	January 2004		
Useful Life	25		
Adjustment	-1		
Replacement Year	2028		
Remaining Life	4		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Monument Signs - Refurbish continued...*



Good condition. At intersection of Quarty Circle and San Marcos Dr,

Monument Signs - Refurbish		1 EA	@ \$10,000.00
Asset ID	1046	Asset Actual Cost	\$10,000.00
Category	Grounds	Percent Replacement	100%
Placed in Service	January 2004	Future Cost	\$11,642.34
Useful Life	25		
Adjustment	-1		
Replacement Year	2028		
Remaining Life	4		



Good condition. On Quarty Circle at 17th hole.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Street Signs - Replace**

		20 EA	@ \$400.00
Asset ID	1032	Asset Actual Cost	\$8,000.00
	Grounds	Percent Replacement	100%
Category	Signs	Future Cost	\$11,061.96
Placed in Service	January 1993		
Useful Life	30		
Adjustment	10		
Replacement Year	2033		
Remaining Life	9		



Good to fair condition. 2 blade 2 name street signs.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Asphalt (Ph 1) - Remove & Replace**

		200,000 SF	@ \$3.25
Asset ID	1048	Asset Actual Cost	\$650,000.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	\$962,800.20
Placed in Service	January 1992		
Useful Life	35		
Adjustment	8		
Replacement Year	2035		
Remaining Life	11		



The pavement is generally in good structural condition. There is some alligator cracking but is a very small percentage of the total pavement. Some repairs should be anticipated in the future if the blocks of asphalt in the alligator crack areas begin to move or break-up. The pavement should be maintained with a good surface treatment and cracks sealed on a regular basis. With a good maintenance program the pavement should last sevmore years.

Approximately 200,000 sf in this phase.

**Asphalt (Ph 1) - Subgrade Repairs**

		1 LS	@ \$10,000.00
Asset ID	1001	Asset Actual Cost	\$10,000.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	\$14,812.31
Placed in Service	January 1992		
Useful Life	35		
Adjustment	8		
Replacement Year	2035		
Remaining Life	11		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Asphalt (Ph 1) - Subgrade Repairs continued...*



Budget for subgrade repairs in conjunction with pavement R&R.

This phase is for the full length of San Marcos Dr and entrances. Approx 85,000 sf.

**Asphalt (Ph 2) - Remove & Replace**

Asset ID	1042
Category	Streets/Parking
Placed in Service	Streets/Asphalt
Useful Life	January 1992
Adjustment	35
Replacement Year	14
Remaining Life	2041
	17

100,000 SF	@ \$3.25
Asset Actual Cost	\$325,000.00
Percent Replacement	100%
Future Cost	\$591,763.64



The pavement is generally in good structural condition. There is some alligator cracking but is a very small percentage of the total pavement. Some repairs should be anticipated in the future if the blocks of asphalt in the alligator crack areas begin to move or break-up. The pavement should be maintained with a good surface treatment and cracks sealed on a regular basis. With a good maintenance program the pavement should last several more years.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Asphalt (Ph 2) - Remove & Replace continued...*

This phase is for the balance of the community streets. Approx 100,000 sf.

**Asphalt (Ph 2) - Subgrade Repairs**

Asset ID	1047	1 LS	@ \$5,000.00
Category	Streets/Parking	Asset Actual Cost	\$5,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	January 1992	Future Cost	\$9,104.05
Adjustment	35		
Replacement Year	14		
Remaining Life	2041		
	17		



Budget for subgrade repairs in conjunction with pavement R&R.

This phase is for the full length of San Marcos Dr and entrances. Approx 85,000 sf.

**Asphalt - Crack Seal**

Asset ID	1002	1 LS	@ \$24,000.00
Category	Streets/Parking	Asset Actual Cost	\$24,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	November 2024	Future Cost	\$24,000.00
Replacement Year	3		
Remaining Life	2024		
	0		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Asphalt - Crack Seal continued...*



Budget for elastomere crack repair from Holbrook bid in 2023. Cracks should be sealed on a regular basis normally on a three cycle.

Asphalt - Repairs		1 LS	@ \$1,500.00
Asset ID	1033	Asset Actual Cost	\$1,500.00
Category	Streets/Parking	Percent Replacement	100%
Placed in Service	Streets/Asphalt	Future Cost	\$1,500.00
Useful Life	November 2024		
Replacement Year	6		
Remaining Life	2024		
	0		



Bid from Holbrook in 2023 included making some repairs of approximately 159 sq. ft. with Nuvo Mastic patching.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Asphalt - Surface Treatment**

		303,420 SF	@ \$0.30
Asset ID	1003	Asset Actual Cost	\$91,026.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	\$91,026.00
Placed in Service	November 2024		
Useful Life	6		
Replacement Year	2024		
Remaining Life	0		



Budget for HA5(High Density Mineral Bond) surface treatment. Bid in 2023 from Holbrook. ACE Asphalt performed some repairs, crack seal and seal coat in late 2018.

**Gate Loops - Install**

		9 EA	@ \$1,600.00
Asset ID	1034	Asset Actual Cost	\$14,400.00
	Streets/Parking	Percent Replacement	100%
Category	Streets/Asphalt	Future Cost	\$21,329.73
Placed in Service	January 1992		
Useful Life	20		
Adjustment	23		
Replacement Year	2035		
Remaining Life	11		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

Pavement Markings (Ph 1) - Remark		1 LS	@ \$2,000.00
Asset ID	1040	Asset Actual Cost	\$2,000.00
Category	Streets/Parking	Percent Replacement	100%
Placed in Service	Streets/Asphalt	Future Cost	\$2,962.46
Useful Life	January 1992		
Adjustment	35		
Replacement Year	8		
Remaining Life	2035		
	11		



Remark pavement including but not limited to fire hydrant markers, etc.

Pavement Markings (Ph 2) - Remark		1 LS	@ \$1,000.00
Asset ID	1049	Asset Actual Cost	\$1,000.00
Category	Streets/Parking	Percent Replacement	100%
Placed in Service	Streets/Asphalt	Future Cost	\$1,820.81
Useful Life	January 1992		
Adjustment	35		
Replacement Year	14		
Remaining Life	2041		
	17		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Pavement Markings (Ph 2) - Remark continued...*



Remark pavement including but not limited to fire hydrant markers, etc.

**Speed Humps (Ph 1) - Replace**

Asset ID	1035	1 LS	@ \$15,000.00
Category	Streets/Parking	Asset Actual Cost	\$15,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	January 1992	Future Cost	\$22,218.47
Adjustment	35		
Replacement Year	8		
Remaining Life	2035		
	11		

Replace speed humps with signage and striping.

**Speed Humps (Ph 2) - Replace**

Asset ID	1043	1 LS	@ \$15,000.00
Category	Streets/Parking	Asset Actual Cost	\$15,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	January 1992	Future Cost	\$27,312.17
Adjustment	35		
Replacement Year	14		
Remaining Life	2041		
	17		

Replace speed humps with signage and striping.

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

**Survey Monuments (Ph 1) - Remove & Replace**

Asset ID	1036	1 LS	@ \$20,000.00
Category	Streets/Parking	Asset Actual Cost	\$20,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	January 1992	Future Cost	\$29,624.62
Adjustment	35		
Replacement Year	8		
Remaining Life	2035		
	11		



Re-set when pavement is removed and replaced.

**Survey Monuments (Ph 2) - Remove & Replace**

Asset ID	1044	1 LS	@ \$20,000.00
Category	Streets/Parking	Asset Actual Cost	\$20,000.00
Placed in Service	Streets/Asphalt	Percent Replacement	100%
Useful Life	January 1992	Future Cost	\$36,416.22
Adjustment	35		
Replacement Year	14		
Remaining Life	2041		
	17		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Detail Report**

*Survey Monuments (Ph 2) - Remove & Replace continued...*



Re-set when pavement is removed and replaced.

# SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION

## Detail Index

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1041	Gate Access System - Software Cost	2024	1-9
1018	Gate Operator (Rolling Gate) - Replace	2033	1-10
1014	Gate Operators (Boston St) - Replace	2033	1-10
1008	Gate Operators (Frye Rd) - Replace	2030	1-11
1009	HVAC (Gatehouse) - Replace	2038	1-11
1023	Irrigation Controllers - Replace	2024	1-12
1025	Irrigation System - Refurbish	2024	1-12
1027	Pet Stations - Replace	2024	1-13
1015	Surveillance System (Frye Rd & Boston St) - Replace	2027	1-13
1030	Water Feature Equipment - Replace	2024	1-14
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1017	Emergency Gate - Replace	2033	1-15
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1037	Boston Entrance - Refurbish	2024	1-16
1020	Concrete Components - Repair/Replace	2035	1-16
1021	Drywell - Inspect & Clean	2024	1-17
1038	Frye Entrance - Refurbish	2024	1-17
1022	Granite - Replenish	2024	1-18
1031	Water Feature - Refurbish	2032	1-19
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1029	Lights - Replace	2024	1-20
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1004	Community - Paint	2025	1-21
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1026	Monument Signs - Refurbish	2024	1-22
1045	Monument Signs - Refurbish	2028	1-22
1046	Monument Signs - Refurbish	2028	1-23
1032	Street Signs - Replace	2033	1-24

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Detail Index**

Asset ID	Description	Replacement	Page
<b>Streets/Asphalt</b>			
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1042	Asphalt (Ph 2) - Remove & Replace	2041	1-26
1047	Asphalt (Ph 2) - Subgrade Repairs	2041	1-27
1002	Asphalt - Crack Seal	2024	1-27
1033	Asphalt - Repairs	2024	1-28
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1034	Gate Loops - Install	2035	1-29
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1035	Speed Humps (Ph 1) - Replace	2035	1-31
1043	Speed Humps (Ph 2) - Replace	2041	1-31
1036	Survey Monuments (Ph 1) - Remove & Replace	2035	1-32
1044	Survey Monuments (Ph 2) - Remove & Replace	2041	1-32
	Total Funded Assets	40	
	Total Unfunded Assets	<u>0</u>	
	Total Assets	40	

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2024</b>	
<b>Equipment</b>	
1039 Gate Access System - Install/Replace	18,000
1041 Gate Access System - Software Cost	4,500
1023 Irrigation Controllers - Replace	750
1025 Irrigation System - Refurbish	5,000
1027 Pet Stations - Replace	2,600
1030 Water Feature Equipment - Replace	4,000
<b>Grounds Components</b>	
1037 Boston Entrance - Refurbish	170,000
1021 Drywell - Inspect & Clean	4,000
1038 Frye Entrance - Refurbish	150,000
1022 Granite - Replenish	20,000
<b>Lighting</b>	
1029 Lights - Replace	67,600
<b>Signs</b>	
1026 Monument Signs - Refurbish	7,500
<b>Streets/Asphalt</b>	
1002 Asphalt - Crack Seal	24,000
1033 Asphalt - Repairs	1,500
1003 Asphalt - Surface Treatment	91,026
<b>Total for 2024</b>	<b><u>\$570,476</u></b>
<b>Replacement Year 2025</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	4,680
<b>Painting</b>	
1004 Community - Paint	11,440
<b>Total for 2025</b>	<b><u>\$16,120</u></b>
<b>Replacement Year 2026</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	4,867
<b>Total for 2026</b>	<b><u>\$4,867</u></b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2027</b>	
<b>Equipment</b>	
1024 Electrical Panels - Replace	3,375
1041 Gate Access System - Software Cost	5,062
1015 Surveillance System (Frye Rd & Boston St) - Replace	4,781
<b>Streets/Asphalt</b>	
1002 Asphalt - Crack Seal	26,997
<b>Total for 2027</b>	<b><u>\$40,214</u></b>
 <b>Replacement Year 2028</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	5,239
<b>Signs</b>	
1046 Monument Signs - Refurbish	11,642
1045 Monument Signs - Refurbish	17,464
<b>Total for 2028</b>	<b><u>\$34,345</u></b>
 <b>Replacement Year 2029</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	5,422
1023 Irrigation Controllers - Replace	904
1025 Irrigation System - Refurbish	6,025
1030 Water Feature Equipment - Replace	4,820
<b>Grounds Components</b>	
1021 Drywell - Inspect & Clean	4,820
<b>Total for 2029</b>	<b><u>\$21,991</u></b>
 <b>Replacement Year 2030</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	5,612
1008 Gate Operators (Frye Rd) - Replace	18,707
<b>Grounds Components</b>	
1022 Granite - Replenish	24,943
<b>Streets/Asphalt</b>	
1002 Asphalt - Crack Seal	29,932

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2030 continued...</i></b>	
1033 Asphalt - Repairs	1,871
1003 Asphalt - Surface Treatment	113,524
<b>Total for 2030</b>	<b><u>\$194,589</u></b>
 <b>Replacement Year 2031</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	5,809
<b>Total for 2031</b>	<b><u>\$5,809</u></b>
 <b>Replacement Year 2032</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	6,012
<b>Grounds Components</b>	
1031 Water Feature - Refurbish	13,360
<b>Total for 2032</b>	<b><u>\$19,372</u></b>
 <b>Replacement Year 2033</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	6,222
1018 Gate Operator (Rolling Gate) - Replace	5,185
1014 Gate Operators (Boston St) - Replace	10,371
<b>Fencing/Security</b>	
1017 Emergency Gate - Replace	13,827
<b>Painting</b>	
1004 Community - Paint	15,210
<b>Signs</b>	
1032 Street Signs - Replace	11,062
<b>Streets/Asphalt</b>	
1002 Asphalt - Crack Seal	33,186
<b>Total for 2033</b>	<b><u>\$95,064</u></b>
 <b>Replacement Year 2034</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	6,440

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b><i>Replacement Year 2034 continued...</i></b>	
1023     Irrigation Controllers - Replace	1,073
1025     Irrigation System - Refurbish	7,156
1030     Water Feature Equipment - Replace	5,725
<b>Grounds Components</b>	
1021     Drywell - Inspect & Clean	5,725
<b>Total for 2034</b>	<b><u>\$26,118</u></b>
 <b>Replacement Year 2035</b>	
<b>Equipment</b>	
1041     Gate Access System - Software Cost	6,666
1015     Surveillance System (Frye Rd & Boston St) - Replace	6,295
<b>Grounds Components</b>	
1020     Concrete Components - Repair/Replace	7,406
<b>Streets/Asphalt</b>	
1048     Asphalt (Ph 1) - Remove & Replace	962,800
1001     Asphalt (Ph 1) - Subgrade Repairs	14,812
1034     Gate Loops - Install	21,330
1040     Pavement Markings (Ph 1) - Remark	2,962
1035     Speed Humps (Ph 1) - Replace	22,218
1036     Survey Monuments (Ph 1) - Remove & Replace	29,625
<b>Total for 2035</b>	<b><u>\$1,074,115</u></b>
 <b>Replacement Year 2036</b>	
<b>Equipment</b>	
1041     Gate Access System - Software Cost	6,899
<b>Grounds Components</b>	
1022     Granite - Replenish	30,661
<b>Streets/Asphalt</b>	
1003     Asphalt - Surface Treatment	139,550
<b>Total for 2036</b>	<b><u>\$177,110</u></b>
 <b>Replacement Year 2037</b>	
<b>Equipment</b>	
1041     Gate Access System - Software Cost	7,140
<b>Total for 2037</b>	<b><u>\$7,140</u></b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2038</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	7,390
1009 HVAC (Gatehouse) - Replace	5,912
<b>Total for 2038</b>	<b>\$13,302</b>
<b>Replacement Year 2039</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	7,649
1023 Irrigation Controllers - Replace	1,275
1025 Irrigation System - Refurbish	8,499
1027 Pet Stations - Replace	4,419
1030 Water Feature Equipment - Replace	6,799
<b>Grounds Components</b>	
1021 Drywell - Inspect & Clean	6,799
<b>Total for 2039</b>	<b>\$35,440</b>
<b>Replacement Year 2040</b>	
<b>Equipment</b>	
1028 Backflow Preventers - Replace	11,391
1041 Gate Access System - Software Cost	7,917
<b>Total for 2040</b>	<b>\$19,308</b>
<b>Replacement Year 2041</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	8,194
<b>Painting</b>	
1004 Community - Paint	20,029
<b>Streets/Asphalt</b>	
1042 Asphalt (Ph 2) - Remove & Replace	591,764
1047 Asphalt (Ph 2) - Subgrade Repairs	9,104
1049 Pavement Markings (Ph 2) - Remark	1,821
1043 Speed Humps (Ph 2) - Replace	27,312
1044 Survey Monuments (Ph 2) - Remove & Replace	36,416
<b>Total for 2041</b>	<b>\$694,639</b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2042</b>	
<b>Equipment</b>	
1039 Gate Access System - Install/Replace	33,922
1041 Gate Access System - Software Cost	8,480
<b>Grounds Components</b>	
1022 Granite - Replenish	37,691
1031 Water Feature - Refurbish	18,845
<b>Streets/Asphalt</b>	
1003 Asphalt - Surface Treatment	171,542
<b>Total for 2042</b>	<b>\$270,480</b>
<b>Replacement Year 2043</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	8,777
1015 Surveillance System (Frye Rd & Boston St) - Replace	8,290
<b>Total for 2043</b>	<b>\$17,067</b>
<b>Replacement Year 2044</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	9,084
1023 Irrigation Controllers - Replace	1,514
1025 Irrigation System - Refurbish	10,094
1030 Water Feature Equipment - Replace	8,075
<b>Grounds Components</b>	
1021 Drywell - Inspect & Clean	8,075
<b>Total for 2044</b>	<b>\$36,842</b>
<b>Replacement Year 2045</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	9,402
1008 Gate Operators (Frye Rd) - Replace	31,341
<b>Grounds Components</b>	
1020 Concrete Components - Repair/Replace	10,447
<b>Total for 2045</b>	<b>\$51,191</b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2046</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	9,731
<b>Total for 2046</b>	<b><u>\$9,731</u></b>
 <b>Replacement Year 2047</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	10,072
<b>Signs</b>	
1026 Monument Signs - Refurbish	16,787
<b>Total for 2047</b>	<b><u>\$26,859</u></b>
 <b>Replacement Year 2048</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	10,425
<b>Grounds Components</b>	
1022 Granite - Replenish	46,332
<b>Streets/Asphalt</b>	
1003 Asphalt - Surface Treatment	210,869
<b>Total for 2048</b>	<b><u>\$267,625</u></b>
 <b>Replacement Year 2049</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	10,789
1023 Irrigation Controllers - Replace	1,798
1025 Irrigation System - Refurbish	11,988
1030 Water Feature Equipment - Replace	9,591
<b>Grounds Components</b>	
1021 Drywell - Inspect & Clean	9,591
<b>Painting</b>	
1004 Community - Paint	26,374
<b>Total for 2049</b>	<b><u>\$70,132</u></b>
 <b>Replacement Year 2050</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	11,167
<b>Total for 2050</b>	<b><u>\$11,167</u></b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Annual Expenditure Detail**

Description	Expenditures
<b>Replacement Year 2051</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	11,558
1018 Gate Operator (Rolling Gate) - Replace	9,632
1014 Gate Operators (Boston St) - Replace	19,263
1015 Surveillance System (Frye Rd & Boston St) - Replace	10,916
<b>Total for 2051</b>	<b><u>\$51,369</u></b>
 <b>Replacement Year 2052</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	11,962
<b>Grounds Components</b>	
1031 Water Feature - Refurbish	26,583
<b>Total for 2052</b>	<b><u>\$38,546</u></b>
 <b>Replacement Year 2053</b>	
<b>Equipment</b>	
1041 Gate Access System - Software Cost	12,381
1009 HVAC (Gatehouse) - Replace	9,905
<b>Signs</b>	
1046 Monument Signs - Refurbish	27,514
1045 Monument Signs - Refurbish	41,271
<b>Total for 2053</b>	<b><u>\$91,070</u></b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Spread Sheet**

ID Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Equipment</b>										
1028 Backflow Preventers - Replace										
1024 Electrical Panels - Replace				3,375						
1039 Gate Access System - Install/Replace	18,000									
1041 Gate Access System - Software Cost	4,500	4,680	4,867	5,062	5,239	5,422	5,612	5,809	6,012	6,222
1018 Gate Operator (Rolling Gate) - Replace										5,185
1014 Gate Operators (Boston St) - Replace										10,371
1008 Gate Operators (Frye Rd) - Replace							18,707			
1009 HVAC (Gatehouse) - Replace										
1023 Irrigation Controllers - Replace	750					904				
1025 Irrigation System - Refurbish	5,000					6,025				
1027 Pet Stations - Replace	2,600									
1015 Surveillance System (Frye Rd & Boston St) - ..				4,781						
1030 Water Feature Equipment - Replace	4,000					4,820				
<b>Equipment Total:</b>	<b>34,850</b>	<b>4,680</b>	<b>4,867</b>	<b>13,217</b>	<b>5,239</b>	<b>17,171</b>	<b>24,320</b>	<b>5,809</b>	<b>6,012</b>	<b>21,778</b>
<b>Fencing/Security</b>										
1017 Emergency Gate - Replace										13,827
<b>Fencing/Security Total:</b>										<b>13,827</b>
<b>Grounds Components</b>										
1037 Boston Entrance - Refurbish	170,000									
1020 Concrete Components - Repair/Replace										
1021 Drywell - Inspect & Clean	4,000					4,820				
1038 Frye Entrance - Refurbish	150,000									
1022 Granite - Replenish	20,000						24,943			
1031 Water Feature - Refurbish									13,360	
<b>Grounds Components Total:</b>	<b>344,000</b>					<b>4,820</b>	<b>24,943</b>		<b>13,360</b>	
<b>Lighting</b>										
1029 Lights - Replace	67,600									
<b>Lighting Total:</b>	<b>67,600</b>									
<b>Painting</b>										
1004 Community - Paint		11,440								15,210
<b>Painting Total:</b>		<b>11,440</b>								<b>15,210</b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Spread Sheet**

ID Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Signs</b>										
1026 Monument Signs - Refurbish	7,500									
1045 Monument Signs - Refurbish					17,464					
1046 Monument Signs - Refurbish					11,642					
1032 Street Signs - Replace										11,062
<b>Signs Total:</b>	<b>7,500</b>				<b>29,106</b>					<b>11,062</b>
<b>Streets/Asphalt</b>										
1048 Asphalt (Ph 1) - Remove & Replace										
1001 Asphalt (Ph 1) - Subgrade Repairs										
1042 Asphalt (Ph 2) - Remove & Replace										
1047 Asphalt (Ph 2) - Subgrade Repairs										
1002 Asphalt - Crack Seal	24,000			26,997			29,932			33,186
1033 Asphalt - Repairs	1,500						1,871			
1003 Asphalt - Surface Treatment	91,026						113,524			
1034 Gate Loops - Install										
1040 Pavement Markings (Ph 1) - Remark										
1049 Pavement Markings (Ph 2) - Remark										
1035 Speed Humps (Ph 1) - Replace										
1043 Speed Humps (Ph 2) - Replace										
1036 Survey Monuments (Ph 1) - Remove & Repla..										
1044 Survey Monuments (Ph 2) - Remove & Repla..										
<b>Streets/Asphalt Total:</b>	<b>116,526</b>			<b>26,997</b>			<b>145,326</b>			<b>33,186</b>
<b>Year Total:</b>	<b>570,476</b>	<b>16,120</b>	<b>4,867</b>	<b>40,214</b>	<b>34,345</b>	<b>21,991</b>	<b>194,589</b>	<b>5,809</b>	<b>19,372</b>	<b>95,064</b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Spread Sheet**

ID Description	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
<b>Equipment</b>										
1028 Backflow Preventers - Replace							11,391			
1024 Electrical Panels - Replace										
1039 Gate Access System - Install/Replace									33,922	
1041 Gate Access System - Software Cost	6,440	6,666	6,899	7,140	7,390	7,649	7,917	8,194	8,480	8,777
1018 Gate Operator (Rolling Gate) - Replace										
1014 Gate Operators (Boston St) - Replace										
1008 Gate Operators (Frye Rd) - Replace										
1009 HVAC (Gatehouse) - Replace					5,912					
1023 Irrigation Controllers - Replace	1,073					1,275				
1025 Irrigation System - Refurbish	7,156					8,499				
1027 Pet Stations - Replace						4,419				
1015 Surveillance System (Frye Rd & Boston St) - ..		6,295								8,290
1030 Water Feature Equipment - Replace	5,725					6,799				
<b>Equipment Total:</b>	<b>20,394</b>	<b>12,961</b>	<b>6,899</b>	<b>7,140</b>	<b>13,302</b>	<b>28,641</b>	<b>19,308</b>	<b>8,194</b>	<b>42,402</b>	<b>17,067</b>
<b>Fencing/Security</b>										
1017 Emergency Gate - Replace										
<b>Fencing/Security Total:</b>										
<b>Grounds Components</b>										
1037 Boston Entrance - Refurbish										
1020 Concrete Components - Repair/Replace		7,406								
1021 Drywell - Inspect & Clean	5,725					6,799				
1038 Frye Entrance - Refurbish										
1022 Granite - Replenish			30,661						37,691	
1031 Water Feature - Refurbish									18,845	
<b>Grounds Components Total:</b>	<b>5,725</b>	<b>7,406</b>	<b>30,661</b>			<b>6,799</b>			<b>56,536</b>	
<b>Lighting</b>										
1029 Lights - Replace										
<b>Lighting Total:</b>										
<b>Painting</b>										
1004 Community - Paint								20,029		
<b>Painting Total:</b>								<b>20,029</b>		

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Spread Sheet**

<b>ID Description</b>	<b>2034</b>	<b>2035</b>	<b>2036</b>	<b>2037</b>	<b>2038</b>	<b>2039</b>	<b>2040</b>	<b>2041</b>	<b>2042</b>	<b>2043</b>
<b>Signs</b>										
1026 Monument Signs - Refurbish										
1045 Monument Signs - Refurbish										
1046 Monument Signs - Refurbish										
1032 Street Signs - Replace										
<b>Signs Total:</b>										
<b>Streets/Asphalt</b>										
1048 Asphalt (Ph 1) - Remove & Replace		962,800								
1001 Asphalt (Ph 1) - Subgrade Repairs		14,812								
1042 Asphalt (Ph 2) - Remove & Replace							591,764			
1047 Asphalt (Ph 2) - Subgrade Repairs							9,104			
1002 Asphalt - Crack Seal										
1033 Asphalt - Repairs										
1003 Asphalt - Surface Treatment			139,550						171,542	
1034 Gate Loops - Install		21,330								
1040 Pavement Markings (Ph 1) - Remark		2,962								
1049 Pavement Markings (Ph 2) - Remark								1,821		
1035 Speed Humps (Ph 1) - Replace		22,218								
1043 Speed Humps (Ph 2) - Replace								27,312		
1036 Survey Monuments (Ph 1) - Remove & Repla..		29,625								
1044 Survey Monuments (Ph 2) - Remove & Repla..								36,416		
<b>Streets/Asphalt Total:</b>		<b>1,053,748</b>	<b>139,550</b>					<b>666,417</b>	<b>171,542</b>	
<b>Year Total:</b>	<b>26,118</b>	<b>1,074,115</b>	<b>177,110</b>	<b>7,140</b>	<b>13,302</b>	<b>35,440</b>	<b>19,308</b>	<b>694,639</b>	<b>270,480</b>	<b>17,067</b>

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**  
**Spread Sheet**

ID Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>Equipment</b>										
1028 Backflow Preventers - Replace										
1024 Electrical Panels - Replace										
1039 Gate Access System - Install/Replace										
1041 Gate Access System - Software Cost	9,084	9,402	9,731	10,072	10,425	10,789	11,167	11,558	11,962	12,381
1018 Gate Operator (Rolling Gate) - Replace								9,632		
1014 Gate Operators (Boston St) - Replace								19,263		
1008 Gate Operators (Frye Rd) - Replace		31,341								
1009 HVAC (Gatehouse) - Replace										9,905
1023 Irrigation Controllers - Replace	1,514					1,798				
1025 Irrigation System - Refurbish	10,094					11,988				
1027 Pet Stations - Replace										
1015 Surveillance System (Frye Rd & Boston St) - ..								10,916		
1030 Water Feature Equipment - Replace	8,075					9,591				
<b>Equipment Total:</b>	<b>28,767</b>	<b>40,744</b>	<b>9,731</b>	<b>10,072</b>	<b>10,425</b>	<b>34,167</b>	<b>11,167</b>	<b>51,369</b>	<b>11,962</b>	<b>22,286</b>
<b>Fencing/Security</b>										
1017 Emergency Gate - Replace										
<b>Fencing/Security Total:</b>										
<b>Grounds Components</b>										
1037 Boston Entrance - Refurbish										
1020 Concrete Components - Repair/Replace		10,447								
1021 Drywell - Inspect & Clean	8,075					9,591				
1038 Frye Entrance - Refurbish										
1022 Granite - Replenish					46,332					
1031 Water Feature - Refurbish									26,583	
<b>Grounds Components Total:</b>	<b>8,075</b>	<b>10,447</b>			<b>46,332</b>	<b>9,591</b>			<b>26,583</b>	
<b>Lighting</b>										
1029 Lights - Replace										
<b>Lighting Total:</b>										
<b>Painting</b>										
1004 Community - Paint						26,374				
<b>Painting Total:</b>						<b>26,374</b>				

**SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION  
Spread Sheet**

ID Description	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>Signs</b>										
1026 Monument Signs - Refurbish				16,787						
1045 Monument Signs - Refurbish										41,271
1046 Monument Signs - Refurbish										27,514
1032 Street Signs - Replace										
<b>Signs Total:</b>				<b>16,787</b>						<b>68,784</b>
<b>Streets/Asphalt</b>										
1048 Asphalt (Ph 1) - Remove & Replace										
1001 Asphalt (Ph 1) - Subgrade Repairs										
1042 Asphalt (Ph 2) - Remove & Replace										
1047 Asphalt (Ph 2) - Subgrade Repairs										
1002 Asphalt - Crack Seal										
1033 Asphalt - Repairs										
1003 Asphalt - Surface Treatment					210,869					
1034 Gate Loops - Install										
1040 Pavement Markings (Ph 1) - Remark										
1049 Pavement Markings (Ph 2) - Remark										
1035 Speed Humps (Ph 1) - Replace										
1043 Speed Humps (Ph 2) - Replace										
1036 Survey Monuments (Ph 1) - Remove & Repla..										
1044 Survey Monuments (Ph 2) - Remove & Repla..										
<b>Streets/Asphalt Total:</b>					<b>210,869</b>					
<b>Year Total:</b>	<b>36,842</b>	<b>51,191</b>	<b>9,731</b>	<b>26,859</b>	<b>267,625</b>	<b>70,132</b>	<b>11,167</b>	<b>51,369</b>	<b>38,546</b>	<b>91,070</b>

# SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION

## Part One

### **Important Information**

The client shall have the right to reproduce and distribute copies of this report, or the information contained within, as may be required for compliance with all applicable regulations.

This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors and vendors and our own experience with local costs. We also may rely on various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and McGraw-Hill Professional, if needed.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

This reserve analysis study is a reflection of information provided to or assembled by the consultant for the association's use, not for the purpose of performing an audit, quality/forensic analyses or background checks of historical records. Information provided by the official representative of the association regarding financial, physical, quantity, or historical issues is deemed reliable by the consultant.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration. All of the information collected during our inspection of the association and computations made subsequently in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

FDReserve Studies would like to thank you for using our services. We invite you to call us at any time, should you have questions, comments or need assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide a revised study.

This reserve analysis is prepared under the supervision of William A. Schlimgen PE, a registered professional engineer in Arizona with more than 10 years of experience in preparation of reserve studies and more than 40 years of engineering management, design, inspection and construction management experience.

# SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION

## Part One

### Part I

#### Document

This reserve analysis study is provided as an aid for planning purposes and not as an accounting tool. Since it deals with events yet to take place, there is no assurance that the results enumerated within it will, in fact, occur as described.

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

#### Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first, and only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership. The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Whereas, if the association was setting aside reserves for this purpose, using the vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof, for example, to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The second option is for the association to **acquire a loan** from a lending institution in order to effect the required repairs. In many cases, banks will lend to an association using "future homeowner assessments" as collateral for the loan. With this method, the current board is pledging the future assets of an association. They are also incurring the additional expense of interest fees along with the original principal amount. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest.

The third option, too often used, is simply to **defer the required repair or replacement**. This option, which is not recommended, can create an environment of declining property values due to expanding lists of deferred maintenance items and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the association by making it difficult, or even impossible, for potential buyers to obtain financing from lenders. Increasingly, lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association itself, a prospective purchaser, or for an individual within such an association.

The fourth option is to pass a "**special assessment**" to the membership in an amount required to cover the expenditure. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure, if necessary. However, an

# SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION

## Part One

association considering a special assessment cannot guarantee that an assessment, when needed, will be passed. Consequently, the association cannot guarantee its ability to perform the required repairs or replacements to those major components for which it is obligated when the need arises. Additionally, while relatively new communities require very little in the way of major “reserve” expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, could be devastating to an association’s overall budget.

### Types of Reserve Studies

Most reserve studies fit into one of three categories:

Full Reserve Study;

Update with site inspection; and

Update without site inspection.

In a **Full Reserve Study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a “fund status” and “funding plan”.

In an **Update with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification unless new components have been added to the inventory), a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both the “fund status and “funding plan.”

In an **Update without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

### The Reserve Study: A Physical and a Financial Analysis

There are two components of a reserve study: a physical analysis and a financial analysis.

#### Physical Analysis

During the physical analysis, a reserve study provider evaluates information regarding the physical status and repair/replacement cost of the association’s major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates.

#### Developing a Component List

The budget process begins with full inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense.

# **SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**

## **Part One**

### **Operational Expenses**

Occur at least annually, no matter how large the expense, and can be budgeted for effectively each year. They are characterized as being reasonably predictable, both in terms of frequency and cost. Operational expenses include all minor expenses, which would not otherwise adversely affect an operational budget from one year to the next.

### **Reserve Expenses**

These are major expenses that occur other than annually, and which must be budgeted for in advance in order to ensure the availability of the necessary funds in time for their use. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets that have an indeterminable but potential liability that may be demonstrated as a likely occurrence. They are expenses that, when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, if they were not reserved for in advance.

### **Budgeting is Normally Excluded**

For expenses that are necessitated by acts of nature, accidents or other occurrences that are more properly insured for, rather than reserved for.

### **Financial Analysis**

The financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent fully funded) to determine a recommendation for the appropriate reserve contribution rate in the future, known as the "funding plan".

### **Preparing the Reserve Study**

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufactured quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study, the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

# **SAN MARCOS COUNTRY CLUB ESTATES HOMEOWNERS ASSOCIATION**

## **Part One**

### **Funding Methods**

From the simplest to the most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash flow method and the component method.

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based upon the individual lives of the components under consideration. The Threshold and the Current Assessment funding models are based upon the cash flow method.

The component method develops a reserve-funding plan where the total contribution is based upon the sum of contributions for individual components. The component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserve over time. This method also allows for computations on individual components in the analysis. The Component Funding model is based upon the component methodology.

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## Part One

### Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association's need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

**Full Funding**---Given that the basis of funding for reserves is to distribute the costs of the replacements over the lives of the components in question, it follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. This formula represents a snapshot in time and is based upon current replacement cost, independent of future inflationary or investment factors:

Fully Funded Reserves = **Age** divided by **Useful Life** the results multiplied by **Current Replacement Cost**

When an association's total accumulated reserves for all components meet this criterion, its reserves are considered "fully-funded."

The **Threshold Funding Model (Minimum Funding)**. The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.

The **Threshold Funding Model**. This method is based upon the cash flow funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount (other than \$0).

The **Current Assessment Funding Model**. This method is also based upon the cash flow funding concept. The initial reserve assessment is set at the association's current fiscal year funding level and a 30-year projection is calculated to illustrate the adequacy of the current funding over time.

The **Component Funding Model**. This is a straight-line funding model. It distributes the cash reserves to individual reserve components and then calculates what the reserve assessment and interest contribution (minus taxes) should be, again by each reserve component. The current annual assessment is then determined by summing all the individual component assessments, hence the name "Component Funding Model". This is the most conservative funding model. It leads to or maintains the fully funded reserve position. The following details this calculation process.

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### Component Funding Model Distribution of Accumulated Reserves

The “Distribution of Accumulated Reserves Report” is a “Component Funding Model” calculation. This distribution **does not** apply to the cash flow funding models.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis, before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets that have predetermined (fixed) reserve balances. The user can “fix” the accumulated reserve balance within the program on the individual asset’s detail page. If, by error, these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component’s age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

Fully Funded Reserves = (Age/Useful Life) x Current Replacement Cost

The software program performs the above calculations to the actual month the component was placed-in-service. The program projects that the accumulation of necessary reserves for repairs or replacements will be available on the first day of the fiscal year in which they are scheduled to occur.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available is depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (scheduled for replacement in the current fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjusts the zero remaining life items to one year, and that asset assumes its new grouping position alphabetically in the final printed report.

If, at the completion of this task, there are additional moneys that have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If, at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any under-funding over the longest remaining life of all assets under consideration, thereby minimizing the impact of any deficiency. For example, if the report indicates an under funding of \$50,000, this under-funding will be assigned to components with the longest remaining lives in order to give more time to “replenish” the account. If the \$50,000 under-funding were to be assigned to short remaining life items, the impact would be felt

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immediately.

If the reserves are under-funded, the monthly contribution requirements, as outlined in this report, can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. The program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes that may be under consideration.

### **Funding Reserves**

Three assessment and contribution figures are provided in the report, the “Monthly Reserve Assessment Required”, the “Average Net Monthly Interest Earned” contribution and the “Total Monthly Allocation to Reserves.” The association should allocate the “Monthly Reserve Assessment Required” amount to reserves each month when the interest earned on the reserves is left in the reserve accounts as part of the contribution. Any interest earned on reserve deposits, must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the “Total Monthly Allocation” to reserves (this is the member assessment plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid, the amount due will be taken directly from the association’s operating accounts as the reserve accounts are allocated only those moneys net of taxes.

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## Part One

### **Users' Guide to your Reserve Analysis Study**

Part II of your report contains the reserve analysis study for your association. There are seven types of reports in the study as described below.

### **Report Summaries**

The Report Summary for all funding models lists all of the parameters that were used in calculating the report

The **Component Listing/Summary** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their remaining life, current cost, monthly reserve contribution, and net monthly allocation.

### **Detail Reports**

The Detail Report itemizes each asset and lists all measurements, current and future costs, and calculations for that asset. Provisions for percentage replacements, salvage values, and one-time replacements can also be utilized. These reports can be sorted by category or group.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufactured quality, usage, exposure to elements and maintenance history.

The Detail Index is an alphabetical listing of all assets, together with the page number of the asset's detail report, the projected replacement year, and the asset number.

### **Projections**

Thirty-year projections add to the usefulness of your reserve analysis study.

### **Definitions**

#### **Report I.D.**

Includes the Report Date (example: November 15, 1992), Account Number (example: 9773), and Version (example: 1.0). Please use this information (displayed on the summary page) when referencing your report.

#### **Budget Year Beginning/Ending**

The budgetary year for which the report is prepared. For associations with fiscal years ending December 31<sup>st</sup>, the monthly contribution figures indicated are for the 12-month period beginning 1/1/20xx and ending 12/31/20xx.

#### **Number of Units and/or Phases**

If applicable, the number of units and/or phases included in this version of the report.

#### **Inflation**

This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement, and the total is used in calculating the monthly reserve contribution that will be necessary to accumulate the required funds in time for replacement.

#### **Annual Assessment Increase**

This represents the percentage rate at which the association will increase its assessment to reserves at the end of each year. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000

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per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aide those associations that have not set aside appropriate reserves in the past, by making the initial year's allocation less formidable.

### **Investment Yield Before Taxes**

The average interest rate anticipated by the association based upon its current investment practices.

### **Taxes on Interest Yield**

The estimated percentage of interest income that will be set aside to pay income taxes on the interest earned.

### **Projected Reserve Balance**

The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. This is based upon information provided and not audited.

### **Percent Fully Funded**

The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

### **Phase Increment Detail and/or Age**

Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

### **Monthly Assessment**

The assessment to reserves required by the association each month.

### **Interest Contribution (After Taxes)**

The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

### **Total Monthly Allocation**

The sum of the monthly assessment and interest contribution figures.

### **Group and Category**

The report may be prepared and sorted either by group (location, building, phase, etc.) or by category (roofing, painting, etc.). The standard report printing format is by category.

### **Percentage of Replacement or Repairs**

In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

### **Placed-In-Service Date**

The month and year that the asset was placed-in-service. This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

### **Estimated Useful Life**

The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into

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consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

### **Adjustment to Useful Life**

Once the useful life is determined, it may be adjusted, up or down, by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

### **Estimated Remaining Life**

This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

### **Replacement Year**

The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

### **Annual Fixed Reserves**

An optional figure which, if used, will override the normal process of allocating reserves to each asset.

### **Fixed Assessment**

An optional figure which, if used, will override all calculations and set the assessment at this amount. This assessment can be set for monthly, quarterly or annually as necessary.

### **Salvage Value**

The salvage value of the asset at the time of replacement, if applicable.

### **One-Time Replacement**

Notation if the asset is to be replaced on a one-time basis.

### **Current Replacement Cost**

The estimated replacement cost effective at the beginning of the fiscal year for which the report is being prepared

### **Future Replacement Cost**

The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

### **Component Inventory**

The task of selecting and qualifying reserve components. This task can be accomplished through on-site visual, review of association design and organizational documents, a review of established association precedents, and discussion with appropriate association representative(s).

## **A Multi-Purpose Tool**

Your Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- The reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.
- Since the reserve analysis study includes measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.