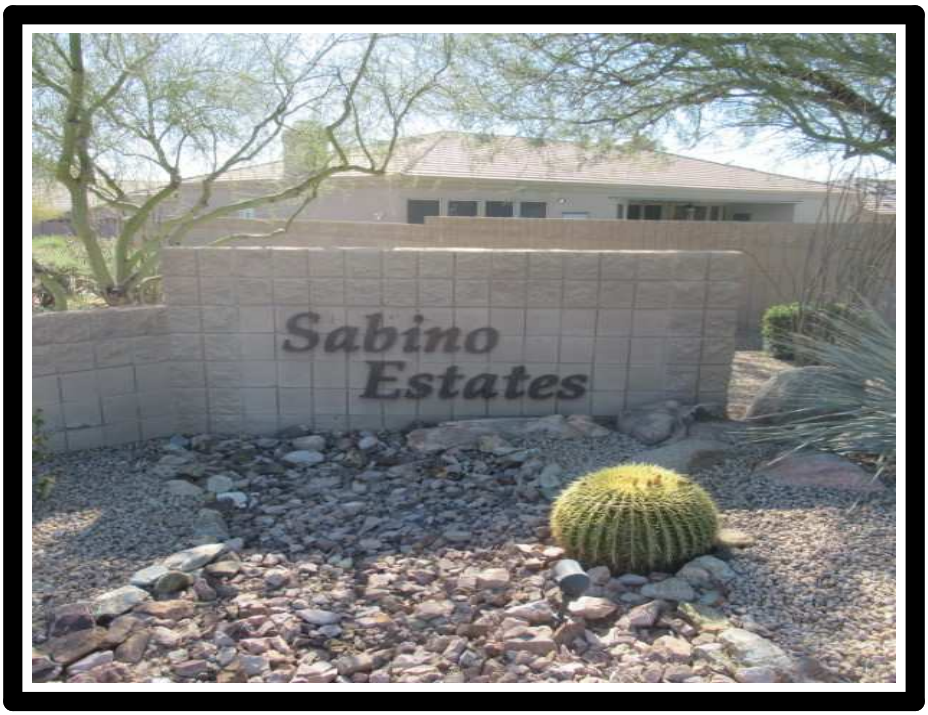
RESERVE STUDY UPDATE

FOR

SABINO ESTATES HOMEOWNERS ASSOCIATION



Management By:
Vision Community Management, Inc
16625 S Desert Foothills Pkwy
Phoenix, AZ 85048

Prepared By:
FDReserve Studies, LLC
Goodyear, AZ 85338

January 9, 2023

EXECUTIVE SUMMARY

SABINO ESTATES HOMEOWNERS ASSOCIATION

January 9, 2023

Starting Reserve Balance 1/1/2022	$189,901
Projected Fully Funded Reserve Balance 1/1/2022	$135,382
Percent Fully Funded 1/1/2022	140%
Annual Reserve Contribution	$28,419

This study is an update of our previous study dated January 18, 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 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, 2022.

2. The study reflects a beginning balance for the reserve fund of $189,901 and an annual contribution of $28,419. 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 2-1 and 2-2, the reserve fund is initially fully funded but becomes underfunded in future years. 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 was prepared and included in the report on pages 2-3 and 2-4 for consideration by the Association. The model suggests funding of a 10% annual increase in year 2033 thru 2041. With this funding alternative the reserve fund will remain in a healthy balance for many years. Other funding alternatives can be prepared if desired by the Board.

4. Note that the study includes a 3% inflation on costs based on current construction cost

indexes so some increase in funding over time is recommended to stay even with cost increase from inflation. Based on current trends in inflation, it should be anticipated that inflation will increase construction cost beyond the 3%. We recommend the study be updated in 1-2 years in order to assess the impact of increased inflation costs.

5. 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.

6. The physical assessment of components was based on field reviews conducted on March 7, 2022. 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 on-site measurements, aerial photos and information provided by the association.

7. 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:

- William A. Schlimgen, PE, RS, APM, bill@fdreservestudies.com, 602-740-8730
- Barbie Augsburger, barbie@fdreservestudies.com, 512-633-3012.

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PART I INFORMATION ABOUT YOUR RESERVE STUDY

PART II RESERVE STUDY

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.

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 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.

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.

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.

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.

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 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.

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 31st, 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 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 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:

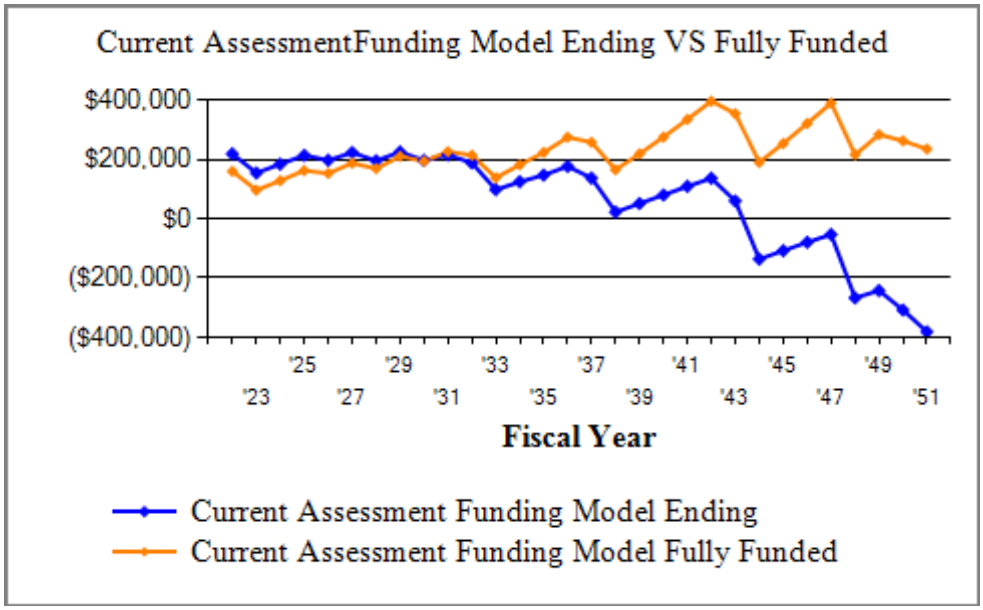
- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the 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.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Current Assessment Funding Model Summary

Report Date	January 9, 2023
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	70

Report Parameters

Inflation	3.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
2022 Beginning Balance	$189,901



Current Assessment Funding Model Summary of Calculations

Required Monthly Contribution	$2,368.25
$33.83 per unit monthly	
Average Net Monthly Interest Earned	$119.49
Total Monthly Allocation to Reserves	$2,487.74
$35.54 per unit monthly	

SABINO ESTATES HOMEOWNERS ASSOCIATION
Current Assessment Funding Model Projection

Beginning Balance: $189,901

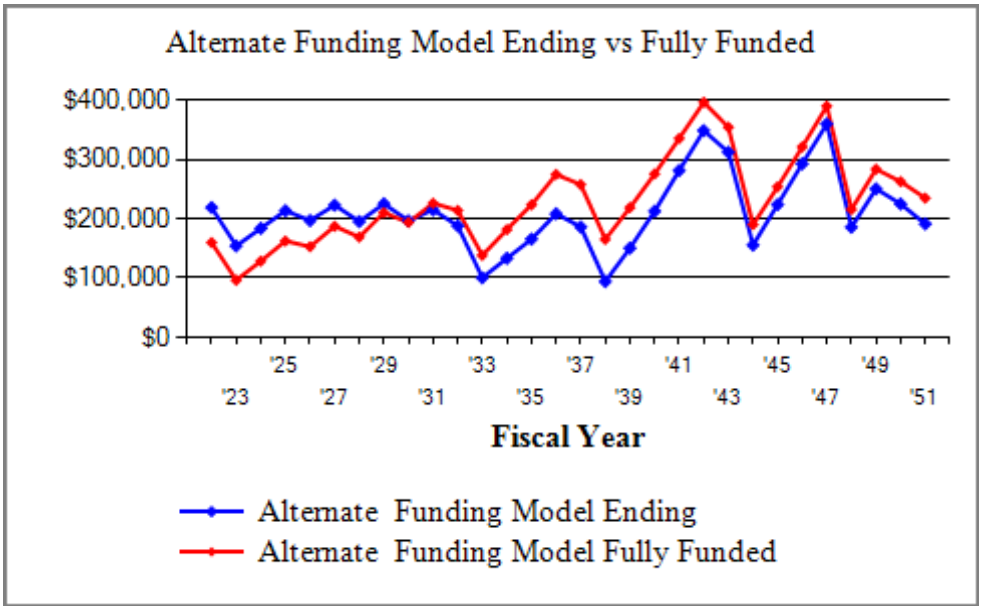
Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	250,553	28,419	1,434	1,093	218,661	159,721	137%
2023	258,070	28,419	984	93,982	154,081	96,162	160%
2024	265,812	28,419	1,190		183,690	128,351	143%
2025	273,786	28,419	1,398		213,507	162,384	131%
2026	282,000	28,419	1,283	46,231	196,978	152,711	129%
2027	290,460	28,419	1,463	4,054	222,806	187,182	119%
2028	299,174	28,419	1,270	57,315	195,181	168,851	116%
2029	308,149	28,419	1,479		225,079	210,056	107%
2030	317,394	28,419	1,280	58,242	196,535	193,609	102%
2031	326,915	28,419	1,408	11,406	214,956	226,026	95%
2032	336,723	28,419	1,220	56,670	187,924	213,945	88%
2033	346,824	28,419	589	119,384	97,549	138,092	71%
2034	357,229	28,419	776	2,415	124,329	181,662	68%
2035	367,946	28,419	934	6,659	147,023	223,425	66%
2036	378,984	28,419	1,140		176,582	274,595	64%
2037	390,354	28,419	863	69,077	136,788	257,485	53%
2038	402,065	28,419	65	142,940	22,332	165,157	14%
2039	414,127	28,419	265		51,015	218,703	23%
2040	426,550	28,419	466		79,901	275,312	29%
2041	439,347	28,419	669		108,989	335,121	33%
2042	452,527	28,419	859	1,974	136,294	396,238	34%
2043	466,103	28,419	324	105,556	59,480	354,091	17%
2044	480,086	28,419		224,380	-136,481	189,933	
2045	494,489	28,419			-108,062	253,650	
2046	509,323	28,419			-79,643	321,020	
2047	524,603	28,419		2,288	-53,512	389,847	
2048	540,341	28,419		242,082	-267,175	215,598	
2049	556,551	28,419		3,762	-242,519	283,492	
2050	573,248	28,419		93,977	-308,077	262,461	
2051	590,445	28,419		101,910	-381,568	234,646	

SABINO ESTATES HOMEOWNERS ASSOCIATION
Alternate Funding Model Summary

Report Date	January 9, 2023
Budget Year Beginning	January 1, 2022
Budget Year Ending	December 31, 2022
Total Units	70

Report Parameters

Inflation	3.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
2022 Beginning Balance	$189,901



Alternate Funding Model based on:

- Increasing the annual contribution to the reserve fund by 10% in 2033 thru 2041.

Alternate Funding Model Summary of Calculations

Required Monthly Contribution	$2,368.25
$33.83 per unit monthly	
Average Net Monthly Interest Earned	$119.49
Total Monthly Allocation to Reserves	$2,487.74
$35.54 per unit monthly	

SABINO ESTATES HOMEOWNERS ASSOCIATION
Alternate Funding Model Projection

Beginning Balance: $189,901

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2022	250,553	28,419	1,434	1,093	218,661	159,721	137%
2023	258,070	28,419	984	93,982	154,081	96,162	160%
2024	265,812	28,419	1,190		183,690	128,351	143%
2025	273,786	28,419	1,398		213,507	162,384	131%
2026	282,000	28,419	1,283	46,231	196,978	152,711	129%
2027	290,460	28,419	1,463	4,054	222,806	187,182	119%
2028	299,174	28,419	1,270	57,315	195,181	168,851	116%
2029	308,149	28,419	1,479		225,079	210,056	107%
2030	317,394	28,419	1,280	58,242	196,535	193,609	102%
2031	326,915	28,419	1,408	11,406	214,956	226,026	95%
2032	336,723	28,419	1,220	56,670	187,924	213,945	88%
2033	346,824	31,261	600	119,384	100,402	138,092	73%
2034	357,229	34,387	819	2,415	133,192	181,662	73%
2035	367,946	37,826	1,032	6,659	165,391	223,425	74%
2036	378,984	41,608	1,320		208,319	274,595	76%
2037	390,354	45,769	1,152	69,077	186,163	257,485	72%
2038	402,065	50,346	495	142,940	94,064	165,157	57%
2039	414,127	55,381	871		150,315	218,703	69%
2040	426,550	60,919	1,287		212,521	275,312	77%
2041	439,347	67,011	1,747		281,279	335,121	84%
2042	452,527	67,011	2,216	1,974	348,532	396,238	88%
2043	466,103	67,011	1,961	105,556	311,947	354,091	88%
2044	480,086	67,011	870	224,380	155,447	189,933	82%
2045	494,489	67,011	1,346		223,804	253,650	88%
2046	509,323	67,011	1,826		292,640	321,020	91%
2047	524,603	67,011	2,294	2,288	359,657	389,847	92%
2048	540,341	67,011	1,080	242,082	185,665	215,598	86%
2049	556,551	67,011	1,532	3,762	250,445	283,492	88%
2050	573,248	67,011	1,353	93,977	224,832	262,461	86%
2051	590,445	67,011	1,118	101,910	191,050	234,646	81%

SABINO ESTATES HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Date In Service	Replacement Date	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Equipment									
Access Phones - Replace Asset ID: 1011	2019	2031	8,742	12	0	9	11,406	2 @	4,370.91
Backflow Preventers - Replace Asset ID: 1016	2015	2035	1,858	20	0	13	2,728	1 @	1,857.64
Gate Operators - Replace Asset ID: 1019	2018	2033	38,245	15	0	11	52,941	1 @	38,245.45
Irrigation Controllers - Replace Asset ID: 1014	2019	2034	1,694	15	0	12	2,415	1 @	1,693.73
Fencing/Security									
Gates - Replace Asset ID: 1008	2008	2048	26,007	40	0	26	56,086	1 @	26,006.90
Walls - Repairs/Replacement Asset ID: 1009	2014	2022	1,093	5	0	0	1,093	1 @	1,092.73
Grounds Components									
Landscape & Irrigation - Refurbish.. Asset ID: 1015	2019	2044	32,782	25	0	22	62,813	1 @	32,781.81
Lighting									
Lighting Fixtures - Replace Asset ID: 1010	1995	2030	2,732	30	5	8	3,461	10 @	273.18
Painting									
Masonry Walls - Paint Asset ID: 1005	2008	2023	43,245	7	8	1	44,542	46500 @	0.93
Metal Components - Paint Asset ID: 1006	2016	2023	48,000	5	2	1	49,440	1 @	48,000.00
Pavement									
Asphalt - Rehabilitation Asset ID: 1002	*1002*	*Unfunded*							
Asphalt - Surface Treatment Asset ID: 1003	2018	2026	41,075	6	2	4	46,231	152131 @	0.27
Signs									
Monuments - Refurbish Asset ID: 1001	2002	2027	2,404	25	0	5	2,787	2 @	1,202.00
Street Signs - Replace Asset ID: 1004	1995	2035	2,677	40	0	13	3,931	7 @	382.45

Monuments - Refurbish

		2 EA	@ $1,202.00
Asset ID	1001	Asset Actual Cost	$2,404.00
	Grounds	Percent Replacement	100%
	Signs	Future Cost	$2,786.89
Placed in Service	September 2002		
Useful Life	25		
Replacement Year	2027		
Remaining Life	5		

Good condition. Located off 128th Street & 129th St.. Lettering reads "Sabino Estates".

Asphalt - Rehabilitation

Asset ID	1002	Asset Actual Cost	
	Streets	Percent Replacement	100%
	Pavement	Future Cost	
Placed in Service	January 1995		
No Useful Life			

Unfunded. Per client request at advice of Holbrook Asphalt Co. applied HA5 in 8/2018 for a total cost of $36,600. Approximately 152,131SF of asphalt.

Asphalt - Surface Treatment

		152,131 SF	@ $0.27
Asset ID	1003	Asset Actual Cost	$41,075.37
	Streets	Percent Replacement	100%
	Pavement	Future Cost	$46,230.69
Placed in Service	August 2018		
Useful Life	6		
Adjustment	2		
Replacement Year	2026		
Remaining Life	4		

Good condition. HA5 applied by Holbrook Asphalt Co. on 8/3/2018 for a total of $30,269. HA5 has 5 year warranty so set useful life at 6 years. Life adjustment due to Pinnacle Paving applying PMM 6/2019 over a paint spill paid for by City of Scottsdale.

Street Signs - Replace

		7 EA	@ $382.45
Asset ID	1004	Asset Actual Cost	$2,677.15
	Grounds	Percent Replacement	100%
	Signs	Future Cost	$3,931.48
Placed in Service	January 1995		
Useful Life	40		
Replacement Year	2035		
Remaining Life	13		

Street Signs - Replace continued...

Good condition. (1) three double sided street sign blades. (2) two double sided street sign blade.

Masonry Walls - Paint

		46,500 Phases	@ $0.93
Asset ID	1005	Asset Actual Cost	$43,245.00
	Grounds	Percent Replacement	100%
	Painting	Future Cost	$44,542.35
Placed in Service	January 2008		
Useful Life	7		
Adjustment	8		
Replacement Year	2023		
Remaining Life	1		

Poor condition. Faded and cracking. Recommend painting soon. Last painted in 2008 for $13,697. Some block walls and view fence in hard to access areas due to terrain and vegetation. Masonry walls painting to coincide with metal painting see asset ID 1006.

Metal Components - Paint

		1 LS	@ $48,000.00
Asset ID	1006	Asset Actual Cost	$48,000.00
	Grounds	Percent Replacement	100%
	Painting	Future Cost	$49,440.00
Placed in Service	March 2016		
Useful Life	5		
Adjustment	2		
Replacement Year	2023		
Remaining Life	1		

Fair to good condition. Rust visible in some locations. Includes: (4) entry/exit gates, (3) pedestrian gates, fencing along south perimeter next to lot 32, fencing at the ends of cul-de-sacs on west perimeter, view fencing along boundry lines between lots and common areas and caps at pedestrian gates. Approximately 7,760 LF of fencing. Last painted by Advanced Painting & Contracting in 3/16 for $38,304.

Gates - Replace

		1 LS	@ $26,006.90
Asset ID	1008	Asset Actual Cost	$26,006.90
	Grounds	Percent Replacement	100%
	Fencing/Security	Future Cost	$56,086.25
Placed in Service	January 2008		
Useful Life	40		
Replacement Year	2048		
Remaining Life	26		

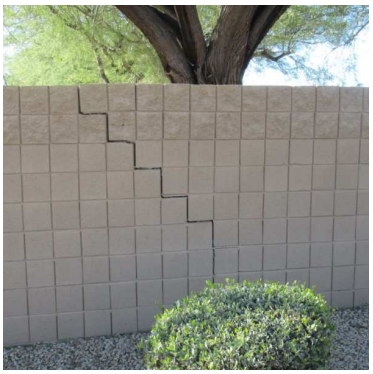
Gates - Replace continued...

Good condition.

3 - approx 4'8" X 3'10" pedestrian gates	@	$983.45	$2,950.36
4 - approx 6' X 9' vehicle gates	@	$3,005.00	$12,020.00
2 - approx 6' X 8' vehicle gates	@	$2,622.54	$5,245.09
2 - approx 6' X 8'10" vehicle gates	@	$2,895.73	$5,791.45
		Total =	$26,006.90

Walls - Repairs/Replacement

		1 LS	@ $1,092.73
Asset ID	1009	Asset Actual Cost	$1,092.73
	Grounds	Percent Replacement	100%
	Fencing/Security	Future Cost	$1,092.73
Placed in Service	January 2014		
Useful Life	5		
Replacement Year	2022		
Remaining Life	0		



Good condition. Noted the cracks have continued to open up since prior study. Noted some cracking due to trees and irrigation overspray. This asset is for metal fencing and masonry wall

Walls - Repairs/Replacement continued...

repairs/replacement on a "as needed" basis.

Lighting Fixtures - Replace

		10 EA	@ $273.18
Asset ID	1010	Asset Actual Cost	$2,731.80
	Grounds	Percent Replacement	100%
	Lighting	Future Cost	$3,460.56
Placed in Service	January 1995		
Useful Life	30		
Adjustment	5		
Replacement Year	2030		
Remaining Life	8		

Good condition. (10) metal wall sconces located at entry gates on 128th Street and 129th St.

Access Phones - Replace

		2 EA	@ $4,370.91
Asset ID	1011	Asset Actual Cost	$8,741.82
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	$11,406.09
Placed in Service	March 2019		
Useful Life	12		
Replacement Year	2031		
Remaining Life	9		

Access Phones - Replace continued...


Located at 128th Street and 129th Street entry gates. Door King entry access phones. Cell Box Voice & Data Wireless connections by Galaxy Gates (129th entry in 2019 & 128th entry in 2021). Upgraded the board in 2019 on 129th entry. Lighting keypads (128th entry in 2021 & 129th entry in 2020).

Irrigation Controllers - Replace

		1 LS	@ $1,693.73
Asset ID	1014	Asset Actual Cost	$1,693.73
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	$2,414.85
Placed in Service	January 2019		
Useful Life	15		
Replacement Year	2034		
Remaining Life	12		

1 - Rainbird 9-station controller on 129th	@	$710.27	$710.27
1 - Rainbird 12-station controller on 128th	@	$983.45	$983.45
		Total =	$1,693.73

Landscape & Irrigation - Refurbishment

		1 LS	@ $32,781.81
Asset ID	1015	Asset Actual Cost	$32,781.81
	Grounds	Percent Replacement	100%
	Grounds Components	Future Cost	$62,813.34
Placed in Service	May 2019		
Useful Life	25		
Replacement Year	2044		
Remaining Life	22		

Includes but not limited to irrigation system, irrigation controllers and landscape refurbishment on a "where needed" basis. Green by Design and Great Western added new landscape rocks, plants, etc along with irrigation refurbishment at both entries for a total of approximately $30,000.

Backflow Preventers - Replace

		1 LS	@ $1,857.64
Asset ID	1016	Asset Actual Cost	$1,857.64
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	$2,728.01
Placed in Service	January 2015		
Useful Life	20		
Replacement Year	2035		
Remaining Life	13		

Backflow Preventers - Replace continued...

Working condition.

1 - 1" backflow preventer	@	$1,202.00	$1,202.00
2 - 3/4" backflow preventers	@	$327.82	$655.64
		Total =	$1,857.64

Gate Operators - Replace

		1 LS	@ $38,245.45
Asset ID	1019	Asset Actual Cost	$38,245.45
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	$52,940.65
Placed in Service	January 2018		
Useful Life	15		
Replacement Year	2033		
Remaining Life	11		

Working condition. (8) units located at entry/exit off 128th Street & 129th Street. Per client, they replaced the gate operators at the end of 2018.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Index

Total Funded Assets	13
Total Unfunded Assets	1
Total Assets	14

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2022		
Fencing/Security		
1009	Walls - Repairs/Replacement	1,093
Total for 2022		**$1,093**
Replacement Year 2023		
Painting		
1005	Masonry Walls - Paint	44,542
1006	Metal Components - Paint	49,440
Total for 2023		**$93,982**
No Replacement in 2024		
No Replacement in 2025		
Replacement Year 2026		
Pavement		
1003	Asphalt - Surface Treatment	46,231
Total for 2026		**$46,231**
Replacement Year 2027		
Fencing/Security		
1009	Walls - Repairs/Replacement	1,267
Signs		
1001	Monuments - Refurbish	2,787
Total for 2027		**$4,054**
Replacement Year 2028		
Painting		
1006	Metal Components - Paint	57,315
Total for 2028		**$57,315**
No Replacement in 2029		
Replacement Year 2030		
Lighting		
1010	Lighting Fixtures - Replace	3,461

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description		Expenditures
Replacement Year 2030 continued...		
Painting		
1005	Masonry Walls - Paint	54,781
Total for 2030		**$58,242**
Replacement Year 2031		
Equipment		
1011	Access Phones - Replace	11,406
Total for 2031		**$11,406**
Replacement Year 2032		
Fencing/Security		
1009	Walls - Repairs/Replacement	1,469
Pavement		
1003	Asphalt - Surface Treatment	55,202
Total for 2032		**$56,670**
Replacement Year 2033		
Equipment		
1019	Gate Operators - Replace	52,941
Painting		
1006	Metal Components - Paint	66,443
Total for 2033		**$119,384**
Replacement Year 2034		
Equipment		
1014	Irrigation Controllers - Replace	2,415
Total for 2034		**$2,415**
Replacement Year 2035		
Equipment		
1016	Backflow Preventers - Replace	2,728
Signs		
1004	Street Signs - Replace	3,931
Total for 2035		**$6,659**

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description		Expenditures
No Replacement in 2036		
Replacement Year 2037		
Fencing/Security		
1009	Walls - Repairs/Replacement	1,702
Painting		
1005	Masonry Walls - Paint	67,374
Total for 2037		**$69,077**
Replacement Year 2038		
Painting		
1006	Metal Components - Paint	77,026
Pavement		
1003	Asphalt - Surface Treatment	65,914
Total for 2038		**$142,940**
No Replacement in 2039		
No Replacement in 2040		
No Replacement in 2041		
Replacement Year 2042		
Fencing/Security		
1009	Walls - Repairs/Replacement	1,974
Total for 2042		**$1,974**
Replacement Year 2043		
Equipment		
1011	Access Phones - Replace	16,262
Painting		
1006	Metal Components - Paint	89,294
Total for 2043		**$105,556**
Replacement Year 2044		
Grounds Components		
1015	Landscape & Irrigation - Refurbishment	62,813

Description		Expenditures
Replacement Year 2044 continued...		
Painting		
1005	Masonry Walls - Paint	82,862
Pavement		
1003	Asphalt - Surface Treatment	78,705
Total for 2044		**$224,380**
No Replacement in 2045		
No Replacement in 2046		
Replacement Year 2047		
Fencing/Security		
1009	Walls - Repairs/Replacement	2,288
Total for 2047		**$2,288**
Replacement Year 2048		
Equipment		
1019	Gate Operators - Replace	82,480
Fencing/Security		
1008	Gates - Replace	56,086
Painting		
1006	Metal Components - Paint	103,516
Total for 2048		**$242,082**
Replacement Year 2049		
Equipment		
1014	Irrigation Controllers - Replace	3,762
Total for 2049		**$3,762**
Replacement Year 2050		
Pavement		
1003	Asphalt - Surface Treatment	93,977
Total for 2050		**$93,977**
Replacement Year 2051		
Painting		
1005	Masonry Walls - Paint	101,910
Total for 2051		**$101,910**

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Equipment											
1011	Access Phones - Replace										11,406
1016	Backflow Preventers - Replace										
1019	Gate Operators - Replace										
1014	Irrigation Controllers - Replace										
Equipment Total:											**11,406**
Fencing/Security											
1008	Gates - Replace										
1009	Walls - Repairs/Replacement	1,093					1,267				
Fencing/Security Total:		**1,093**					**1,267**				
Grounds Components											
1015	Landscape & Irrigation - Refurbishment										
Grounds Components Total:											
Lighting											
1010	Lighting Fixtures - Replace									3,461	
Lighting Total:										**3,461**	
Painting											
1005	Masonry Walls - Paint		44,542							54,781	
1006	Metal Components - Paint		49,440					57,315			
Painting Total:			**93,982**					**57,315**		**54,781**	
Pavement											
1002	Asphalt - Rehabilitation	*Unfunded*									
1003	Asphalt - Surface Treatment					46,231					
Pavement Total:						**46,231**					
Signs											
1001	Monuments - Refurbish						2,787				
1004	Street Signs - Replace										
Signs Total:							**2,787**				
Year Total:		**1,093**	**93,982**			**46,231**	**4,054**	**57,315**		**58,242**	**11,406**

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041
Equipment											
1011	Access Phones - Replace										
1016	Backflow Preventers - Replace				2,728						
1019	Gate Operators - Replace		52,941								
1014	Irrigation Controllers - Replace			2,415							
Equipment Total:			**52,941**	**2,415**	**2,728**						
Fencing/Security											
1008	Gates - Replace										
1009	Walls - Repairs/Replacement	1,469					1,702				
Fencing/Security Total:		**1,469**					**1,702**				
Grounds Components											
1015	Landscape & Irrigation - Refurbishment										
Grounds Components Total:											
Lighting											
1010	Lighting Fixtures - Replace										
Lighting Total:											
Painting											
1005	Masonry Walls - Paint						67,374				
1006	Metal Components - Paint		66,443					77,026			
Painting Total:			**66,443**				**67,374**	**77,026**			
Pavement											
1002	Asphalt - Rehabilitation	*Unfunded*									
1003	Asphalt - Surface Treatment	55,202						65,914			
Pavement Total:		**55,202**						**65,914**			
Signs											
1001	Monuments - Refurbish										
1004	Street Signs - Replace				3,931						
Signs Total:					**3,931**						
Year Total:		**56,670**	**119,384**	**2,415**	**6,659**		**69,077**	**142,940**			

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

ID	Description	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051
Equipment											
1011	Access Phones - Replace		16,262								
1016	Backflow Preventers - Replace										
1019	Gate Operators - Replace							82,480			
1014	Irrigation Controllers - Replace								3,762		
Equipment Total:			**16,262**					**82,480**	**3,762**		
Fencing/Security											
1008	Gates - Replace							56,086			
1009	Walls - Repairs/Replacement	1,974					2,288				
Fencing/Security Total:		**1,974**					**2,288**	**56,086**			
Grounds Components											
1015	Landscape & Irrigation - Refurbishment			62,813							
Grounds Components Total:				**62,813**							
Lighting											
1010	Lighting Fixtures - Replace										
Lighting Total:											
Painting											
1005	Masonry Walls - Paint			82,862							101,910
1006	Metal Components - Paint		89,294					103,516			
Painting Total:			**89,294**	**82,862**				**103,516**			**101,910**
Pavement											
1002	Asphalt - Rehabilitation	*Unfunded*									
1003	Asphalt - Surface Treatment			78,705						93,977	
Pavement Total:				**78,705**						**93,977**	
Signs											
1001	Monuments - Refurbish										
1004	Street Signs - Replace										
Signs Total:											
Year Total:		**1,974**	**105,556**	**224,380**			**2,288**	**242,082**	**3,762**	**93,977**	**101,910**