



RESERVE STUDY

FOR

SABINO ESTATES HOMEOWNERS ASSOCIATION



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January 18, 2019



EXECUTIVE SUMMARY

SABINO ESTATES HOMEOWNERS ASSOCIATION

January 18, 2019

Starting Reserve Balance 2019	\$151,526
Projected Fully Funded Reserve Balance 2019	\$126,949
Percent Fully Funded	119%
Annual Reserve Contribution	\$22,704

This study is an update to a previous study performed by Reserve Data Analysis, Inc. dated December 15, 2016. 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, 2019.
2. The study reflects a beginning balance for the reserve fund of \$151,526 and an annual contribution of \$22,704. The financial information was provided by the association and was not audited. As reflected by the Current Assessment Funding Model Projection in the report, the reserve fund is currently sufficiently funded but will actually run out of funds at the end of the study. 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. Please note the study includes a 3% inflation on costs based on current construction cost indexes and a 3% built in contingency, so some increase in funding over time is recommended to stay even the with cost increase from inflation.
3. 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.
4. The physical assessment of components was based on field reviews conducted on October 5,

2018. 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.

5. 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.

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Important Information

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, assorted vendors, specialist and independent contractors, the Community Association Institute, and 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. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and reserve study preparation.

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.

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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

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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.

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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. Examples of *operational expenses* include:

Utilities:	Bank Service Charges	Accounting
Electricity	Dues & Publications	Reserve Study
Gas	Licenses, Permits & Fees	Repair Expenses:
Water	Insurance(s)	Tile Roof Repairs
Telephone	Services:	Equipment Repairs
Cable TV	Landscaping	Minor Concrete Repairs
Administrative:	Pool Maintenance	Operating Contingency
Supplies	Street Sweeping	

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. Examples of reserve expenses include:

Roof Replacements	Park/Play Equipment
Painting	Pool/Spa Re-plastering
Deck Resurfacing	Pool Equipment Replacement
Fencing Replacement	Pool Furniture Replacement
Asphalt Seal Coating	Tennis Court Resurfacing
Asphalt Repairs	Lighting Replacement
Asphalt Overlays	Insurance(s)
Equipment Replacement	Reserve Study
Interior Furnishings	

Budgeting is Normally Excluded for:

Repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses that may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Expenses that are necessitated by acts of nature, accidents or other occurrences that are more

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properly insured for, rather than reserved for, are also excluded.

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.

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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

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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

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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 as well as the summary of your reserve analysis study.

Index Reports

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves that should have accumulated for the association as well as the actual reserves available. This information is valid only for the “Component Funding Model” calculation.

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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.

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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

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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).

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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.

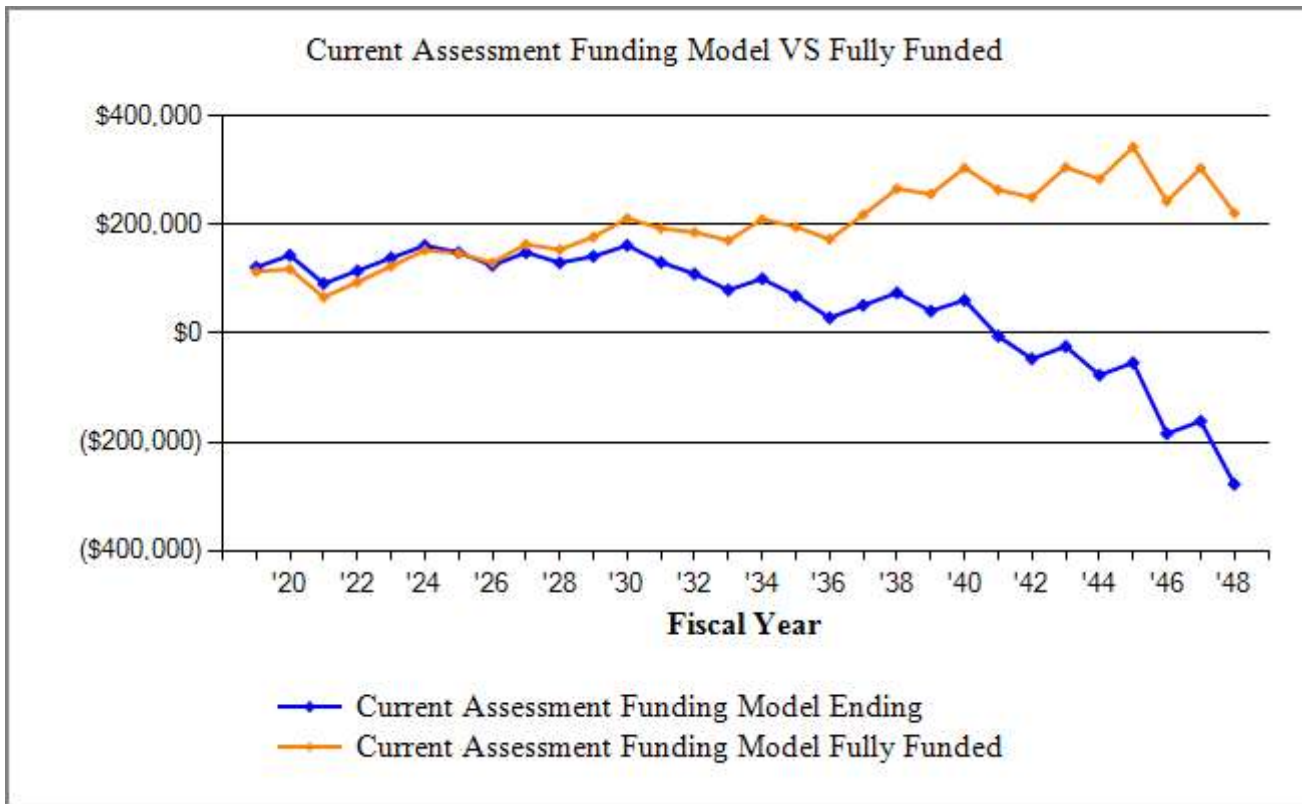
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Scottsdale, AZ

Current Assessment Funding Model Summary

Report Date	January 18, 2019
Budget Year Beginning	January 1, 2019
Budget Year Ending	December 31, 2019
Total Units	70

<i>Report Parameters</i>	
Inflation	3.00%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	1.00%
Tax Rate on Interest	30.00%
Contingency	3.00%
2019 Beginning Balance	\$151,526



<i>Current Assessment Funding Model Summary of Calculations</i>	
Required Annual Contribution	\$22,704.00
<i>\$324.34 per unit annually</i>	
Average Net Annual Interest Earned	<u>\$845.11</u>
Total Annual Allocation to Reserves	\$23,549.11
<i>\$336.42 per unit annually</i>	

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Current Assessment Funding Model Projection

Beginning Balance: \$151,526

Year	Current Cost	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2019	227,976	22,704	845	53,500	121,575	113,704	107%
2020	216,790	22,704	998	1,648	143,630	118,050	122%
2021	223,294	22,704	637	75,377	91,593	66,450	138%
2022	229,993	22,704	800		115,097	94,088	122%
2023	236,893	22,704	965		138,766	123,324	113%
2024	244,000	22,704	1,122	1,159	161,433	153,000	106%
2025	251,320	22,704	1,035	36,330	148,841	147,034	101%
2026	258,859	22,704	869	47,350	125,064	130,030	96%
2027	266,625	22,704	1,034		148,803	163,660	91%
2028	274,624	22,704	903	42,470	129,940	154,093	84%
2029	282,862	22,704	984	12,095	141,532	177,412	80%
2030	291,348	22,704	1,125	3,461	161,901	211,563	77%
2031	300,089	22,704	908	54,892	130,621	193,101	68%
2032	309,091	22,704	761	44,682	109,404	185,931	59%
2033	318,364	22,704	554	52,941	79,721	170,811	47%
2034	327,915	22,704	698	2,649	100,475	209,745	48%
2035	337,753	22,704	481	54,480	69,180	195,907	35%
2036	347,885	22,704	198	63,635	28,447	173,065	16%
2037	358,322	22,704	358		51,509	218,275	24%
2038	369,071	22,704	519		74,733	266,041	28%
2039	380,143	22,704	285	56,759	40,963	256,206	16%
2040	391,548	22,704	425	2,976	61,115	304,459	20%
2041	403,294	22,704		89,099	-5,280	264,023	
2042	415,393	22,704		64,240	-46,816	250,120	
2043	427,855	22,704			-24,112	305,407	
2044	440,690	22,704		75,376	-76,784	283,746	
2045	453,911	22,704			-54,080	342,951	
2046	467,528	22,704		153,105	-184,481	242,878	
2047	481,554	22,704			-161,777	303,944	
2048	496,001	22,704		138,566	-277,639	221,318	

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2019	
Fencing/Security	
Walls - Repairs/Replacement	1,000
Equipment	
Gate Operators - Replace	17,500
Grounds Components	
Landscape & Irrigation - Refurbishment	35,000
Total for 2019	<u>\$53,500</u>
 Replacement Year 2020	
Equipment	
Backflow Preventers - Replace	1,648
Total for 2020	<u>\$1,648</u>
 Replacement Year 2021	
Painting	
Masonry Walls - Paint	34,532
Metal Components - Paint	40,845
Total for 2021	<u>\$75,377</u>
 <i>No Replacement in 2022</i>	
<i>No Replacement in 2023</i>	
 Replacement Year 2024	
Fencing/Security	
Walls - Repairs/Replacement	1,159
Total for 2024	<u>\$1,159</u>
 Replacement Year 2025	
Pavement	
Asphalt - Surface Treatment	36,330
Total for 2025	<u>\$36,330</u>
 Replacement Year 2026	
Painting	
Metal Components - Paint	47,350
Total for 2026	<u>\$47,350</u>

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
<i>No Replacement in 2027</i>	
Replacement Year 2028	
Painting	
Masonry Walls - Paint	42,470
Total for 2028	\$42,470
Replacement Year 2029	
Fencing/Security	
Walls - Repairs/Replacement	1,344
Equipment	
Access Phones - Replace	10,751
Total for 2029	\$12,095
Replacement Year 2030	
Lighting	
Lighting Fixtures - Replace	3,461
Total for 2030	\$3,461
Replacement Year 2031	
Painting	
Metal Components - Paint	54,892
Total for 2031	\$54,892
Replacement Year 2032	
Pavement	
Asphalt - Surface Treatment	44,682
Total for 2032	\$44,682
Replacement Year 2033	
Equipment	
Gate Operators - Replace	52,941
Total for 2033	\$52,941

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
Replacement Year 2034	
Fencing/Security	
Walls - Repairs/Replacement	1,558
Equipment	
Irrigation Controllers - Replace	1,091
Total for 2034	<u>\$2,649</u>
 Replacement Year 2035	
Painting	
Masonry Walls - Paint	52,233
Signs	
Street Signs - Replace	2,247
Total for 2035	<u>\$54,480</u>
 Replacement Year 2036	
Painting	
Metal Components - Paint	63,635
Total for 2036	<u>\$63,635</u>
 <i>No Replacement in 2037</i>	
<i>No Replacement in 2038</i>	
 Replacement Year 2039	
Pavement	
Asphalt - Surface Treatment	54,953
Fencing/Security	
Walls - Repairs/Replacement	1,806
Total for 2039	<u>\$56,759</u>
 Replacement Year 2040	
Equipment	
Backflow Preventers - Replace	2,976
Total for 2040	<u>\$2,976</u>

**SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2041	
Painting	
Metal Components - Paint	73,770
Equipment	
Access Phones - Replace	15,329
Total for 2041	<u>\$89,099</u>
 Replacement Year 2042	
Painting	
Masonry Walls - Paint	64,240
Total for 2042	<u>\$64,240</u>
 <i>No Replacement in 2043</i>	
 Replacement Year 2044	
Fencing/Security	
Walls - Repairs/Replacement	2,094
Grounds Components	
Landscape & Irrigation - Refurbishment	73,282
Total for 2044	<u>\$75,376</u>
 <i>No Replacement in 2045</i>	
 Replacement Year 2046	
Pavement	
Asphalt - Surface Treatment	67,585
Painting	
Metal Components - Paint	85,520
Total for 2046	<u>\$153,105</u>
 <i>No Replacement in 2047</i>	
 Replacement Year 2048	
Fencing/Security	
Gates - Replace	56,086

SABINO ESTATES HOMEOWNERS ASSOCIATION
Annual Expenditure Detail

Description	Expenditures
<i>Replacement Year 2048 continued...</i>	
Equipment	
Gate Operators - Replace	82,480
Total for 2048	<u>\$138,566</u>

SABINO ESTATES HOMEOWNERS ASSOCIATION
Asset Summary Report

Description	Asset ID	Date In Service	Current Cost	Useful Life	Adjustment	Remaining	Future Cost	Quantity	Unit Cost
Pavement									
Asphalt - Rehabilitation	1002	<i>Unfunded</i>							
Asphalt - Surface Treatment	2018	2025	30,426	7	0	6	36,330	152131 @	0.20
Painting									
Masonry Walls - Paint	2008	2021	32,550	7	6	2	34,532	46500 @	0.70
Metal Components - Paint	2016	2021	38,500	5	0	2	40,845	1 @	38,500.00
Fencing/Security									
Gates - Replace	2008	2048	23,800	40	0	29	56,086	1 @	23,800.00
Walls - Repairs/Replacement	2014	2019	1,000	5	0	0	1,000	1 @	1,000.00
Lighting									
Lighting Fixtures - Replace	1995	2030	2,500	30	5	11	3,461	10 @	250.00
Equipment									
Access Phones - Replace	2017	2029	8,000	12	0	10	10,751	2 @	4,000.00
Backflow Preventers - Replace	1995	2020	1,600	20	5	1	1,648	2 @	800.00
Gate Operators - Replace	2019	2019	17,500	1	0	0	17,500	1 @	17,500.00
Gate Operators - Replace	2018	2033	35,000	15	0	14	52,941	1 @	35,000.00
Irrigation Controllers - Replace	2019	2034	700	15	15	15	1,091	2 @	350.00
Grounds Components									
Landscape & Irrigation - Refurbish..	1995	2019	35,000	25	-1	0	35,000	1 @	35,000.00
Signs									
Monuments - Refurbish	1001	<i>Unfunded</i>							
Street Signs - Replace	1995	2035	1,400	40	0	16	2,247	7 @	200.00

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Asphalt - Rehabilitation

Asset ID	1002	Asset Cost	
Streets		Percent Replacement	100%
Pavement		Future Cost	
Placed in Service	January 1995	Assigned Reserves	<i>none</i>
No Useful Life			

No Future Assessments



Unfunded. Per client request at advice of Holbrook Asphalt Co. Approximately 152,131SF of asphalt.

Asphalt - Surface Treatment

Asset ID	1003	152,131 SF	@ \$0.20
Streets		Asset Cost	\$30,426.20
Pavement		Percent Replacement	100%
Placed in Service	August 2018	Future Cost	\$36,330.47
Useful Life	7	Assigned Reserves	\$4,346.60
Replacement Year	2025	Annual Assessment	\$6,531.25
Remaining Life	6	Interest Contribution	<u>\$76.14</u>
		Reserve Allocation	\$6,607.40



Good condition. HA5 applied by Holbrook Asphalt Co. on 8/3/2018 for a total of \$30,269.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Asphalt - Surface Treatment continued...

HA5 has 5 year warranty so set useful life at 7 years.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Masonry Walls - Paint

		46,500 SF	@ \$0.70
Asset ID	1005	Asset Cost	\$32,550.00
	Grounds	Percent Replacement	100%
	Painting	Future Cost	\$34,532.29
Placed in Service	January 2008	Assigned Reserves	\$27,542.31
Useful Life	7		
Adjustment	6	Annual Assessment	\$4,126.18
Replacement Year	2021	Interest Contribution	\$221.68
Remaining Life	2	Reserve Allocation	\$4,347.86



Poor condition. Faded and cracking from trees and irrigation. Recommend painting soon. Last painted in 2008 for \$13,697. Some block walls under the 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	@ \$38,500.00
Asset ID	1006	Asset Cost	\$38,500.00
	Grounds	Percent Replacement	100%
	Painting	Future Cost	\$40,844.65
Placed in Service	March 2016	Assigned Reserves	\$46,875.36
Useful Life	5		
Replacement Year	2021	<i>No Future Assessments</i>	
Remaining Life	2		

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Metal Components - Paint continued...



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 and view fencing along boundry lines between lots and common areas. Approximately 7,760 LF of fencing. Last painted by Advanced Painting & Contracting in 3/16 for \$38,304. Cost savings due to masonry walls and metal painting in same year.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Gates - Replace

		1 LS	@ \$23,800.00
Asset ID	1008	Asset Cost	\$23,800.00
	Grounds	Percent Replacement	100%
	Fencing/Security	Future Cost	\$56,086.26
Placed in Service	January 2008	Assigned Reserves	\$6,545.00
Useful Life	40		
Replacement Year	2048	Annual Assessment	\$1,882.39
Remaining Life	29	Interest Contribution	<u>\$58.99</u>
		Reserve Allocation	\$1,941.38



Good condition.

3 - approx 4'8" X 3'10" pedestrian gates	@ \$900.00 =	\$2,700.00
4 - approx 6' X 9' vehicle gates	@ 2,750.00 =	11,000.00
2 - approx 6' X 8' vehicle gates	@ 2,400.00 =	4,800.00
2 - approx 6' X 8'10" vehicle gates	@ 2,650.00 =	<u>5,300.00</u>
	Total =	\$23,800.00

Walls - Repairs/Replacement

		1 LS	@ \$1,000.00
Asset ID	1009	Asset Cost	\$1,000.00
	Grounds	Percent Replacement	100%
	Fencing/Security	Future Cost	\$1,000.00
Placed in Service	January 2014	Assigned Reserves	\$1,000.00
Useful Life	5		
Replacement Year	2019	Annual Assessment	\$286.74
Remaining Life	0	Interest Contribution	<u>\$2.01</u>
		Reserve Allocation	\$288.75

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Walls - Repairs/Replacement continued...



Good condition. Noted some cracking due to trees and irrigation overspray. This asset is for metal fencing and masonry wall repairs/replacement on a "as needed" basis.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Lighting Fixtures - Replace

		10 EA	@ \$250.00
Asset ID	1010	Asset Cost	\$2,500.00
	Grounds	Percent Replacement	100%
	Lighting	Future Cost	\$3,460.58
Placed in Service	January 1995	Assigned Reserves	\$1,714.29
Useful Life	30		
Adjustment	5	Annual Assessment	\$177.18
Replacement Year	2030	Interest Contribution	<u>\$13.24</u>
Remaining Life	11	Reserve Allocation	\$190.42



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

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Access Phones - Replace		2 EA	@ \$4,000.00
Asset ID	1011	Asset Cost	\$8,000.00
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	\$10,751.33
Placed in Service	January 2017	Assigned Reserves	\$1,333.33
Useful Life	12		
Replacement Year	2029	Annual Assessment	\$1,132.73
Remaining Life	10	Interest Contribution	<u>\$17.26</u>
		Reserve Allocation	\$1,149.99



Located at 128th Street and Via Linda entry gates. Door King entry access phones. Interior board equipment replaced in 2017 for \$1800 & \$1400 each.

Backflow Preventers - Replace		2 EA	@ \$800.00
Asset ID	1016	Asset Cost	\$1,600.00
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	\$1,648.00
Placed in Service	January 1995	Assigned Reserves	\$1,600.00
Useful Life	20		
Adjustment	5	Annual Assessment	\$46.15
Replacement Year	2020	Interest Contribution	<u>\$11.52</u>
Remaining Life	1	Reserve Allocation	\$57.68

**SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category**

Backflow Preventers - Replace continued...



Working condition. Febco 1" 825YA backflow preventers.

Gate Operators - Replace

			1 LS	@ \$17,500.00
Asset ID	1012		Asset Cost	\$17,500.00
	Grounds		Percent Replacement	100%
	Equipment		Future Cost	\$17,500.00
Placed in Service	January 2019		Assigned Reserves	\$17,500.00
Useful Life	1			
Replacement Year	2019	<i>No Future Assessments</i>		
Remaining Life	0			



Working condition. (8) units located at entry/exit off 128th Street & Via Linda. Per client, they replaced the gate operators in 2018 with a 50% deposit paid in 12/2018 and remaining balance paid in 1/2019. One time expense see asset ID 1019.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Gate Operators - Replace

		1 LS	@ \$35,000.00
Asset ID	1019	Asset Cost	\$35,000.00
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	\$52,940.64
Placed in Service	January 2018	Assigned Reserves	\$2,333.33
Useful Life	15		
Replacement Year	2033	Annual Assessment	\$4,310.37
Remaining Life	14	Interest Contribution	<u>\$46.51</u>
		Reserve Allocation	\$4,356.87



Working condition. (8) units located at entry/exit off 128th Street & Via Linda. Per client, they replaced the gate operators at the end of 2018 with a 50% deposit paid in 12/2018 and remaining balance paid in 1/2019. This asset is for the new operators full value with replacement from install date.

Irrigation Controllers - Replace

		2 EA	@ \$350.00
Asset ID	1014	Asset Cost	\$700.00
	Grounds	Percent Replacement	100%
	Equipment	Future Cost	\$1,090.58
Placed in Service	January 2019	Assigned Reserves	\$350.00
Useful Life	15		
Adjustment	15	Annual Assessment	\$55.87
Replacement Year	2034	Interest Contribution	<u>\$2.84</u>
Remaining Life	15	Reserve Allocation	\$58.71

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Irrigation Controllers - Replace continued...



New condition. Irritrol 6-station irrigation controllers, model RD-600. Will be replaced in 2019 at the same time as irrigation and landscape improvements are performed.

**SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category**

Landscape & Irrigation - Refurbishment

		1 LS	@ \$35,000.00
Asset ID	1015	Asset Cost	\$35,000.00
	Grounds	Percent Replacement	100%
	Grounds Components	Future Cost	\$35,000.00
Placed in Service	January 1995	Assigned Reserves	\$35,000.00
Useful Life	25		
Adjustment	-1	Annual Assessment	\$3,376.81
Replacement Year	2019	Interest Contribution	<u>\$23.64</u>
Remaining Life	0	Reserve Allocation	\$3,400.45

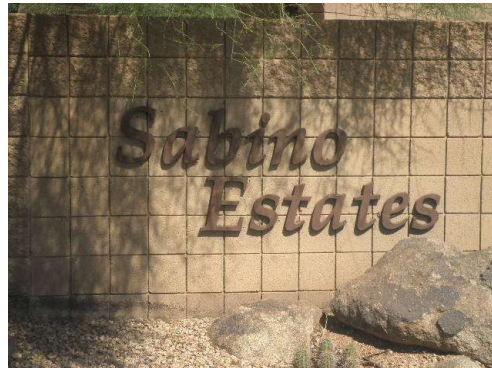


Includes but not limited to irrigation system, irrigation controllers and landscape refurbishment on a "where needed" basis.

**SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category**

Monuments - Refurbish

		2 EA	@ \$1,100.00
Asset ID	1001	Asset Cost	\$2,200.00
	Grounds	Percent Replacement	100%
	Signs	Future Cost	\$2,786.89
Placed in Service	September 2002	Assigned Reserves	<i>none</i>
Useful Life	25		
Replacement Year	2027	<i>No Future Assessments</i>	
Remaining Life	8		



Good condition. Located off 128th Street & Via Linda. Lettering reads "Sabino Estates".

Street Signs - Replace

		7 EA	@ \$200.00
Asset ID	1004	Asset Cost	\$1,400.00
	Grounds	Percent Replacement	100%
	Signs	Future Cost	\$2,246.59
Placed in Service	January 1995	Assigned Reserves	\$840.00
Useful Life	40		
Replacement Year	2035	Annual Assessment	\$97.21
Remaining Life	16	Interest Contribution	\$6.56
		Reserve Allocation	\$103.77



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

SABINO ESTATES HOMEOWNERS ASSOCIATION
Detail Report by Category

Street Signs - Replace continued...

blade.

SABINO ESTATES HOMEOWNERS ASSOCIATION
Category Detail Index

Asset ID	Description	Replacement	Page
Pavement			
1002	Asphalt - Rehabilitation	Unfunded	2-9
1003	Asphalt - Surface Treatment	2025	2-9
Painting			
1005	Masonry Walls - Paint	2021	2-11
1006	Metal Components - Paint	2021	2-11
Fencing/Security			
1008	Gates - Replace	2048	2-13
1009	Walls - Repairs/Replacement	2019	2-13
Lighting			
1010	Lighting Fixtures - Replace	2030	2-15
Equipment			
1011	Access Phones - Replace	2029	2-16
1016	Backflow Preventers - Replace	2020	2-16
1012	Gate Operators - Replace	2019	2-17
1019	Gate Operators - Replace	2033	2-18
1014	Irrigation Controllers - Replace	2034	2-18
Grounds Components			
1015	Landscape & Irrigation - Refurbishment	2019	2-20
Signs			
1001	Monuments - Refurbish	Unfunded	2-21
1004	Street Signs - Replace	2035	2-21
	Total Funded Assets	13	
	Total Unfunded Assets	<u>2</u>	
	Total Assets	15	

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

Description	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Pavement										
Asphalt - Rehabilitation	<i>Unfunded</i>									
Asphalt - Surface Treatment							36,330			
Pavement Total:							36,330			
Painting										
Masonry Walls - Paint			34,532							42,470
Metal Components - Paint			40,845					47,350		
Painting Total:			75,377					47,350		42,470
Fencing/Security										
Gates - Replace										
Walls - Repairs/Replacement	1,000					1,159				
Fencing/Security Total:	1,000					1,159				
Lighting										
Lighting Fixtures - Replace										
Lighting Total:										
Equipment										
Access Phones - Replace										
Backflow Preventers - Replace		1,648								
Gate Operators - Replace	17,500									
Gate Operators - Replace										
Irrigation Controllers - Replace										
Equipment Total:	17,500	1,648								
Grounds Components										
Landscape & Irrigation - Refurbishment	35,000									
Grounds Components Total:	35,000									
Signs										
Monuments - Refurbish	<i>Unfunded</i>									
Street Signs - Replace										
Signs Total:										
Year Total:	53,500	1,648	75,377			1,159	36,330	47,350		42,470

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

Description	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Pavement										
Asphalt - Rehabilitation	<i>Unfunded</i>									
Asphalt - Surface Treatment				44,682						
Pavement Total:				44,682						
Painting										
Masonry Walls - Paint							52,233			
Metal Components - Paint			54,892					63,635		
Painting Total:			54,892				52,233	63,635		
Fencing/Security										
Gates - Replace										
Walls - Repairs/Replacement	1,344					1,558				
Fencing/Security Total:	1,344					1,558				
Lighting										
Lighting Fixtures - Replace		3,461								
Lighting Total:		3,461								
Equipment										
Access Phones - Replace	10,751									
Backflow Preventers - Replace										
Gate Operators - Replace					52,941					
Gate Operators - Replace										
Irrigation Controllers - Replace						1,091				
Equipment Total:	10,751				52,941	1,091				
Grounds Components										
Landscape & Irrigation - Refurbishment										
Grounds Components Total:										
Signs										
Monuments - Refurbish	<i>Unfunded</i>									
Street Signs - Replace							2,247			
Signs Total:							2,247			
Year Total:	12,095	3,461	54,892	44,682	52,941	2,649	54,480	63,635		

SABINO ESTATES HOMEOWNERS ASSOCIATION
Spread Sheet

Description	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Pavement										
Asphalt - Rehabilitation	<i>Unfunded</i>									
Asphalt - Surface Treatment	54,953							67,585		
Pavement Total:	54,953							67,585		
Painting										
Masonry Walls - Paint				64,240						
Metal Components - Paint			73,770					85,520		
Painting Total:			73,770	64,240				85,520		
Fencing/Security										
Gates - Replace										56,086
Walls - Repairs/Replacement	1,806					2,094				
Fencing/Security Total:	1,806					2,094				56,086
Lighting										
Lighting Fixtures - Replace										
Lighting Total:										
Equipment										
Access Phones - Replace			15,329							
Backflow Preventers - Replace		2,976								
Gate Operators - Replace										
Gate Operators - Replace										82,480
Irrigation Controllers - Replace										
Equipment Total:		2,976	15,329							82,480
Grounds Components										
Landscape & Irrigation - Refurbishment						73,282				
Grounds Components Total:						73,282				
Signs										
Monuments - Refurbish	<i>Unfunded</i>									
Street Signs - Replace										
Signs Total:										
Year Total:	56,759	2,976	89,099	64,240		75,376		153,105		138,566