



RESERVE STUDY

Member Distribution Materials

Carnelian Woods Townhome Association

Full Study

First Draft

Published - August 20, 2020

Prepared for the 2020/2021 Fiscal Year

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August 20, 2020

This is a summary of the Reserve Study that has been performed for Carnelian Woods Townhome Association, (the "Association"). This study was conducted in compliance with California *Civil Code Sections 5300, 5550 and 5560* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Full Study for the October 1, 2020 - September 30, 2021 fiscal year.

Carnelian Woods Townhome Association is a Condominium with a total of 118 Units.

The Reserve Study is not an engineering report, and no destructive testing was performed. The costs outlined in the study are for budgetary and planning purposes only, and actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report.

Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves are **inadequately funded** as the reserve fund ending balances may fail to remain positive throughout the replacement of all major components during the next 30 years. **Additional reserve funding including some combination of increased contributions, special assessments and loans may be necessary to meet all reserve obligations.**

California statute imposes no reserve funding level requirements nor does it address funding level adequacy.

Carnelian Woods Townhome Association
California Member Summary
First Draft
Prepared for the 2020/2021 Fiscal Year

<i>Reserve Component</i>	<i>Current Replacement Cost</i>	<i>Useful Life</i>	<i>Remaining Life</i>	<i>2019/2020 Fully Funded Balance</i>	<i>2020/2021 Fully Funded Balance</i>	<i>2020/2021 Line Item Contribution based on Cash Flow Method</i>
01000 - Paving	460,255	2-25	6-8	302,865	327,808	10,286
02000 - Concrete	99,900	40-40	31-31	22,478	25,599	0
04000 - Structural Repairs	1,954,668	10-40	14-34	290,267	347,552	1,796
04500 - Decking/Balconies	366,000	6-25	6-14	95,060	110,967	12,583
05000 - Roofing	1,693,300	40-40	17-17	973,648	1,041,380	24,197
08000 - Rehab	51,900	12-30	6-25	10,617	13,308	1,396
12000 - Pool	98,156	5-25	6-17	30,878	36,785	3,500
13000 - Spa	48,050	10-20	6-11	17,687	20,761	1,529
14000 - Recreation	17,800	10-20	6-9	9,445	10,711	464
17000 - Tennis Court	190,080	10-40	15-15	103,005	109,851	3,158
18000 - Landscaping	28,750	1-5	7-10	3,133	3,614	1,441
19000 - Fencing	34,950	15-30	6-20	15,556	17,671	988
20000 - Lighting	79,650	20-20	6-6	55,755	61,231	1,735
21000 - Signage	3,750	12-12	6-6	1,875	2,242	136
23000 - Mechanical Equipment	22,225	10-30	9-24	4,173	5,667	717
24000 - Furnishings	11,250	10-10	6-6	4,500	5,766	490
24600 - Safety / Access	12,000	10-10	6-6	4,800	6,150	523
25000 - Flooring	10,988	10-10	12-12	845	939	427
26000 - Outdoor Equipment	22,378	10-20	9-17	4,715	6,133	675
27000 - Appliances	4,375	6-6	6-6	625	747	272
30000 - Miscellaneous	1,484,331	1-20	0-16	658,007	738,744	137,688
Totals	\$6,694,755			\$2,609,932	\$2,893,625	\$204,000
Estimated Ending Balance				\$390,844	\$245,196	\$144.07
Percent Funded				15.0%	8.5%	/Unit/month @ 118

**California Assessment and Reserve Funding
Disclosure For the Fiscal Year Ending 2020/2021**

First Draft

August 20, 2020

(1) The regular assessment per ownership interest is _____ per month for the fiscal year beginning October 1, 2020.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	\$0.00	N/A
Total:	\$0.00	

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page ___ of the attached report.

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes No

This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.

(4) If the answer to (3) is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the board or the members

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §5300(b)(4), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is \$2,609,932, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of August, 2020. The projected reserve fund cash balance at the end of the current fiscal year is \$390,844 resulting in reserves being 15.0% percent funded at this date. Civil code section 5570 does not require the board to fund reserves in accordance with this calculation.

An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 5570 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2020/21	\$2,893,625	\$245,196	8.5%
2021/22	\$2,930,511	\$229,557	7.8%
2022/23	\$3,039,499	\$281,871	9.3%
2023/24	\$3,189,456	\$356,755	11.2%
2024/25	\$3,353,037	\$481,099	14.3%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, 2.50% per year was the assumed long-term inflation rate, and 2.50% per year was the assumed long-term interest rate.

Additional Disclosures

§5565(d) The current deficiency in reserve funding as of September 30, 2021 is \$22,444 per ownership interest (average).

This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.

$$\text{Deficiency} = \frac{\text{2020/2021 Fully Funded Balance} - \text{2020/2021 Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§5300(b)(4) The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justification for Deferral:
N/A	N/A

§5300(b)(5) The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.

Funding plan information 2019/2020 through 2024/2025, including reserve expenditures and reserve contributions, provided by client in 2019/2020. The current funding plan generates lower than BRG recommended ending balances in years 2020/2021 through 2027/2028.

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Beginning Balance	447,000	390,844	245,196	229,557	281,871	356,755	481,099	79,691	76,129	376,709
Inflated Expenditures @ 2.5%	270,500	357,500	225,500	158,000	137,000	90,000	653,132	299,246	57,522	103,869
Reserve Contribution ¹	204,000	204,000	204,000	204,000	204,000	204,000	244,800	293,760	352,512	423,014
<i>Units/month @ 118</i>	144.07	144.07	144.07	144.07	144.07	144.07	172.88	207.46	248.95	298.74
<i>Percentage Increase</i>		0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	20.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	10,344	7,852	5,861	6,314	7,884	10,344	6,923	1,924	5,591	13,407
Ending Balance	390,844	245,196	229,557	281,871	356,755	481,099	79,691	76,129	376,709	709,262

¹) Funding plan information 2019/2020 through 2024/2025, including reserve expenditures and reserve contributions, provided by client in 2019/2020. The current funding plan generates lower than BRG recommended ending balances in years 2020/2021 through 2027/2028.

	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39
Beginning Balance	709,262	1,079,763	1,427,863	1,819,278	2,193,247	2,421,998	2,513,651	2,821,716	689,966	1,097,934
Inflated Expenditures @ 2.5%	96,596	151,010	141,169	193,675	373,275	542,671	361,010	2,809,677	255,024	180,201
Reserve Contribution	445,011	468,152	492,496	518,106	545,048	573,390	603,206	634,573	640,919	647,328
<i>Units/month @ 118</i>	314.27	330.62	347.81	365.89	384.92	404.94	425.99	448.14	452.63	457.15
<i>Percentage Increase</i>	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	1.0%	1.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	22,087	30,958	40,088	49,537	56,978	60,934	65,869	43,354	22,073	33,287
Ending Balance	1,079,763	1,427,863	1,819,278	2,193,247	2,421,998	2,513,651	2,821,716	689,966	1,097,934	1,598,349

	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49
Beginning Balance	1,598,349	2,131,864	2,621,747	3,207,872	3,717,295	4,133,765	4,592,911	4,906,751	5,574,478	6,266,397
Inflated Expenditures @ 2.5%	166,338	229,143	152,788	249,685	360,803	335,741	497,462	162,633	162,237	229,649
Reserve Contribution	653,801	660,339	666,942	673,611	680,347	687,150	694,022	700,962	707,972	715,052
<i>Units/month @ 118</i>	461.72	466.34	471.00	475.71	480.47	485.28	490.13	495.03	499.98	504.98
<i>Percentage Increase</i>	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	46,052	58,687	71,971	85,496	96,927	107,737	117,280	129,398	146,184	162,727
Ending Balance	2,131,864	2,621,747	3,207,872	3,717,295	4,133,765	4,592,911	4,906,751	5,574,478	6,266,397	6,914,527