



RESERVE STUDY

Member Distribution Materials

Carnelian Woods

Update w/ Site Visit Review

Third Draft

Published - August 19, 2024

Prepared for the 2024/2025 Fiscal Year

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August 19, 2024

This is a summary of the Reserve Study that has been performed for Carnelian Woods, (the "Association") which is a Condominium with a total of 118 Units. 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, LLC prepared this Update w/ Site Visit Review for the October 1, 2024 - September 30, 2025 fiscal year. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.50% per year.

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.

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2023/2024 Fully Funded Balance	2024/2025 Fully Funded Balance	2024/2025 Line Item Contribution based on Cash Flow Method
01000 - Paving	855,375	2-30	0-15	489,351	534,500	40,584
02000 - Concrete	129,695	5-40	0-27	47,501	50,731	5,135
04000 - Structural Repairs	2,801,158	2-40	0-30	671,401	755,560	4,931
04500 - Decking/Balconies	190,490	5-25	0-9	136,512	109,347	7,974
05000 - Roofing	2,708,630	5-40	5-33	1,437,063	1,542,569	49,251
08000 - Rehab	102,200	2-30	1-27	30,655	50,816	10,675
12000 - Pool	128,208	5-25	0-13	58,792	59,400	8,192
13000 - Spa	59,288	10-20	1-11	30,209	35,183	3,203
14000 - Recreation	21,400	10-20	5-7	14,790	16,400	904
17000 - Tennis Court	256,320	5-40	1-23	123,354	139,306	11,750
18000 - Landscaping	131,655	1-20	1-9	93,499	102,973	6,764
19000 - Fencing	80,770	5-40	2-16	43,687	48,999	3,372
20000 - Lighting	50,000	20-20	1-20	29,452	31,775	2,023
21000 - Signage	4,500	12-12	10-10	750	1,153	313
23000 - Mechanical Equipment	26,620	10-30	5-20	11,494	13,445	1,352
24000 - Furnishings	15,000	5-10	1-2	12,000	13,991	1,127
24600 - Safety / Access	52,500	5-10	1-3	46,000	52,788	3,698
25000 - Flooring	14,030	10-10	3-8	8,456	10,105	1,012
26000 - Outdoor Equipment	28,811	10-20	3-13	13,736	15,843	1,402
27000 - Appliances	6,000	6-6	8-8	667	769	530
29000 - Infrastructure	58,000	2-50	0-5	40,833	22,140	7,753
30000 - Miscellaneous	184,984	5-20	0-12	99,225	87,785	14,552
Totals	\$7,905,634			\$3,439,426	\$3,695,579	\$186,500
Estimated Ending Balance				\$303,567	\$300,713	\$131.71
Percent Funded				8.8%	8.1%	/Unit/month @ 118

**California Assessment and Reserve Funding
Disclosure For the Fiscal Year Ending 2024/2025**

Third Draft

August 19, 2024

(1) The regular assessment per ownership interest is \$2296.00 per ~~month~~ ^{quarter} ~~XXXXX~~ for the fiscal year beginning October 1, 2024.

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 **X**

This disclosure has been prepared by Browning Reserve Group, LLC 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 \$3,439,426, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group, LLC as of August, 2024. The projected reserve fund cash balance at the end of the current fiscal year is \$303,567 resulting in reserves being 8.8% 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)
2024/25	\$3,695,579	\$300,713	8.1%
2025/26	\$3,898,973	\$219,423	5.6%
2026/27	\$4,001,052	\$361,284	9.0%
2027/28	\$4,309,730	\$570,173	13.2%
2028/29	\$4,660,942	\$700,792	15.0%

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, 2025 is \$28,770 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.

$$\text{Deficiency} = \frac{2024/2025 \text{ Fully Funded Balance} - 2024/2025 \text{ Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

§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, unless noted below:

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.

2024/25 reserve contribution and 15% reserve contribution increases in years 2025/26 - 2029/30 per client. Current funding plan results in lower than recommended ending balances through 2028/29.

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
Beginning Balance	204,505	303,567	300,713	219,423	361,284	570,173	700,792	1,022,376	1,285,431	1,600,428
Inflated Expenditures @ 2.5%	133,210	196,814	302,187	111,954	86,254	211,261	74,807	164,937	146,099	271,623
Reserve Contribution ¹	226,000	186,500	214,475	246,646	283,643	326,189	375,117	399,500	425,468	453,123
<i>Units/month @ 118</i>	159.60	131.71	151.47	174.19	200.31	230.36	264.91	282.13	300.47	320.00
<i>Percentage Increase</i>		-17.5%	15.0%	15.0%	15.0%	15.0%	15.0%	6.5%	6.5%	6.5%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	6,273	7,460	6,421	7,169	11,499	15,691	21,274	28,491	35,628	42,279
Ending Balance	303,567	300,713	219,423	361,284	570,173	700,792	1,022,376	1,285,431	1,600,428	1,824,207

¹⁾ 2024/25 reserve contribution and 15% reserve contribution increases in years 2025/26 - 2029/30 per client. Current funding plan results in lower than recommended ending balances through 2028/29.

	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43
Beginning Balance	1,824,207	1,907,465	2,155,893	2,416,028	1,710,186	1,325,151	813,520	1,374,218	2,011,132	2,450,789
Inflated Expenditures @ 2.5%	445,388	315,681	343,657	1,339,710	1,043,326	1,199,204	147,976	107,679	340,013	142,594
Reserve Contribution	482,576	513,943	547,349	582,927	620,817	661,170	681,666	702,798	724,585	747,047
<i>Units/month @ 118</i>	340.80	362.95	386.55	411.67	438.43	466.93	481.40	496.33	511.71	527.58
<i>Percentage Increase</i>	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	3.1%	3.1%	3.1%	3.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	46,070	50,165	56,443	50,941	37,473	26,403	27,009	41,794	55,085	68,825
Ending Balance	1,907,465	2,155,893	2,416,028	1,710,186	1,325,151	813,520	1,374,218	2,011,132	2,450,789	3,124,067

	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49	2049/50	2050/51	2051/52	2052/53
Beginning Balance	3,124,067	3,609,684	4,121,277	4,766,536	5,555,167	6,392,407	7,001,006	7,935,078	8,609,501	9,647,342
Inflated Expenditures @ 2.5%	367,721	377,932	283,166	182,875	180,505	453,974	175,360	483,542	170,830	83,589
Reserve Contribution	770,205	794,081	818,698	844,078	870,244	897,222	925,036	953,712	983,277	1,013,759
<i>Units/month @ 118</i>	543.93	560.79	578.18	596.10	614.58	633.63	653.27	673.53	694.40	715.93
<i>Percentage Increase</i>	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Special Assessments / Other	0	0	0	0	0	0	0	0	0	0
Interest Pre Tax @ 2.50%	83,133	95,444	109,726	127,428	147,501	165,351	184,396	204,254	225,393	252,811
Ending Balance	3,609,684	4,121,277	4,766,536	5,555,167	6,392,407	7,001,006	7,935,078	8,609,501	9,647,342	10,830,323