

RDA REPORT

Sierra Tempe Units 1, 2 & 3
Tempe, Arizona
Account 1023 - Version 007
January 28, 2016

RESERVE DATA ANALYSIS, INC.

2761 East Bridgeport Parkway
Gilbert, Arizona 85295
FAX (480) 473-7658
(480) 473-7643

Prepared By

TOM THOMPSON

RDA Reserve Management Software
Copyright 2016, Edwin G. Edgley
All Rights Reserved

RESERVE DATA ANALYSIS, INC.



2761 E. Bridgeport Parkway
Gilbert, AZ 85295
Office (480) 473-7643
rdaarizona@aol.com
rdaguys@aol.com

Sierra Tempe 1, 2 & 3
Ms. Jessica Tennant
C/o City Property Management
4645 East Cotton Gin Loop
Phoenix, AZ 85040

The completed reserve analysis study for the budget year beginning January 1, 2016 is attached. Your RDA reserve studies are presented in two parts:

Part 1 offers an easy-to-understand introduction to reserve budgeting and terminology along with a User's Guide to your RDA reserve study.

Part 2 is your RDA reserve study, including a report summary, a Distribution of Accumulated Reserves, detail reports for each asset sorted by asset category, 30-year projections, and an alphabetical detail report index.

Please pay particular attention to the Detail Report by Category section of the report. See the Table of Contents for the page that corresponds to the first page of this section. This section provides specific information that was used to develop the budgeting information for each asset including the placed in service date, useful life and replacement cost. It also provides measurements, inventory counts and asset condition information as applicable. Most, if not all, of your questions will be answered by reviewing the detailed information and remarks for each asset.

The bottom box on page 2 – 1 identifies the recommended reserve contribution to the reserve account for 2016. *The amount of money that should be in the reserve account as of January 1, 2016 is identified at the bottom of pages titled **Funding Status Report** and **Distribution of Accumulated Reserves** in the column labeled "Fully Funded Reserves". The **Cash Flow Specific Projections** page provides the 30-year funding strategy including recommended contributions, interest earnings and scheduled expenses.*

To assist you in distribution to the Board and/or community membership we have emailed a PDF version (electronic copy) of the reserve study to you.

We hope that you find our report format both informative and useful. Should a revision be required, please submit all revision requests in writing via email within 90 days of this letter. We are happy to answer any questions that arise, no matter how small they seem. Please do not hesitate to call us. All of us at RDA have enjoyed providing you with the most detailed, comprehensive and useful reserve study available in the industry and we look forward to working with you again in the future.

Sincerely,

A handwritten signature in black ink that reads "Tom T".

Tom Thompson
Vice President



RDA Reserve Study Guide

The RDA reserve study is a multi-purpose tool that is designed to assist the Board of Directors and Community Management team in the financial management of the Association's long term assets. To properly manage these assets, the Board of Directors and Community Manager need to spend some time reading, digesting and understanding what the reserve study is advising. The following instructions provide a step-by-step guide of what to do now that you have a reserve study prepared by Reserve Data Analysis.

Step 1: Review the last page of the report titled the "Detail Report Index" to familiarize yourself with the assets that make up your RDA Reserve Study.

Step 2: Pick a single asset to review. Your goal is to obtain a clear understanding of the pieces that go into budgeting for a specific asset including the placed in service date, useful life, quantity and unit cost. Once you have a clear understanding of how a single asset works, apply that knowledge to all other assets in the report.

Step 3: Review the detailed information that budgeting for each asset is based on. Look at each asset in the report. If the placed in service date, useful life, quantity, and replacement cost are considered reasonable and accurate, then the calculations and results of your RDA reserve study will be reasonable and accurate. Most questions can be answered by reading the detailed "Remarks" included with each asset.

Step 4: Review Page 2 – 1. The top of page 2 – 1 identifies the parameters that were used to generate the RDA Reserve Study calculations including budget year, reserve fund balance, annual contribution increase, interest rate earned on invested reserve funds, and contingency. The bottom of this page provides the summarized RDA Reserve Study results for the 1st year, including the recommended monthly reserve contribution in total and per unit.

Step 5: Review the page titled "Distribution of Accumulated Reserves". This page will provide justification for the percent funded calculations. It shows, by asset, how much money should be in the reserve account, based on the level of depreciation each asset has experienced as of the beginning of the budget year the RDA Reserve Study has been prepared for. **Note that the figures listed in the column labeled "Fully Funded Reserves" do not represent the replacement cost unless the remaining life shows "0".**

Step 6: Review the page titled "Cash Flow Specific Projections". This page will provide a rolling year to year projection of the reserve account for the next 30 years including recommended annual contributions, estimated interest earnings on invested reserve funds, expected annual expenditures, projected year end reserve balances, and the fully funded amount that should be in the reserve account at the end of each year. **This is your funding strategy.** The goal of an RDA funding strategy is to allow the Association to cover all planned reserve expenditures, build the reserve account to a fully funded (100%) position by end of the reporting period (30 years in most cases), all while starting with the lowest possible contribution to reserves.

Step 7: Review the Annual Expenditure Detail pages. These pages will show the projected future costs by year for each planned reserve expense through the end of the reporting period.

Step 8: Call us with questions! For someone who does not deal with them on a daily basis, reserve studies can be difficult to wade through. If there is something you don't understand, or something that you disagree with, we encourage you to call us to discuss it. RDA is committed to a long-term relationship with you and will spend the time on the phone with you to ensure that you understand where we are coming from, where we obtained our information or assumptions, and why we did what we did. Again, please call us with any questions you have as we are here to help in any way we can.

Please Note

This document has been provided pursuant to an agreement containing restrictions on its use. No part of this document may be copied or distributed, in any form or by any means, nor disclosed to third parties without the express written permission of Reserve Data Analysis, Inc., until it has been paid for in full. 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, assorted vendors, specialist and independent contractors, the Community Associations Institute, 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 the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. 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.

We recommend that your reserve analysis study be updated every two to three years 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 subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, updates can typically be completed in a more timely manner than the original study.

Reserve Data Analysis, Inc. would like to thank you for using our services, and we invite you to call us at any time should you have any questions or 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 you with a revised study.

RESERVE DATA ANALYSIS, INC.

(480) 473-7643

TABLE OF CONTENTS

PART I - INTRODUCTION

THE RESERVE BUDGET

Funding Options	1-1
The Reserve Study	1-2
Developing a Component List	1-3
Preparing the Reserve Study	1-4
Funding Methods	1-5
Funding Strategies	1-5
Distribution of Accumulated Reserves	1-7
Funding Reserves	1-8

USING YOUR RESERVE ANALYSIS STUDY

User's Guide to Your Reserve Analysis Study	1-9
Definitions	1-10
A Multi-Purpose Tool	1-13

PART II - RESERVE ANALYSIS STUDY

Cash Flow Specific Summary of Calculations	2-1
Distribution of Accumulated Reserves	2-2
Funding Status Report	2-3
Cash Flow Specific Projections	2-4
Annual Expenditure Detail	2-5
Cash Flow Detail Report by Category	2-9
Detail Report Index	2-18

PART I - INTRODUCTION

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.

■ 1. 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 option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. 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 operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain 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, can be devastating to an association's overall budget.

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 money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. 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; 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 in order 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 third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance 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, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth, and only logical means that the board of directors has to ensure its ability to maintain the assets for which it is obligated, uniformly distributing the costs of the replacements over the entire membership, is by assessing an adequate level of reserves as part of the regular membership assessment. 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.

■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve 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. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) 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), a condition assessment (based on 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.”

■ 3. Developing a Component List

The budget process begins with an accurate 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 effectively budgeted for 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:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscaping
- Pool Maintenance
- Street Sweeping
- Accounting
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Tile Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

RESERVE EXPENSES are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time

for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely occurrence. They are expenses that when incurred would have a significant affect 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
- Painting
- Deck Resurfacing
- Fencing Replacement
- Street Seal/Slurry Coatings
- Asphalt Overlays
- Pool Re-plastering
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement

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 which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

■ 4. 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, manufacture 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 every two to three years 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.

■ 5. Funding Methods

From the simplest to 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 on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on 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 reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are two basic strategies widely used by associations. 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 two funding plans and descriptions of both are detailed below.

- 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 that 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. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

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

- **Threshold Funding (RDA Modified Cash Flow Reports)** — There are two goals of this funding method. The first goal is to make sure that all scheduled reserve expenditures are covered by keeping the reserve cash balance above zero during the projected period. The second goal is to reach and maintain a 100% fully funded reserve balance during the projected period. Depending on the association's current percent funded, it may take the entire projected period (typically 30 years) before the 100% fully funded level is achieved.

Reaching and maintaining a 100% fully funded reserve balance by uniformly distributing the costs of the replacements over time benefits both current and future members of an association, and is the best approach the board of directors can take to fulfill its fiduciary responsibility. The modified cash flow method creates a funding strategy that gives the membership the lowest reserve funding recommendation as possible over time, while approaching the 100% fully funded level.

Another advantage of the modified cash flow method is that in most cases several strategies can be manually tested by Reserve Data Analysis, Inc. (the strategy is not based strictly on each components current funding status) until the best funding strategy is created – one that has consistent, incremental contribution increases from year to year. This very important aspect of the reserve study will aid the board of directors during the annual budgeting process.

■ 7. Distribution of Accumulated Reserves

The first 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:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

After identifying the ideal level of reserves for each asset, the beginning reserve balance must be allocated to each of the individual components identified in the analysis.

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 are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this 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 item to 1 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 which 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 initially, but are then considered to be available reserves in the report funding computations.

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

If the reserves are underfunded, the monthly contribution requirements as outlined in this report may be higher than normal depending on the calculation method that is used. 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 which may be under consideration.

■ 8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution 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.

■ 9. Users' Guide to Your Reserve Analysis Study

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

REPORT SUMMARY

The **Report Summary** lists all of the parameters which 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 which should have accumulated for the association as well as the actual reserves available.

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.

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

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's detail report and asset number.

PROJECTIONS AND CHARTS

Thirty-year Projections of projected data add to the usefulness of your reserve analysis study.

■ 10. Definitions

REPORT I.D. - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

BUDGET YEAR BEGINNING/ENDING - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/2X and ending 12/31/2X.

NUMBER OF UNITS/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 which will be necessary in order to accumulate the required funds in time for replacement.

ANNUAL CONTRIBUTION INCREASE - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. 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 aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

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

TAXES ON YIELD - The estimated percentage of interest income which will be set aside for taxes.

ACCUMULATED RESERVE BALANCE - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. 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/AGE - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

MONTHLY CONTRIBUTION - The contribution to reserves required by the association each month.

INTEREST CONTRIBUTION - 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.

NET MONTHLY ALLOCATION - The sum of the monthly contribution and interest contribution figures.

GROUP OR FACILITY NUMBER/CATEGORY NUMBER - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

PERCENTAGE OF REPLACEMENT - 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 - 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 +/- 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.

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

FIXED MONTHLY CONTRIBUTION - An optional figure which, if used, will override all calculations and set the contribution at this amount.

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

■ 11. A Multi-Purpose Tool

Your RDA 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 RDA 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.
- A 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 RDA 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 RDA REPORT is a tool which 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 which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise 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.

© Copyright 2001, Edwin G. Edgley
All Rights Reserved

Sierra Tempe Units 1, 2 & 3
 Tempe, Arizona
CFS Reserve Analysis Report Summary

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Report Date</td> <td>January 28, 2016</td> </tr> <tr> <td>Version</td> <td>007</td> </tr> <tr> <td>Account Number</td> <td>1023</td> </tr> <tr> <td>Budget Year Beginning</td> <td>1/ 1/16</td> </tr> <tr> <td style="padding-left: 20px;">Ending</td> <td>12/31/16</td> </tr> <tr> <td>Total Units Included</td> <td>384</td> </tr> <tr> <td>Phase Development</td> <td>1 of 1</td> </tr> </table>	Report Date	January 28, 2016	Version	007	Account Number	1023	Budget Year Beginning	1/ 1/16	Ending	12/31/16	Total Units Included	384	Phase Development	1 of 1	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Parameters:</td> </tr> <tr> <td>Inflation</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td>Annual Contribution Increase</td> <td style="text-align: right;">0.25%</td> </tr> <tr> <td>Investment Yield</td> <td style="text-align: right;">0.20%</td> </tr> <tr> <td>Taxes on Yield</td> <td style="text-align: right;">0.00%</td> </tr> <tr> <td>Contingency</td> <td style="text-align: right;">3.00%</td> </tr> <tr> <td colspan="2">Reserve Fund Balance as of</td> </tr> <tr> <td>1/ 1/16:</td> <td style="text-align: right;">\$78,007.00</td> </tr> </table>	Parameters:		Inflation	3.00%	Annual Contribution Increase	0.25%	Investment Yield	0.20%	Taxes on Yield	0.00%	Contingency	3.00%	Reserve Fund Balance as of		1/ 1/16:	\$78,007.00
Report Date	January 28, 2016																														
Version	007																														
Account Number	1023																														
Budget Year Beginning	1/ 1/16																														
Ending	12/31/16																														
Total Units Included	384																														
Phase Development	1 of 1																														
Parameters:																															
Inflation	3.00%																														
Annual Contribution Increase	0.25%																														
Investment Yield	0.20%																														
Taxes on Yield	0.00%																														
Contingency	3.00%																														
Reserve Fund Balance as of																															
1/ 1/16:	\$78,007.00																														

Project Profile & Introduction

Unless otherwise indicated in this report, we have used Sept. 1993 as the basis for aging the original components examined in this analysis.

Refer to Asset ID #1001 (Reserve Balance Calculation) for an explanation of how the 1/1/2016 reserve balance was determined.

Calculation Method: Modified Cash Flow
 Funding Strategy: Threshold
 RDA Reports: 8/95. Updated 9/97, 12/98, 1/00, 11/00 & 3/06, 10/15 (revised 1/16).

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required: (\$11.94 per unit per month)	\$4,585.00
Average Net Monthly Interest Contribution This Year:	17.22
Net Monthly Allocation to Reserves 1/ 1/16 to 12/31/16: (\$11.98 per unit per month)	\$4,602.22

RDA Reserve Management Software
 Copyright 2016, Edwin G. Edgley
 All Rights Reserved

Sierra Tempe Units 1, 2 & 3
Distribution of Accumulated Reserves

REPORT DATE: January 28, 2016
 VERSION: 007
 ACCOUNT NUMBER: 1023

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
** Reserve Balance Calculation	0	0.00	0.00
Concrete Components (Unfunded)	0	0.00	0.00
Light Fixtures (Unfunded)	0	0.00	0.00
Drywells - Repair & Cleanout	3	0.00	0.00
Granite Replenishment	5	0.00	0.00
Paint - Stucco Walls (2023)	7	5,616.98	5,616.98
Irrigation System	8	128,333.33	70,117.97
Walls (Replace) (2026)	10	0.00	0.00
Walls (Replace) (2028)	12	0.00	0.00
Walls (Replace) (2030)	14	0.00	0.00
Mailboxes - Pedestal Sets	15	21,080.00	0.00
Walls (Replace) (2032)	16	0.00	0.00
Walls (Replace) (2034)	18	0.00	0.00
Monument Signs	27	4,237.29	0.00
Total Asset Summary:		159,267.60	75,734.95
Contingency @ 3.00%:		4,778.03	2,272.05
Grand Total:		164,045.63	78,007.00
Excess Reserves Not Used:			0.00
Percent Fully Funded:	48%		

Sierra Tempe Units 1, 2 & 3
Funding Status Report

REPORT DATE: January 28, 2016
 VERSION: 007
 ACCOUNT NUMBER: 1023

DESCRIPTION	USE	+/-	REM	CURRENT	FULLY	ASSIGNED
	LIFE	LIFE	LIFE	COST	FUNDED	RESERVES
** Reserve Balance Calculation	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Concrete Components (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Paint - Stucco Walls (2023)	10	0	7	18,723	5,617	5,617
*** CATEGORY SUMMARY:				18,723	5,617	5,617
Walls (Replace) (2026)	10	0	10	91,550	0	0
Walls (Replace) (2028)	12	0	12	91,550	0	0
Walls (Replace) (2030)	14	0	14	91,550	0	0
Walls (Replace) (2032)	16	0	16	91,550	0	0
Walls (Replace) (2034)	18	0	18	91,550	0	0
*** CATEGORY SUMMARY:				457,750	0	0
Light Fixtures (Unfunded)	0	0	0	0	0	0
*** CATEGORY SUMMARY:				0	0	0
Drywells - Repair & Cleanout	3	0	3	3,250	0	0
Granite Replenishment	5	0	5	11,250	0	0
Irrigation System	30	0	8	175,000	128,333	70,118
Mailboxes - Pedestal Sets	25	0	15	52,700	21,080	0
Monument Signs	30	0	27	50,000	4,237	0
*** CATEGORY SUMMARY:				292,200	153,651	70,118
TOTAL ASSET SUMMARY:				768,673	159,268	75,735
CONTINGENCY @ 3.00%:					4,778	2,272
GRAND TOTAL:					164,046	78,007

Percent Fully Funded: 48%

Sierra Tempe Units 1, 2 & 3
Cash Flow Specific Projections

REPORT DATE: January 28, 2016
 VERSION: 007
 ACCOUNT NUMBER: 1023

Beginning Accumulated Reserves: \$78,007

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'16	768,673	55,020	207	0	133,234	220,923	60%
'17	791,733	55,158	317	0	188,708	281,065	67%
'18	815,485	55,295	428	0	244,432	344,617	71%
'19	839,950	55,434	533	3,551	296,848	407,961	73%
'20	865,148	55,572	645	0	353,065	478,677	74%
'21	891,103	55,711	732	13,042	396,466	539,432	73%
'22	917,836	55,850	837	3,881	449,273	613,536	73%
'23	945,371	55,990	905	23,027	483,141	671,412	72%
'24	973,732	56,130	575	221,685	318,161	522,185	61%
'25	1,002,944	56,270	680	4,241	370,871	601,142	62%
'26	1,033,033	56,411	518	138,155	289,645	529,380	55%
'27	937,297	56,552	632	0	346,829	603,735	57%
'28	965,416	56,693	476	135,162	268,836	527,143	51%
'29	859,934	56,835	590	0	326,261	593,107	55%
'30	885,732	56,977	428	138,478	245,189	505,150	49%
'31	769,672	57,120	334	104,695	197,947	451,628	44%
'32	792,762	57,263	155	146,911	108,454	343,246	32%
'33	665,227	57,406	208	30,947	135,120	355,656	38%
'34	685,184	57,549	53	161,391	31,332	221,912	14%
'35	545,206	57,693	116	0	89,140	256,180	35%
'36	561,562	57,837	191	20,319	126,850	270,748	47%
'37	578,409	57,982	295	6,046	179,081	301,748	59%
'38	595,761	58,127	412	0	237,620	340,971	70%
'39	613,634	58,272	529	0	296,421	382,275	78%
'40	632,043	58,418	634	6,607	348,866	418,743	83%
'41	651,004	58,564	705	23,555	384,580	439,284	88%
'42	670,534	58,710	824	0	444,114	486,419	91%
'43	690,650	58,857	623	159,873	343,720	366,312	94%
'44	711,370	59,004	742	0	403,467	413,258	98%
'45	732,711	59,152	862	0	463,481	462,691	100%

Sierra Tempe Units 1, 2 & 3
Annual Expenditure Detail

REPORT DATE: January 28, 2016
 VERSION: 007
 ACCOUNT NUMBER: 1023

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2016	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2017	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2018	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2019	
Drywells - Repair & Cleanout	3,551.37
*** ANNUAL TOTAL:	3,551.37
REPLACEMENT YEAR 2020	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2021	
Granite Replenishment	13,041.84
*** ANNUAL TOTAL:	13,041.84
REPLACEMENT YEAR 2022	
Drywells - Repair & Cleanout	3,880.68
*** ANNUAL TOTAL:	3,880.68
REPLACEMENT YEAR 2023	
Paint - Stucco Walls (2023)	23,027.25
*** ANNUAL TOTAL:	23,027.25
REPLACEMENT YEAR 2024	
Irrigation System	221,684.77
*** ANNUAL TOTAL:	221,684.77

Sierra Tempe Units 1, 2 & 3
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2025	
Drywells - Repair & Cleanout	4,240.52
*** ANNUAL TOTAL:	4,240.52
REPLACEMENT YEAR 2026	
Granite Replenishment	15,119.07
Walls (Replace) (2026)	123,035.54
*** ANNUAL TOTAL:	138,154.61
REPLACEMENT YEAR 2027	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2028	
Drywells - Repair & Cleanout	4,633.73
Walls (Replace) (2028)	130,528.41
*** ANNUAL TOTAL:	135,162.14
REPLACEMENT YEAR 2029	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2030	
Walls (Replace) (2030)	138,477.59
*** ANNUAL TOTAL:	138,477.59
REPLACEMENT YEAR 2031	
Drywells - Repair & Cleanout	5,063.40
Granite Replenishment	17,527.14
Mailboxes - Pedestal Sets	82,104.87
*** ANNUAL TOTAL:	104,695.41
REPLACEMENT YEAR 2032	
Walls (Replace) (2032)	146,910.88
*** ANNUAL TOTAL:	146,910.88

Sierra Tempe Units 1, 2 & 3
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2033	
Paint - Stucco Walls (2023)	30,946.71
*** ANNUAL TOTAL:	30,946.71
REPLACEMENT YEAR 2034	
Drywells - Repair & Cleanout Walls (Replace) (2034)	5,532.91 155,857.76
*** ANNUAL TOTAL:	161,390.67
REPLACEMENT YEAR 2035	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2036	
Granite Replenishment	20,318.76
*** ANNUAL TOTAL:	20,318.76
REPLACEMENT YEAR 2037	
Drywells - Repair & Cleanout	6,045.97
*** ANNUAL TOTAL:	6,045.97
REPLACEMENT YEAR 2038	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2039	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2040	
Drywells - Repair & Cleanout	6,606.60
*** ANNUAL TOTAL:	6,606.60
REPLACEMENT YEAR 2041	
Granite Replenishment	23,555.02
*** ANNUAL TOTAL:	23,555.02

Sierra Tempe Units 1, 2 & 3
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2042	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2043	
Drywells - Repair & Cleanout	7,219.21
Monument Signs	111,064.44
Paint - Stucco Walls (2023)	41,589.78
*** ANNUAL TOTAL:	<hr/> 159,873.43
REPLACEMENT YEAR 2044	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2045	
*** ANNUAL TOTAL:	0.00

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

REPORT DATE: January 28, 2016
 VERSION: 007
 ACCOUNT NUMBER: 1023

** Reserve Balance Calculation		QUANTITY	1 comment
ASSET ID	1001	UNIT COST	0.000
GROUP/FACILITY	0	PERCENT REPL	0.00%
CATEGORY	1	CURRENT COST	0.00
		FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2016		
0 YEAR REM LIFE			

REMARKS:

Current Reserve Balance Per Client (8/31/15):	\$	72,852
Remaining 2015 Reserve Contributions:		
\$1,288.75/month x 4 months	+	5,155
Projected January 1, 2016 Reserve Balance:	\$	----- 78,007

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Concrete Components (Unfunded)	QUANTITY	1 comment
ASSET ID 1011	UNIT COST	0.000
GROUP/FACILITY 0	PERCENT REPL	0.00%
CATEGORY 10	CURRENT COST	0.00
	FUTURE COST	0.00
	SALVAGE VALUE	0.00
PLACED IN SERVICE 0/ 0		
0 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2016		
0 YEAR REM LIFE		

REMARKS:

The following comment also applies to the concrete trash receptacles:

We are not budgeting for repair or replacement of concrete decks, pads, sidewalks, or driveways as a reserve component. It is anticipated that any repairs required will be addressed immediately due to safety concerns. Good maintenance practice won't allow the need for repairs to accumulate to a point of major expense. We recommend that the client includes a line item in the annual operating budget for repairs and/or replacements on an "as needed" basis. However, should the client wish to include budgeting for concrete components, we will do so at their request (cost and useful life to be provided by client).

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Paint - Stucco Walls (2023)	QUANTITY	53,495 sq. ft.
	UNIT COST	0.350
ASSET ID 1009	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	18,723.25
CATEGORY 30	FUTURE COST	23,027.24
	SALVAGE VALUE	0.00
PLACED IN SERVICE 1/13		
10 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2023		
7 YEAR REM LIFE		

REMARKS:

This is an estimate for painting the stucco perimeter walls one more time prior to removal and replacement. Once all of the walls have been replaced we will begin budgeting for future painting at the time of a future update. We are budgeting to paint in 2023 at the Board's request.

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Walls (Replace) (2026)		QUANTITY	1 total
ASSET ID	1020	UNIT COST	457,750.000
GROUP/FACILITY	0	PERCENT REPL	20.00%
CATEGORY	40	CURRENT COST	91,550.00
		FUTURE COST	123,035.54
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/16			
10 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2026			
10 YEAR REM LIFE (One Time Repl)			

REMARKS:

ARS Builders has provided a bid to remove the existing CMU walls with stone veneer and replace them with new 8" x 8" x 16' split face walls for \$457,750.

We have been asked to budget to replace these walls in five (5) phases in years 2026, 2028, 2030, 2032 and 2034.

These are one-time expenses that are not recurring in this analysis.

Walls (Replace) (2028)		QUANTITY	1 total
ASSET ID	1021	UNIT COST	457,750.000
GROUP/FACILITY	0	PERCENT REPL	20.00%
CATEGORY	40	CURRENT COST	91,550.00
		FUTURE COST	130,528.41
		SALVAGE VALUE	0.00
PLACED IN SERVICE 1/16			
12 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2028			
12 YEAR REM LIFE (One Time Repl)			

REMARKS:

This is phase 2 of the wall replacement project.

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Walls (Replace) (2030)	QUANTITY	1 total
	UNIT COST	457,750.000
ASSET ID 1022	PERCENT REPL	20.00%
GROUP/FACILITY 0	CURRENT COST	91,550.00
CATEGORY 40	FUTURE COST	138,477.59
	SALVAGE VALUE	0.00
PLACED IN SERVICE	1/16	
14 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR	2030	
14 YEAR REM LIFE	(One Time Repl)	

REMARKS:

This is phase 3 of the wall replacement project.

Walls (Replace) (2032)	QUANTITY	1 total
	UNIT COST	457,750.000
ASSET ID 1023	PERCENT REPL	20.00%
GROUP/FACILITY 0	CURRENT COST	91,550.00
CATEGORY 40	FUTURE COST	146,910.87
	SALVAGE VALUE	0.00
PLACED IN SERVICE	1/16	
16 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR	2032	
16 YEAR REM LIFE	(One Time Repl)	

REMARKS:

This is phase 4 of the wall replacement project.

Walls (Replace) (2034)	QUANTITY	1 total
	UNIT COST	457,750.000
ASSET ID 1024	PERCENT REPL	20.00%
GROUP/FACILITY 0	CURRENT COST	91,550.00
CATEGORY 40	FUTURE COST	155,857.75
	SALVAGE VALUE	0.00
PLACED IN SERVICE	1/16	
18 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR	2034	
18 YEAR REM LIFE	(One Time Repl)	

REMARKS:

This is phase 5 of the wall replacement project.

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Light Fixtures (Unfunded)		QUANTITY	1 comment
		UNIT COST	0.000
ASSET ID	1018	PERCENT REPL	0.00%
GROUP/FACILITY	0	CURRENT COST	0.00
CATEGORY	50	FUTURE COST	0.00
		SALVAGE VALUE	0.00
PLACED IN SERVICE	0/ 0		
0 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2016		
0 YEAR REM LIFE			

REMARKS:

In 1998 three 2 spot light fixtures were added at 3 entrances for a total cost of \$9,177. The major expense for this addition was for digging the trench and the electrical installation. The replacement cost for the light fixtures is minimal and most often considered an operational expense. We have listed this new asset for purposes of inventory only.

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Drywells - Repair & Cleanout		QUANTITY	13 wells
ASSET ID	1017	UNIT COST	1,000.000
GROUP/FACILITY	0	PERCENT REPL	25.00%
CATEGORY	100	CURRENT COST	3,250.00
		FUTURE COST	3,551.36
		SALVAGE VALUE	0.00
PLACED IN SERVICE	1/16		
3 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2019		
3 YEAR REM LIFE			

REMARKS:

These are Type IV dry wells. We are budgeting to clean out 1/4 of the drywells every three (3) years.

We have been advised that this project was just completed in late 2015.

Drywell systems should be inspected annually to determine how much debris has accumulated in the system and to develop a clean out schedule. Some drywell systems will require the immediate repair of broken components and clean out, while others won't require maintenance for a number of years. On average, drywell systems require clean out every 5 - 7 years. A drywell should be cleaned out once 10% or more of the chamber is occupied. If maintained properly, drywells are designed to last as long as any other part of the community infrastructure.

A great majority of the drywell systems in Arizona are installed by Torrent Resources. Torrent Resources has developed a maintenance program to aid communities with drywell maintenance. Their comprehensive three year maintenance program waives the annual inspection fee, provides a 25% discount on replacement parts & site drainage modifications, and provides a detailed inspection report indicating the location and status of each drywell.

Given that no current maintenance program for your community's drywells is known to RDA, we have included a provision to repair and clean out the drywells. It is likely that the clean out schedule will vary over time, and, therefore, the cost should be considered as a general indication of budgetary needs.

We recommend contacting Jeremy Livengood (602.268.0785) with Torrent Resources to obtain additional information about drywells and/or to set up your community's maintenance program. The maintenance and clean out recommendations provided by Torrent Resources can then be incorporated into a revision or future update of this report.

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Granite Replenishment	
ASSET ID 1006	QUANTITY 750 tons
GROUP/FACILITY 0	UNIT COST 60.000
CATEGORY 100	PERCENT REPL 25.00%
	CURRENT COST 11,250.00
	FUTURE COST 13,041.83
	SALVAGE VALUE 0.00
PLACED IN SERVICE 1/16 5 YEAR USEFUL LIFE +0 YEAR ADJUSTMENT REPLACEMENT YEAR 2021 5 YEAR REM LIFE	

REMARKS:

Sq. ft. of granite: 149,559 sq. ft. = approximately 750 tons

We are budgeting to replenish 25% of the common area granite every five (5) years starting in 2021.

Irrigation System	
ASSET ID 1007	QUANTITY 1 total
GROUP/FACILITY 0	UNIT COST 175,000.000
CATEGORY 100	PERCENT REPL 100.00%
	CURRENT COST 175,000.00
	FUTURE COST 221,684.76
	SALVAGE VALUE 0.00
PLACED IN SERVICE 1/94 30 YEAR USEFUL LIFE +0 YEAR ADJUSTMENT REPLACEMENT YEAR 2024 8 YEAR REM LIFE	

REMARKS:

At the request of the client we are budgeting \$175,000 in 2024 to replace the irrigation system and then on a 30 year cycle.

Mailboxes - Pedestal Sets	
ASSET ID 1019	QUANTITY 1 total
GROUP/FACILITY 0	UNIT COST 52,700.000
CATEGORY 100	PERCENT REPL 100.00%
	CURRENT COST 52,700.00
	FUTURE COST 82,104.88
	SALVAGE VALUE 0.00
PLACED IN SERVICE 1/06 25 YEAR USEFUL LIFE +0 YEAR ADJUSTMENT REPLACEMENT YEAR 2031 15 YEAR REM LIFE	

Sierra Tempe Units 1, 2 & 3
Cash Flow Detail Report by Category

Mailboxes - Pedestal Sets, Continued ...

REMARKS:

3 - 8 box sets w/2 parcel lockers	@	\$ 1,500.00	=	\$ 4,500.00
8 - 12 box sets w/1 parcel locker	@	1,550.00	=	12,400.00
19 - 16 box sets w/2 parcel lockers	@	1,600.00	=	30,400.00
12 - 2 parcel lockers	@	450.00	=	5,400.00
				TOTAL = \$ 52,700.00

The cost includes an estimate for removal and replacement.

Monument Signs	
ASSET ID 1005	QUANTITY 1 total
GROUP/FACILITY 0	UNIT COST 50,000.00
CATEGORY 100	PERCENT REPL 100.00%
	CURRENT COST 50,000.00
	FUTURE COST 111,064.45
	SALVAGE VALUE 0.00
PLACED IN SERVICE 7/13 30 YEAR USEFUL LIFE +0 YEAR ADJUSTMENT REPLACEMENT YEAR 2043 27 YEAR REM LIFE	

REMARKS:

Sarracino Construction Companies completed a project to replace all monument signs in mid 2013 for \$59,357. Since trenching will most likely not be needed again, we have used a cost of \$50,000 every 30 years for major monument sign replacement.

DETAIL REPORT INDEX

ASSET	DESCRIPTION	PAGE
1001	** Reserve Balance Calculation	2-9
1011	Concrete Components (Unfunded)	2-10
1017	Drywells - Repair & Cleanout	2-15
1006	Granite Replenishment	2-16
1007	Irrigation System	2-16
1018	Light Fixtures (Unfunded)	2-14
1019	Mailboxes - Pedestal Sets	2-16
1005	Monument Signs	2-17
1009	Paint - Stucco Walls (2023)	2-11
1020	Walls (Replace) (2026)	2-12
1021	Walls (Replace) (2028)	2-12
1022	Walls (Replace) (2030)	2-13
1023	Walls (Replace) (2032)	2-13
1024	Walls (Replace) (2034)	2-13

TOTAL ASSET LINES INCLUDED: 14