

RESERVE STUDY

Canyon Creek Homeowners Association, Inc.



Austin, Texas
May 19, 2022



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Long-term thinking. Everyday commitment.

Canyon Creek Homeowners Association, Inc.
Austin, Texas

Dear Board of Directors of Canyon Creek Homeowners Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of Canyon Creek Homeowners Association, Inc. in Austin, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, May 19, 2022.

This *Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level II Reserve Study Update."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Canyon Creek Homeowners Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on May 31, 2022 by

Reserve Advisors, LLC

Visual Inspection and Report by: Jaison T. Thomas, RS¹

Review by: Nicole L. Lowery, RS, PRA², Associate Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



Long-term thinking. Everyday commitment.



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1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Canyon Creek Homeowners Association, Inc. (Canyon Creek)

Location: Austin, Texas

Reference: 080320

Property Basics: Canyon Creek Homeowners Association, Inc. is responsible for the common elements shared by 1,293 single family homes. The community was built from 1993 to 2005.

Reserve Components Identified: 34 Reserve Components.

Inspection Date: May 19, 2022. We conducted previous inspections in 2011, 2016 and 2019.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2037 and 2052 due to partial replacement of the panelized concrete perimeter walls.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 0.1% average current annual rate of return on invested reserves
- 3.5% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Unaudited Cash Status of Reserve Fund:

- \$267,865 as of December 31, 2022 as projected by the Board. The projects balance includes the discretionary non-recurring expenditures the Association plans to conduct in 2022.
- 2022 budgeted Reserve Contributions of \$176,663

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Total replacement of the asphalt walking paths due to evidence of extensive deterioration
- Partial replacement of the panelized concrete perimeter walls due to evidence of damage and deterioration
- Total replacement of the shade structures due to age, rust and reports of structural failure due to rust
- Replacement of the playground equipment due to evidence of equipment deterioration
- Color coat application and crack repairs at the sports courts due to evidence of surface cracks and to extend the useful life of the courts

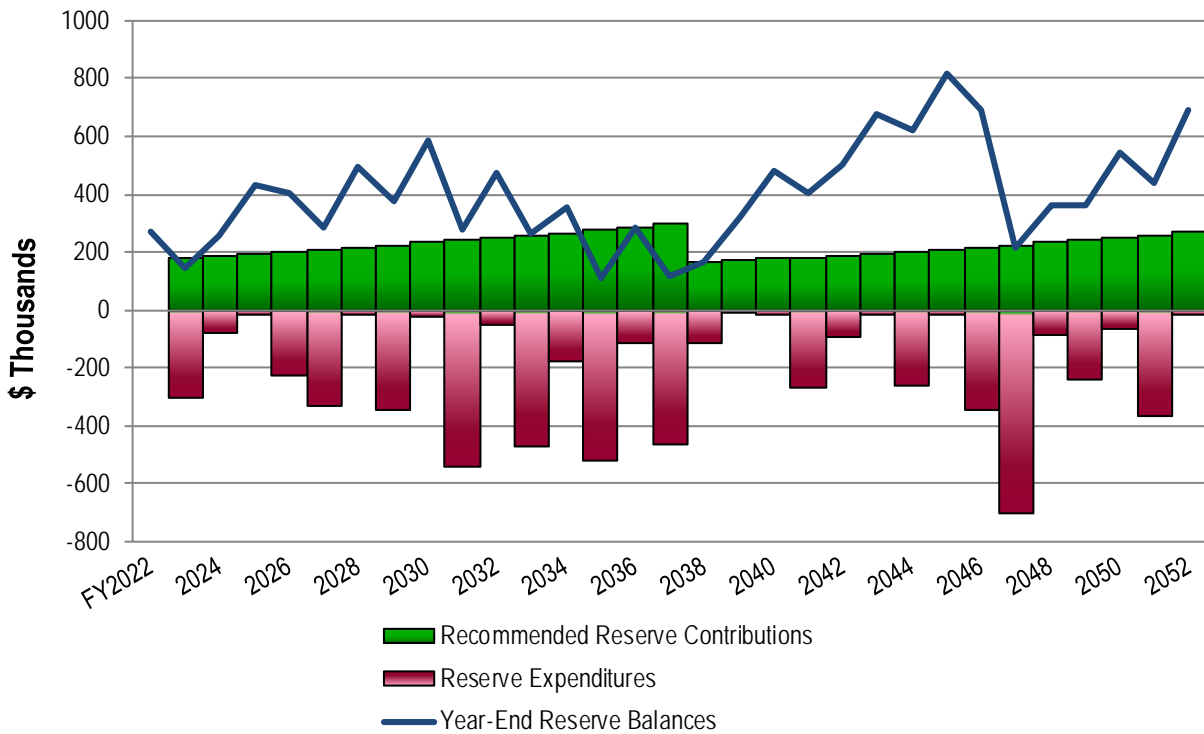
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- 2023 Reserve Contributions of \$182,800
- Inflationary increases from 2023 through 2037

- Decrease to \$165,000 by 2038 due to fully funding for replacement of perimeter walls
- Inflationary increases through 2052, the limit of this study's Cash Flow Analysis
- Initial adjustment of \$6,137 is equivalent to an increase of \$0.40 in the monthly contributions per homeowner.

Canyon Creek
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2023	182,800	145,547	2033	257,800	263,834	2043	196,000	679,853
2024	189,200	253,399	2034	266,800	354,181	2044	202,900	623,141
2025	195,800	433,355	2035	276,100	108,147	2045	210,000	819,240
2026	202,700	406,853	2036	285,800	282,610	2046	217,400	693,748
2027	209,800	288,008	2037	295,800	114,533	2047	225,000	213,530
2028	217,100	491,451	2038	165,000	162,145	2048	232,900	360,063
2029	224,700	373,065	2039	170,800	320,619	2049	241,100	361,018
2030	232,600	582,799	2040	176,800	482,026	2050	249,500	546,181
2031	240,700	280,471	2041	183,000	400,060	2051	258,200	438,626
2032	249,100	475,778	2042	189,400	498,921	2052	267,200	687,787





2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Reserve Study* of

Canyon Creek Homeowners Association, Inc.

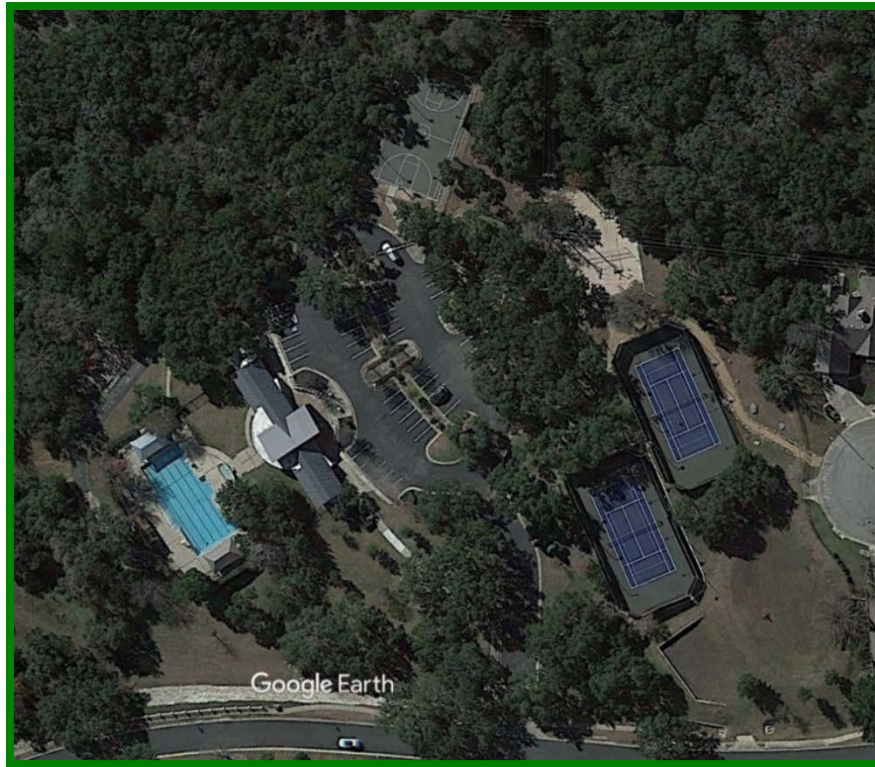
Austin, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, May 19, 2022. We conducted previous inspections in 2011, 2016 and 2019.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Canyon Creek responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from the 30-year Reserve Expenditures at this time:

- Electrical Systems, Common
- Foundation, Pool House
- Irrigation System, Replaced Section (2015)
- Pipes, Interior Building, Domestic Water and Sanitary Waste, Pool House
- Pool Structure and Deck
- Retaining Walls, Total Replacement (We recommend ongoing repairs to the retaining walls as detailed in the Reserve Expenditures but do not recommend complete replacement of the walls in aggregate during the next 30 years)
- Structural Frames, Pool House
- Windows and Doors, Pool House (2017)

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$6,500 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Basketball Goals
- Bike Racks
- Concrete Flatwork, Pool House, Staining Applications
- Concrete Sidewalks, Repairs and Partial Replacements, Common Areas
- Catch Basins, Landscape
- Detention Basins, Maintenance
- Fences, Bridge, Subsequent (The Association plans to replace the bridge fences in 2022. We recommend the Association fund subsequent replacement as needed through the operating budget.)
- Irrigation System, Controls and Maintenance
- Landscape
- Masonry Pavers, Interim Re-setting
- Paint Finishes, Touch Up

- Perimeter Walls, Panelized Concrete, Annual Inspections and Repairs (The Board informs us the Association conducts annual inspections and repairs to the panelized concrete perimeter walls funded through the operating budget.)
- Pipes, Subsurface Utilities, Common Areas
- Pool House, Storage Areas
- Pool Lighting, Subsequent (The Board informs us the Association plans to replace the pool lighting in 2022 funded through the reserves. We recommend the Association fund subsequent replacements as needed funded through the operating budget.)
- Signage, Informational
- Site Furniture
- Tennis Courts, Standards and Wind Screens
- Volleyball Court
- Walls, Masonry, Trash Enclosure, Inspections and Repairs
- Water Heater, Pool House
- Other Repairs normally funded through the Operating Budget



Volleyball court



Water heater

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Fences at Lot Lines (Excludes Concrete Perimeter Walls along Boulder Lane)
- Homes and Lots



Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Lane Lines (Swim Teams)
- Light Poles and Fixtures, Street (City of Austin)
- Mailbox Stations (United States Postal Service)
- Pipes, Subsurface Utilities (Excluding Amenity Center) (City of Austin)
- Sidewalks, Parallel to Streets (City of Austin)
- Trail Park (City of Austin)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2022 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Percentage of future expenditures anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

**Canyon Creek
Homeowners Association, Inc.**
Austin, Texas

Explanatory Notes:

- 1) **3.5%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) **FY2022 is Fiscal Year beginning December 1, 2021 and ending December 31, 2022.**

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	RUL = 0 FY2022	1 2023	2 2024	3 2025	4 2026	5 2027	6 2028	7 2029	8 2030	9 2031	10 2032	11 2033	12 2034	13 2035	14 2036	15 2037
						Useful	Remaining	Unit (2022)	Per Phase (2022)	Total (2022)																	
Property Site Elements																											
4.020	3,650	3,650	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Seal Coat, Parking Area	2030	3 to 5	8	2.50	9,125	9,125	1.3%									12,016				13,789			
4.040	3,650	3,650	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Area	2026	15 to 20	4	20.00	73,000	73,000	4.0%				83,769												
4.080	1,000	1,000	Square Yards	Asphalt Pavement, Walking Paths, Total Replacement	2023	10 to 15	1	25.00	25,000	25,000	1.1%	25,875															
4.420	3	1	Allowance	Irrigation System, Remaining, Phased	2033	to 40+	11 to 13	52,000.00	52,000	156,000	3.7%											75,918	78,576	81,326			
4.560	2	2	Each	Light Poles and Fixtures, Parking Area	2044	to 35	22	3,300.00	6,600	6,600	0.2%																
4.640	15,000	2,250	Linear Feet	Perimeter Walls, Panelized Concrete, Phased	2023	to 35	1 to 30+	120.00	270,000	1,800,000	51.1%	279,450					320,675	343,515		367,982		394,192		422,268		452,344	
4.660	1	1	Allowance	Playground Equipment	2024	15 to 20	2	35,000.00	35,000	35,000	1.8%		37,493														
4.740	4,050	4,050	Square Feet	Retaining Walls, Masonry, Boulder Lane, Inspections and Repairs	2026	8 to 12	4	3.50	14,175	14,175	1.1%				16,266										22,945		
4.745	1,950	1,950	Square Feet	Retaining Walls, Masonry, Pool, Inspections and Repairs (Incl. Stairs)	2026	8 to 12	4	5.50	10,725	10,725	0.9%				12,307											17,360	
4.800	1	1	Allowance	Signage, Entrance Monument, Main, Renovation	2035	15 to 25	13	12,000.00	12,000	12,000	0.3%														18,767		
4.810	4	1	Allowance	Signage, Entrance Monuments, Neighborhoods, Renovations, Phased	2026	15 to 25	4 to 19	10,000.00	10,000	40,000	1.8%				11,475					13,629						16,187	
4.830	2,300	2,300	Square Yards	Sport Courts, Tennis and Basketball, Color Coat (2026 is Concrete Only)	2026	4 to 6	4	10.00	23,000	23,000	2.8%				10,098					31,347						37,230	
4.840	1,050	1,050	Linear Feet	Sport Courts, Tennis and Basketball, Fence	2034	to 25	12	45.00	47,250	47,250	1.1%												71,398				
4.850	20	20	Each	Sport Courts, Tennis and Basketball, Light Poles and Fixtures	2044	to 35	22	3,500.00	70,000	70,000	2.4%																
4.860	1,420	1,420	Square Yards	Sport Courts, Tennis and Basketball, Surface Replacement, Asphalt Courts	2026	to 25	4	40.00	56,800	56,800	3.5%				65,179												
4.861	880	880	Square Yards	Sport Courts, Tennis, Surface Replacement, Concrete Courts	2049	to 40	27	100.00	88,000	88,000	3.5%																
Pool House Elements																											
5.400	2,300	2,300	Square Feet	Pavers, Masonry	2032	to 25	10	13.00	29,900	29,900	0.7%														42,177		
5.500	1	1	Allowance	Rest Rooms, Renovation	2042	to 25	20	28,000.00	28,000	28,000	0.9%																
5.600	26	26	Squares	Roof, Metal	2047	to 30	25	1,100.00	28,600	28,600	1.1%																
5.720	3	1	Allowance	Security System	2026	8 to 12	4 to 12	8,600.00	8,600	25,800	1.7%				9,869				11,325				12,995				
5.800	5,450	1	Allowance	Walls, Exterior Paint Finishes and Repairs (Incl. Soffit and Fascia)	2026	8 to 10	4 to 30+	2.50	3	13,625	0.0%				3	3	3	3	3	3	4	4	4	4	4	4	
Pool Elements																											
6.200	4,570	4,570	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2028	8 to 12	6	2.50	11,425	11,425	1.0%							14,044									
6.400	530	530	Linear Feet	Fence, Metal, Paint Finishes (Incl. Handrails)	2024	6 to 8	2	12.50	6,625	6,625	0.8%		7,097														
6.401	400	400	Linear Feet	Fence, Metal, Replacement	2031	to 30	9	70.00	28,000	28,000	0.6%													38,161			
6.500	3	1	Allowance	Furniture, Phased	2025	to 12	3 to 5	7,000.00	7,000	21,000	1.8%				7,761	8,033	8,314									11,727	
6.550	130	130	Linear Feet	Handrails	2031	to 35	9	50.00	6,500	6,500	0.1%													8,859			
6.590	2	2	Each	Lifeguard Chairs	2025	to 20	3	3,800.00	7,600	7,600	0.4%				8,426												
6.600	3	1	Allowance	Mechanical Equipment, Phased (Incl. Proposed Automated Chlorination System)	2026	to 15	4 to 14	11,000.00	11,000	33,000	1.9%				12,623						14,992					17,806	
6.700	300	300	Linear Feet	Pool Coping	2041	15 to 25	19	55.00	16,500	16,500	0.5%																
6.800	3,350	3,350	Square Feet	Pool Finish, Plaster	2031	8 to 12	9	15.00	50,250	50,250	4.8%												68,486				
6.801	650	650	Linear Feet	Pool Finish, Tile	2041	15 to 25	19	42.00	27,300	27,300	0.8%																
6.870	1,000	1,000	Square Feet	Shade Structure, Canvas	2032	6 to 8	10	8.50	8,500	8,500	0.4%													11,990			
6.900	1,000	1,000	Square Feet	Shade Structure, Total Replacement	2024	20 to 25	2	24.00	24,000	24,000	1.3%		25,709														
6.980	250	250	Square Feet	Trellis, Wood	2024	15 to 20	2	42.00	10,500	10,500	0.5%			11,248													
Anticipated Expenditures, By Year (\$6,304,001 over 30 years)												0	305,325	81,547	16,187	229,622	328,992	14,047	343,518	23,344	543,459	54,171	470,114	176,762	522,365	111,532	464,075

RESERVE EXPENDITURES

**Canyon Creek
Homeowners Association, Inc.**
Austin, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$			Percentage of Future Expenditures	16 2038	17 2039	18 2040	19 2041	20 2042	21 2043	22 2044	23 2045	24 2046	25 2047	26 2048	27 2049	28 2050	29 2051	30 2052		
						Useful	Remaining	Unit (2022)	Per Phase (2022)	Total (2022)																		
Property Site Elements																												
4.020	3,650	3,650	Square Yards	Asphalt Pavement, Crack Repair, Patch, and Seal Coat, Parking Area	2030	3 to 5	8	2.50	9,125	9,125	1.3%	15,823				18,157								23,909				
4.040	3,650	3,650	Square Yards	Asphalt Pavement, Mill and Overlay, Parking Area	2026	15 to 20	4	20.00	73,000	73,000	4.0%														166,683			
4.080	1,000	1,000	Square Yards	Asphalt Pavement, Walking Paths, Total Replacement	2023	10 to 15	1	25.00	25,000	25,000	1.1%	43,350																
4.420	3	1	Allowance	Irrigation System, Remaining, Phased	2033	to 40+	11 to 13	52,000.00	52,000	156,000	3.7%																	
4.560	2	2	Each	Light Poles and Fixtures, Parking Area	2044	to 35	22	3,300.00	6,600	6,600	0.2%							14,068										
4.640	15,000	2,250	Linear Feet	Perimeter Walls, Panelized Concrete, Phased	2023	to 35	1 to 30+	120.00	270,000	1,800,000	51.1%											638,076						
4.660	1	1	Allowance	Playground Equipment	2024	15 to 20	2	35,000.00	35,000	35,000	1.8%							74,603										
4.740	4,050	4,050	Square Feet	Retaining Walls, Masonry, Boulder Lane, Inspections and Repairs	2026	8 to 12	4	3.50	14,175	14,175	1.1%														32,366			
4.745	1,950	1,950	Square Feet	Retaining Walls, Masonry, Pool, Inspections and Repairs (Incl. Stairs)	2026	8 to 12	4	5.50	10,725	10,725	0.9%														24,489			
4.800	1	1	Allowance	Signage, Entrance Monument, Main, Renovation	2035	15 to 25	13	12,000.00	12,000	12,000	0.3%																	
4.810	4	1	Allowance	Signage, Entrance Monuments, Neighborhoods, Renovations, Phased	2026	15 to 25	4 to 19	10,000.00	10,000	40,000	1.8%					19,225									22,833		27,119	
4.830	2,300	2,300	Square Yards	Sport Courts, Tennis and Basketball, Color Coat (2026 is Concrete Only)	2026	4 to 6	4	10.00	23,000	23,000	2.8%					44,218									52,517			
4.840	1,050	1,050	Linear Feet	Sport Courts, Tennis and Basketball, Fence	2034	to 25	12	45.00	47,250	47,250	1.1%																	
4.850	20	20	Each	Sport Courts, Tennis and Basketball, Light Poles and Fixtures	2044	to 35	22	3,500.00	70,000	70,000	2.4%							149,206										
4.860	1,420	1,420	Square Yards	Sport Courts, Tennis and Basketball, Surface Replacement, Asphalt Courts	2026	to 25	4	40.00	56,800	56,800	3.5%															154,035		
4.861	880	880	Square Yards	Sport Courts, Tennis, Surface Replacement, Concrete Courts	2049	to 40	27	100.00	88,000	88,000	3.5%														222,778			
Pool House Elements																												
5.400	2,300	2,300	Square Feet	Pavers, Masonry	2032	to 25	10	13.00	29,900	29,900	0.7%																	
5.500	1	1	Allowance	Rest Rooms, Renovation	2042	to 25	20	28,000.00	28,000	28,000	0.9%					55,714												
5.600	26	26	Squares	Roof, Metal	2047	to 30	25	1,100.00	28,600	28,600	1.1%											67,589						
5.720	3	1	Allowance	Security System	2026	8 to 12	4 to 12	8,600.00	8,600	25,800	1.7%	14,912				17,112								19,637		22,533		
5.800	5,450	1	Allowance	Walls, Exterior Paint Finishes and Repairs (Incl. Soffit and Fascia)	2026	8 to 10	4 to 30+	2.50	3	13,625	0.0%	4	4	5	5	5	5	5	6	6	6	6	6	6	7	7	7	
Pool Elements																												
6.200	4,570	4,570	Square Feet	Concrete Deck, Inspections, Partial Replacements and Repairs	2028	8 to 12	6	2.50	11,425	11,425	1.0%	19,811													27,945			
6.400	530	530	Linear Feet	Fence, Metal, Paint Finishes (Incl. Handrails)	2024	6 to 8	2	12.50	6,625	6,625	0.8%	11,488							14,616								18,595	
6.401	400	400	Linear Feet	Fence, Metal, Replacement	2031	to 30	9	70.00	28,000	28,000	0.6%																	
6.500	3	1	Allowance	Furniture, Phased	2025	to 12	3 to 5	7,000.00	7,000	21,000	1.8%	12,138	12,563												17,721	18,341	18,983	
6.550	130	130	Linear Feet	Handrails	2031	to 35	9	50.00	6,500	6,500	0.1%																	
6.590	2	2	Each	Lifeguard Chairs	2025	to 20	3	3,800.00	7,600	7,600	0.4%						15,652											
6.600	3	1	Allowance	Mechanical Equipment, Phased (Incl. Proposed Automated Chlorination System)	2026	to 15	4 to 14	11,000.00	11,000	33,000	1.9%					21,148								25,117		29,831		
6.700	300	300	Linear Feet	Pool Coping	2041	15 to 25	19	55.00	16,500	16,500	0.5%					31,721												
6.800	3,350	3,350	Square Feet	Pool Finish, Plaster	2031	8 to 12	9	15.00	50,250	50,250	4.8%					96,606											136,272	
6.801	650	650	Linear Feet	Pool Finish, Tile	2041	15 to 25	19	42.00	27,300	27,300	0.8%					52,484												
6.870	1,000	1,000	Square Feet	Shade Structure, Canvas	2032	6 to 8	10	8.50	8,500	8,500	0.4%			15,789														
6.900	1,000	1,000	Square Feet	Shade Structure, Total Replacement	2024	20 to 25	2	24.00	24,000	24,000	1.3%														58,703			
6.980	250	250	Square Feet	Trellis, Wood	2024	15 to 20	2	42.00	10,500	10,500	0.5%							22,381										
Anticipated Expenditures, By Year (\$6,304,001 over 30 years)												117,526	12,567	15,794	265,407	90,988	15,657	260,263	14,622	343,648	705,671	86,654	240,505	64,790	366,247	18,602		

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS

Canyon Creek
Homeowners Association, Inc.

		Individual Reserve Budgets & Cash Flows for the Next 30 Years															
Austin, Texas		FY2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Reserves at Beginning of Year	<i>(Note 1)</i>	N/A	267,865	145,547	253,399	433,355	406,853	288,008	491,451	373,065	582,799	280,471	475,778	263,834	354,181	108,147	282,610
Total Recommended Reserve Contributions	<i>(Note 2)</i>	N/A	182,800	189,200	195,800	202,700	209,800	217,100	224,700	232,600	240,700	249,100	257,800	266,800	276,100	285,800	295,800
Estimated Interest Earned, During Year	<i>(Note 3)</i>	N/A	207	199	343	420	347	390	432	478	431	378	370	309	231	195	198
Anticipated Expenditures, By Year		N/A	(305,325)	(81,547)	(16,187)	(229,622)	(328,992)	(14,047)	(343,518)	(23,344)	(543,459)	(54,171)	(470,114)	(176,762)	(522,365)	(111,532)	(464,075)
Anticipated Reserves at Year End		<u>\$267,865</u>	<u>\$145,547</u>	<u>\$253,399</u>	<u>\$433,355</u>	<u>\$406,853</u>	<u>\$288,008</u>	<u>\$491,451</u>	<u>\$373,065</u>	<u>\$582,799</u>	<u>\$280,471</u>	<u>\$475,778</u>	<u>\$263,834</u>	<u>\$354,181</u>	<u>\$108,147</u>	<u>\$282,610</u>	<u>\$114,533</u>
															<i>(NOTE 5)</i>		<i>(NOTE 5)</i>

(continued)

		Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued														
		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052
Reserves at Beginning of Year		114,533	162,145	320,619	482,026	400,060	498,921	679,853	623,141	819,240	693,748	213,530	360,063	361,018	546,181	438,626
Total Recommended Reserve Contributions		165,000	170,800	176,800	183,000	189,400	196,000	202,900	210,000	217,400	225,000	232,900	241,100	249,500	258,200	267,200
Estimated Interest Earned, During Year		138	241	401	441	449	589	651	721	756	453	287	360	453	492	563
Anticipated Expenditures, By Year		(117,526)	(12,567)	(15,794)	(265,407)	(90,988)	(15,657)	(260,263)	(14,622)	(343,648)	(705,671)	(86,654)	(240,505)	(64,790)	(366,247)	(18,602)
Anticipated Reserves at Year End		<u>\$162,145</u>	<u>\$320,619</u>	<u>\$482,026</u>	<u>\$400,060</u>	<u>\$498,921</u>	<u>\$679,853</u>	<u>\$623,141</u>	<u>\$819,240</u>	<u>\$693,748</u>	<u>\$213,530</u>	<u>\$360,063</u>	<u>\$361,018</u>	<u>\$546,181</u>	<u>\$438,626</u>	<u>\$687,787</u>
											<i>(NOTE 5)</i>					<i>(NOTE 4)</i>

Explanatory Notes:

- 1) Year 2022 ending reserves are projected by the Board as of December 31, 2022; FY2022 starts December 1, 2021 and ends December 31, 2022.
- 2) 2023 is the first year of recommended contributions.
- 3) 0.1% is the estimated annual rate of return on invested reserves
- 4) Accumulated year 2052 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK**Canyon Creek
Homeowners Association, Inc.**
Austin, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2022	1 2023	2 2024	3 2025	4 2026	5 2027
<u>Property Site Elements</u>							
4.040	Asphalt Pavement, Mill and Overlay, Parking Area					83,769	
4.080	Asphalt Pavement, Walking Paths, Total Replacement		25,875				
4.640	Perimeter Walls, Panelized Concrete, Phased		279,450				320,675
4.660	Playground Equipment			37,493			
4.740	Retaining Walls, Masonry, Boulder Lane, Inspections and Repairs					16,266	
4.745	Retaining Walls, Masonry, Pool, Inspections and Repairs (Incl. Stairs)					12,307	
4.810	Signage, Entrance Monuments, Neighborhoods, Renovations, Phased					11,475	
4.830	Sport Courts, Tennis and Basketball, Color Coat (2026 is Concrete Only)					10,098	
4.860	Sport Courts, Tennis and Basketball, Surface Replacement, Asphalt Courts					65,179	
<u>Pool House Elements</u>							
5.720	Security System					9,869	
5.800	Walls, Exterior Paint Finishes and Repairs (Incl. Soffit and Fascia)					3	3
<u>Pool Elements</u>							
6.400	Fence, Metal, Paint Finishes (Incl. Handrails)			7,097			
6.500	Furniture, Phased				7,761	8,033	8,314
6.590	Lifeguard Chairs				8,426		
6.600	Mechanical Equipment, Phased (Incl. Proposed Automated Chlorination System)					12,623	
6.900	Shade Structure, Total Replacement			25,709			
6.980	Trellis, Wood			11,248			
Anticipated Expenditures, By Year (\$6,304,001 over 30 years)		0	305,325	81,547	16,187	229,622	328,992

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Property Site Elements

Asphalt Pavement, Crack Repair, Patch and Seal Coat

Line Item: 4.020

Quantity: Approximately 3,650 square yards

History: Repaired in 2020.

Condition: Good to fair overall

Useful Life: Three- to five-years

Component Detail Notes: Proposals should include mechanically routing and filling all cracks with hot emulsion. Repairs should also include patching at areas exhibiting settlement, potholes, or excessive cracking. The contractor should only apply seal coat applications after repairs are completed. A seal coat does not bridge or close cracks; therefore, unrepaired cracks render the seal coat applications useless. These activities minimize the damaging effects of vehicle fluids, maintain a uniform and positive appearance, and maximize the useful life of the pavement.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for crack repairs and patching of up to two percent (2%) of the pavement.

Asphalt Pavement, Repaving

Line Item: 4.040

Quantity: Approximately 3,650 square yards at the parking area

History: Original; Seal coated and repaired in 2020.

Condition: Good to fair overall with periodic cracks, alligator cracks and previous repairs evident. We also note seal coat and pavement deterioration.



Asphalt pavement parking lot overview



Previous repairs



Pavement deterioration possibly caused due to tree roots



Seal coat deterioration



Alligator cracks



Pavement cracks



Alligator cracks



Alligator cracks



Concrete curb and gutter



Edge deterioration

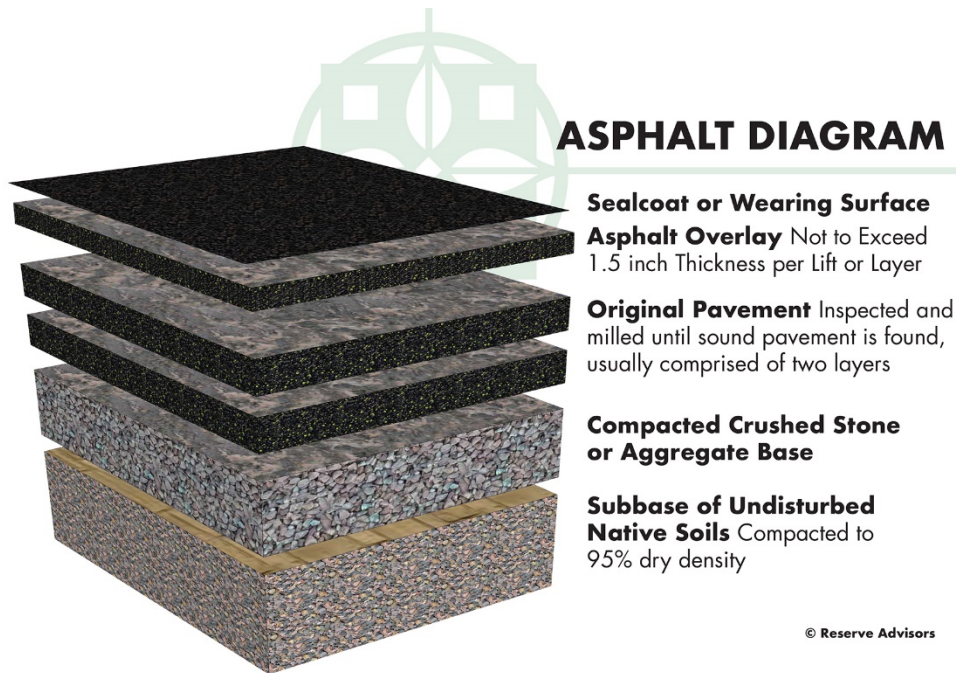


Pavement deterioration by the pool mechanical equipment

Useful Life: 15- to 20-years with the benefit of timely crack repairs and patching

Component Detail Notes: The initial installation of asphalt uses at least two lifts, or two separate applications of asphalt, over the base course. The first lift is the binder course.

The second lift is the wearing course. The wearing course comprises a finer aggregate for a smoother more watertight finish. The following diagram depicts the typical components although it may not reflect the actual configuration at Canyon Creek:



The manner of repaving is either a mill and overlay or total replacement. A mill and overlay is a method of repaving where cracked, worn and failed pavement is mechanically removed or milled until sound pavement is found. A new layer of asphalt is overlaid atop the remaining base course of pavement. Total replacement includes the removal of all existing asphalt down to the base course of aggregate and native soil followed by the application of two or more new lifts of asphalt. We recommend mill and overlayment on asphalt pavement that exhibits normal deterioration and wear. We recommend total replacement of asphalt pavement that exhibits severe deterioration, inadequate drainage, pavement that has been overlaid multiple times in the past or where the configuration makes overlayment not possible. Based on the apparent visual condition and configuration of the asphalt pavement, we recommend the mill and overlay method of repaving at Canyon Creek.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect for settlement, large cracks and trip hazards, and ensure proper drainage
 - Repair areas which could cause vehicular damage such as potholes
- As needed:
 - Perform crack repairs and patching

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for milling and overlayment includes area patching of up to ten percent (10%).

Asphalt Pavement, Repaving, Walking Paths

Line Item: 4.080

Quantity: 1,000 square yards

History: Original

Condition: Fair to poor overall with walking path deterioration evident.



Asphalt walking path



Path deterioration



Walking path edge deterioration



Walking path deterioration

Useful Life: 10- to 15-years with the benefit of timely crack repairs and patching, and the need to maintain a safe pedestrian surface



Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Irrigation System, Replacement

Line Item: 4.420

Quantity: An irrigation system waters the common lawn and landscaped areas throughout the community

History: The Association replaced several sections of the irrigation system near the entrance monuments and converted to drip irrigation systems. The remaining sections are original with repairs conducted as needed.

Condition: Satisfactory operational condition and the Board does not report any deficiencies

Useful Life: 40+ years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Valves

Canyon Creek should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Conduct seasonal repairs which includes valve repairs, controller repairs, partial head replacements and pipe repairs
 - Blow out irrigation water lines and drain building exterior faucets each fall if applicable

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the irrigation system as a whole is unlikely. Therefore, we depict replacement in a phased manner.

Light Poles and Fixtures

Line Item: 4.560

Quantity: Two poles with LED light fixtures at the parking area

History: The poles are original. The fixtures were replaced in recent years.

Condition: Good overall



Light pole and fixture at parking area

Useful Life: Up to 35 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
 - Inspect and repair broken or dislodged fixtures, and leaning or damaged poles
 - Replaced burned out bulbs as needed

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Perimeter Walls, Panelized Concrete

Line Item: 4.640

Quantity: Approximately 15,000 linear feet of perimeter walls along Boulder Lane

History: Original; The Board informs us the Association conducts inspections, repairs and partial replacement as needed on an annual basis funded through the operating budget.

Condition: Fair overall with frequent cracks, exposed reinforcing steel, concrete spalls at panels and concrete spalls at columns evident.



Concrete perimeter wall overview



Wall support deterioration and exposed reinforcing steel



Cracks at column



Wall panel cracks



Cracks at column



Cracks at lattice section



Concrete spalls and exposed reinforcing steel at column



Concrete deterioration and exposed reinforcing steel



Concrete deterioration and exposed reinforcing steel



Wall panel cracks

Useful Life: Up to every 35 years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- As-needed:
 - Inspect for significant damage, spalling and cracks. If these conditions exist, perform near term repairs and remediation, utilizing reserve funds if project scope warrants.
 - Ensure irrigation heads are directed away from the walls and tree roots do not undermine the support columns

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We depict replacement of fifteen percent (15%) per event beginning by 2023 with an accelerated rate of replacement as the walls age.

Playground Equipment

Line Item: 4.660

Quantity: Playground equipment includes the following elements:

- Playsets
- Wood surface with a plastic border

History: Original; The playground equipment was painted and the safety surface was replaced in 2021.

Condition: Fair overall. We note equipment deterioration.



Playground equipment



Wood mulch and plastic border



Deterioration



Deterioration



Deterioration

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair loose connections and fasteners or damaged elements
 - Inspect for safety hazards and adequate coverage of ground surface cover

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include an allowance in the unit cost for replacement of the safety surface and border.

Retaining Walls, Masonry

Line Items: 4.740 and 4.745

Quantity: The Association maintains dry-set and mortar-set masonry retaining walls throughout the community at the common areas. These retaining walls comprise approximately 1,950 square feet of masonry near the pool house and approximately 4,050 square feet of masonry along Boulder Lane.

History: Original

Condition: Good overall. We note masonry damage.



Masonry retaining wall at pool area



Masonry damage



Damaged masonry



Mortar set masonry retaining wall

Useful Life: Masonry retaining walls have indeterminate useful lives. However, we recommend the Association plan for inspections and capital repairs every 8- to 12-years to forestall deterioration.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes an allowance for an inspection, partial resetting and replacement of the masonry. Our cost for repairs of the pool area retaining walls include repairs to the adjacent stairs and concrete flatwork as needed.

Signage, Entrance Monuments

Line Items: 4.800 and 4.810

Quantity: The Association maintains several entrance monuments at the main entrance and throughout the community at the entrances to the neighborhoods. The monuments includes the following elements:

- Light fixtures
- Masonry

History: The monument at the main entrance was replaced in 2015. The remaining monuments are original.

Condition: Good overall



Monument



Monument lighting



Monument



Monument



Main monument



Masonry at monument



Marquee sign

Useful Life: 15- to 25-years

Component Detail Notes: Community signage contributes to the overall aesthetic appearance of the property to owners and potential buyers. Renovation or replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific times for replacement or renovation are discretionary.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair damage, vandalism and loose components
 - Verify lighting is working properly
 - Touch-up paint finish applications if applicable

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes repairs to the masonry and replacement of the remaining components listed above.

Sport Courts, Tennis and Basketball, Fence

Line Item: 4.840

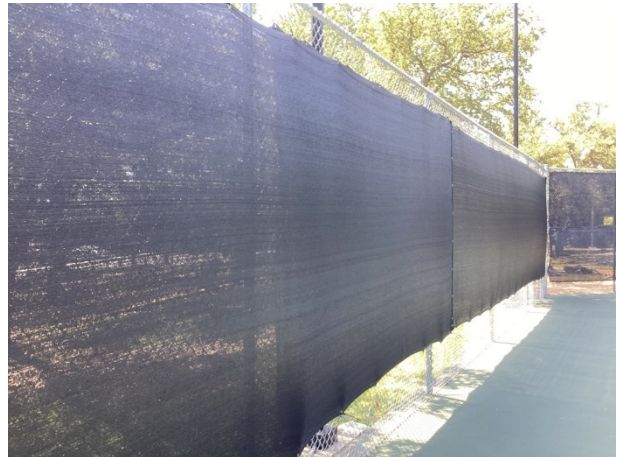
Quantity: Approximately 1,050 linear feet

History: Original

Condition: Good overall



Chain link fence



Chain link fence

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Sport Courts, Tennis and Basketball, Light Poles and Fixtures

Line Item: 4.850

Quantity: 20 metal light poles and fixtures at the courts

History: Original poles; The Association replaced the light fixtures with LED lighting at the lower tennis courts and at the parking area within the last two years. A portion of the light fixtures at the upper courts were replaced as well. The fixtures at the basketball court is original. We recommend the Association fund replacement of the remaining fixtures as needed through the operating budget.

Condition: Good overall



Light pole and fixture



Recently replaced light fixture

Useful Life: Up to 35 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Sport Courts, Tennis and Basketball

Line Items: 4.830, 4.860 and 4.861

Quantity: Approximately 1,420 square yards of asphalt comprising one basketball court and one tennis court at the lower level. The Association maintains approximately 880 square yards of concrete comprising the upper level tennis court.

History:

- Color Coat: The courts were color coated and repaired in 2021 as per the Board.
- Surface: Original; The concrete courts were constructed in 2009.

Condition: Good to fair overall. The concrete tennis court is in good overall condition. The asphalt tennis court is good overall with minor surface cracks and the basketball court is good to fair overall with a higher frequency of surface cracks evident.



Basketball court overview



Surface cracks at basketball court



Surface cracks at basketball court



Surface cracks at basketball court



Asphalt tennis court overview



Surface cracks at asphalt tennis court



Concrete tennis court overview

Useful Life: Up to 25 years for replacement of the asphalt court and up to 40 years for the concrete courts with the benefit of color coat applications and repairs every four- to six-years

Preventative Maintenance Notes: Prior to the application of the color coat, the Association should require the contractor to rout and fill all cracks with hot emulsion. This deters water infiltration and further deterioration of the asphalt playing surface. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair large cracks, trip hazards and possibly safety hazards
 - Verify gate and fencing is secure
 - Verify lighting is working properly if applicable
 - Inspect and repair standards and windscreens as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pool House Elements

Pavers, Masonry

Line Item: 5.400

Quantity: Approximately 2,300 square feet at the pool house

History: Repaired and partially replaced in 2017

Condition: Good overall



Pavers overview

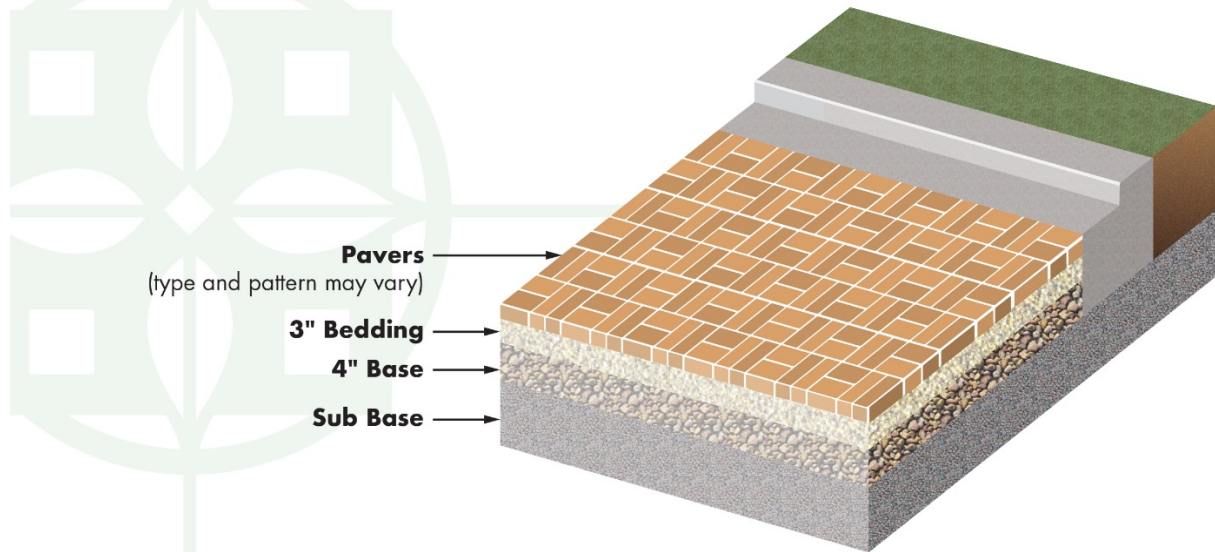


Pavers overview

Useful Life: Up to 25 years

Component Detail Notes: The following diagram depicts the typical components of a masonry paver system although it may not reflect the actual configuration at Canyon Creek:

MASONRY PAVER DIAGRAM



© Reserve Advisors

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair settlement, trip hazards and paver spalls at heavy traffic areas
 - Re-set and/or reseal damaged pavers as necessary
 - Periodically clean and remove overgrown vegetation as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We suggest the Association conduct interim resetting and replacement of minor areas of pavers as normal maintenance, funded from the operating budget.

Rest Rooms

Line Item: 5.500

Quantity: Four rest rooms at the pool house. The rest room components include:

- Concrete floor coverings
- Tile wall coverings and paint finishes
- Paint finishes at the ceilings
- Light fixtures

- Plumbing fixtures

History: the existing rest rooms were renovated in 2017 and added rest rooms in 2017

Condition: Good overall with no significant deterioration evident.



Rest room overview



Rest room overview

Useful Life: Renovation up to every 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Roofs, Metal

Line Item: 5.600

Quantity: Approximately 26 squares¹

History: Replaced in 2017

Condition: Good overall

¹ We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Metal roof



Metal roof

Useful Life: Up to 30 years

Preventative Maintenance Notes: We recommend the Association maintain a service and inspection contract with a qualified professional and record all documentation of repairs conducted. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Record any areas of water infiltration, flashing deterioration, damage or loose fasteners
 - Implement repairs as needed if issues are reoccurring
 - Ensure proper ventilation and verify vents are clear of debris and not blocked from attic insulation
 - Clear valleys of debris
 - Periodic cleaning at areas with organic growth

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Security System

Line Item: 5.720

Quantity: Canyon Creek utilizes the following security system components:

- Automated card reading system
- Cameras
- Multiplexer
- Recorder

History: Varies in age. The Association plans to replace the network box in 2022.

Condition: Reported satisfactory



Security system



Security system cameras



Access control point

Useful Life: 8- to 12-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative

maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
 - Check cameras for proper focus, fields of view are unobstructured and camera and lenses are clean and dust-free
 - Check recording equipment for proper operation
 - Verify monitors are free from distortion with correct brightness and contrast
- Annually:
 - Check exposed wiring and cables for wear, proper connections and signal transmission
 - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate replacement of up to thirty-three percent (33%) of the security system components per event.

Walls, Exterior, Paint Finishes and Repairs

Line Item: 5.800

Quantity: Approximately 5,450 square feet of finishes comprising the exterior walls, soffit and fascia

History: 2017

Condition: Good overall with isolated stains evident



Paint finishes at soffit



Painted CMU walls



Stains



Stucco wall finishes

Useful Life: We recommend inspections, repairs and paint finish applications every 8- to 10-years.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our estimate of cost anticipates the following in coordination with each paint finish application:

- Complete inspection of the stucco
- Crack repairs as needed (Each paint product has the limited ability to cover and seal cracks but we recommend repair of all cracks which exceed the ability of the paint product to bridge.)
- Replacement of a limited amount of the exterior wall finishes, soffit and fascia (The exact amount of area in need of replacement will be discretionary based on the actual future conditions and the desired appearance.)
- Replacement of the sealants as needed

The Board informs us the Association plans to install gutters and downspouts at the pool house in 2022. Future updates of this study will consider the need to include expenditures based on actual installation.

Pool Elements

Concrete Deck

Line Item: 6.200

Quantity: Approximately 4,570 square feet

History: Original; The sealant between the pool and the deck was redone in 2021.

Condition: Good to fair overall with cracks evident.



Concrete pool deck overview



Concrete cracks



Concrete cracks

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years.

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Inspect and repair large cracks, trip hazards, and possible safety hazards
 - Inspect and repair pool coping for cracks, settlement, heaves or sealant deterioration
 - Repair concrete spalling
 - Schedule periodic pressure cleanings as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for the following per event:

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement

Fences, Metal

Line Items: 6.400 and 6.401

Quantity: Approximately 400 linear feet

History: The fence is original. The Association conducted paint finishes and repairs within the last six years.

Condition: Good to fair overall with damage, finish fade and rust evident.



Steel pool fence



Fence finish deterioration and rust



Fence rust



Fence damage and rust

Useful Life: Up to 30 years with the benefit of paint finishes and repairs every six- to eight-years

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect and repair loose fasteners or sections, and damage
 - Repair leaning sections and clear vegetation from fence areas which could cause damage

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Furniture

Line Items: 6.500 and 6.590

Quantity: The pool furniture includes the following:

- Chairs
- Lounges
- Tables
- Ladders and life safety equipment
- Lifeguard chairs

History: The pool furniture was replaced in 2019. The lifeguard chairs are original.

Condition: Good overall



Pool furniture



Lifeguard chair



Lifeguard chair



Pool furniture

Useful Life: Up to 12 years for the pool furniture and up to 20 years for the lifeguard chairs

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend interim re-strapping, refinishing, and other repairs to the furniture as normal maintenance to maximize its useful life. We depict replacement in a phased manner.

Handrails

Line Item: 6.550

Quantity: Approximately 130 linear feet

History: Original

Condition: Good to fair overall with minor rust evident



Handrail



Rust



Rust

Useful Life: Up to 35 years with the benefit of paint finishes and repairs every six- to eight-years.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include expenditures for paint finishes and repairs on line item 6.400.

Mechanical Equipment

Line Item: 6.600

Quantity: The mechanical equipment includes the following:

- Controls
- Electrical panel
- Interconnected pipe, fittings and valves
- Pumps and filters

History: Original; The Association replaced the large pump in 2019, a chemical controller was installed in 2021 and the electrical panel was replaced in 2021. The Association plans to install an automated chlorination system in 2022. We include expenditures for subsequent replacement of the automatic chlorination system.

Condition: Reported satisfactory



Pool pump



Pool filter



Chemical controller

Useful Life: Up to 15 years

Preventative Maintenance Notes: We recommend the Association maintain a maintenance contract with a qualified professional and follow the manufacturer's specific recommended maintenance and local, state and/or federal inspection guidelines.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to thirty-three percent (33%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster, Tile and Coping

Line Items: 6.700, 6.800 and 6.801

Quantity: 3,350 square feet of plaster based on the horizontal surface area, approximately 650 linear feet of tile and 300 linear feet of coping. This quantity also includes the wading pool.

History:

- Plaster finish: Replaced in 2021
- Tile and coping: Replaced in 2021.

Condition: Good overall



Pool overview



Pool plaster finish with tile and coping



Wading pool



Efflorescence at tile at wading pool

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile and coping

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Semi-annually:
 - Inspect and patch areas of significant plaster delamination, coping damage and structure cracks
 - Inspect main drain connection and anti-entrapment covers, pressure test circulation piping and valves
 - Test handrails and safety features for proper operation

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile and coping replacement every other plaster replacement event. Removal and replacement of the finish provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Shade Structures

Line Items: 6.870 and 6.900

Quantity: Approximately 1,000 square feet comprising two shade structures

History: Original; The Board reports of rust failure which was welded recently. The canvases were replaced in 2017.

Condition: Good to fair overall. We note rust at the frame and tear at the canvas.



Shade structure overview



Shade structure canvas



Rust at frame



Rust at frame



Rust at frame



Tear at canvas

Useful Life: Six- to eight-years for the canvas and 20- to 25-year for total replacement

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association fund interim repairs through the operating budget.

Trellis, Wood

Line Item: 6.980

Quantity: Approximately 250 square feet comprising one wood trellis at the pool area

History: Original

Condition: Good to fair overall. We note wood rot and deterioration.



Pergola



Wood rot



Pergola wood deterioration

Useful Life: 15- to 25-years with periodic maintenance

Preventative Maintenance Notes: We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Annually:
 - Inspect for wood deterioration, and loose or missing fasteners
- Every three years:
 - Power wash with algaecide and application of sealer/stain

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for paint applications and repairs through the operating budget.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements



Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two-to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Canyon Creek can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level II Reserve Study Update." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long-term future inflation for construction costs in Austin, Texas at an annual inflation rate³. Isolated or regional markets of greater

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for additional information on our use of published sources of cost data.

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.

construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Canyon Creek and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.



6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our founders are also founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our founders is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to a 2,600,000-square foot 98-story highrise. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

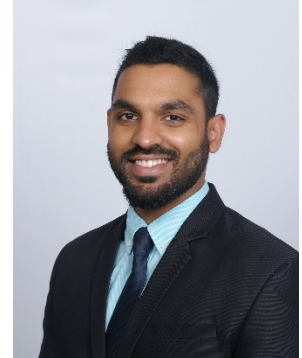
OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

JAISON T. THOMAS
Responsible Advisor

CURRENT CLIENT SERVICES

Jaision T. Thomas, a Mechanical Engineer, is an advisor for Reserve Advisors. Mr. Thomas is responsible for the inspection and analysis of the condition of clients' properties, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analyses and Capital Replacement Forecast services and the preparation of Reserve Study Reports for apartments, condominiums, townhomes and homeowner associations.



The following is a partial list of clients served by Jaision Thomas demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Foresters Pond Condominiums - This condominium association in Houston, Texas containing 118 units in 14 buildings was constructed in the early 1960's. The exteriors of the condominiums comprise of a combination of masonry walls and wood siding construction, asphalt shingle roofs, wood framed balconies with concrete thinset toppings and staircases. The community includes a clubhouse, pool, asphalt parking areas, carports, and perimeter walls.

Seven Meadow's Community Association, Inc. - This single family home community contains over 2,000 residential homes and is located in Katy, Texas. Features of this community include two pools, two pool houses, a combination of panelized concrete and masonry perimeter walls, two tennis courts, ponds, playgrounds and a clubhouse including conference rooms, a fitness room and a theater room.

Easton Park Townhomes Owners Association, Inc. - A townhome community in Charlotte, North Carolina containing 33 units in 11 buildings. The townhomes comprise of a combination of brick walls and fiber cement siding. Features of this property include retention ponds, lift station, asphalt streets, street pavers, masonry perimeter walls and masonry retaining walls.

Villages of Northpointe Community Association, Inc. - Located in Tomball, Texas, Villages of Northpointe comprises 919 single family homes. The community includes a main amenity center with a clubhouse, pool, playground equipment and outdoor exercise stations. Throughout the site, the Association maintains numerous fences, perimeter walls, and landscaped and irrigated areas. The community also includes a gated section which utilizes a separate expenditures and funding plan.

Skyecroft Homeowners Association, Inc. - This single family home community contains 208 residential homes and is located in Waxhaw, North Carolina. The community includes a pool, tennis courts, playground equipment, large quantities of asphalt streets and a clubhouse including a meeting room, library and a bar room. The community also includes an extensive drainage system which utilizes 22 ponds throughout the community.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Thomas completed the bachelors program in Mechanical Engineering from the University of Houston. Following his studies, he worked as a field engineer in refineries and also as a design engineer where he designed heat tracing circuits for piping in refineries and power plants.

EDUCATION

University of Houston - B.S. Mechanical Engineering

PROFESSIONAL AFFILIATIONS

Engineer in Training (E.I.T.) - State of Texas

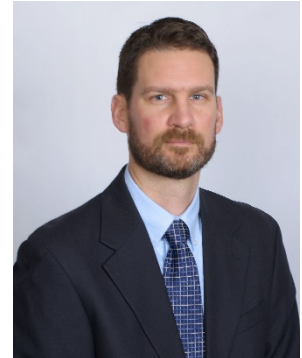
Reserve Specialist (RS) – Community Associations Institute

ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado

Reserve Specialist (RS) - Community Associations Institute

Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts

NICOLE L. LOWERY, PRA, RS
Associate Director of Quality Assurance

CURRENT CLIENT SERVICES

Nicole L. Lowery, a Civil Engineer, is an Associate Director of Quality Assurance for Reserve Advisors. Ms. Lowery is responsible for the management, review and quality assurance of reserve studies. In this role, she assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Ms. Lowery has been involved with hundreds of Reserve Study assignments. The following is a partial list of clients served by Nicole Lowery demonstrating her breadth of experiential knowledge of community associations in construction and related buildings systems.



Amelia Surf & Racquet Club This oceanfront condominium community comprises 156 units in three mid rise buildings. This Fernandina Beach, Florida development contains amenities such as clay tennis courts, two pools and boardwalks.

Ten Museum Park This boutique, luxury 50-story high rise building in downtown Miami, Florida consists of 200 condominium units. The amenities comprise six pools including resistance and plunge pools, a full-service spa and a state-of-the-art fitness center. The property also contains a multi-level parking garage.

3 Chisolm Street Homeowners Association This historic Charleston, South Carolina community was constructed in 1929 and 1960 and comprises brick and stucco construction with asphalt shingle and modified bitumen roofs. The unique buildings were originally the Murray Vocational School. The buildings were transformed in 2002 to 27 high-end condominiums. The property includes a courtyard and covered parking garage.

Lakes of Pine Run Condominium Association This condominium community comprises 112 units in 41 buildings of stucco construction with asphalt shingle roofs. Located in Ormond Beach, Florida, it has a domestic water treatment plant and wastewater treatment plant for the residents of the property.

Rivertowne on the Wando Homeowners Association This exclusive river front community is located on the Wando River in Mount Pleasant, South Carolina. This unique Association includes several private docks along the Wando River, a pool and tennis courts for use by its residents.

Biltmore Estates Homeowners Association This private gated community is located in Miramar, Florida, just northwest of Miami, Florida and consists of 128 single family homes. The lake front property maintains a pool, a pool house and private streets.

Bellavista at Miromar Lakes Condominium Association Located in the residential waterfront resort community of Miromar Lakes Beach & Golf Club in Fort Myers, Florida, this property comprises 60 units in 15 buildings. Amenities include a clubhouse and a pool.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Ms. Lowery was a project manager with Kipcon in New Brunswick, New Jersey and the Washington, D.C. Metro area for eight years, where she was responsible for preparing reserve studies and transition studies for community associations. Ms. Lowery successfully completed the bachelors program in Civil Engineering from West Virginia University in Morgantown, West Virginia.

EDUCATION

West Virginia University - B.S. Civil Engineering

PROFESSIONAL AFFILIATIONS / DESIGNATIONS

Reserve Specialist (RS) - Community Associations Institute

Professional Reserves Analyst (PRA) - Association of Professional Reserve Analysts



RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions 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 anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials, labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Canyon Creek responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Canyon Creek responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in ***Reserve Expenditures*** that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.