

# ***RESERVE STUDY SPECIALISTS***

***P.O. BOX 9178, CALABASAS, CA 91372***

***TEL: 818-992-1312 FAX: 818-992-1338***



## **ANNANDALE TOWNHOUSE ASSOCIATION, INC.**

### **FULL RESERVE STUDY**

**May 20, 2021 for Fiscal Year 2022**

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## **Initial Reserves**

Initial reserves for this Reserve Study were known to be \$3,291,530 on February 28, 2021. As per information provided by the Association the reserve balance at study start date of January 01, 2022 is projected to be \$3,457,000.

## **Reserve Funding Goal**

The baseline reserve funding goal is to plan the minimum reserve account balance consistent with cash demands of maintenance and replacement of reserve items annually. (Baseline Funding)

## **Depth of Study**

Full Service Reserve Study with Field Inspection. A field inspection was made to verify the existing condition of the various reserve study components, their physical condition, and to verify component quantities. In place testing, laboratory testing, and non-destructive or destructive testing of the reserve study components were not performed. Field measurements of component quantities were made, where necessary, to determine quantities of various components.

## **Statement**

Reserve Study Specialists is pleased to present to the Board of Directors the requested Reserve Funding Study. We believe that you will find the attached study thorough and complete. After you have had an opportunity to review the report you may have questions. Please do not hesitate to write or call, we would be pleased to answer any questions you may have.

## **Project Description**

Annandale Townhouse Association, Inc. is a community of 292 unit townhouse complex built in 1973. The HOA maintains the roofs, private concrete drives, concrete walks, building exterior & painting, vinyl fences & walls, metal rails, carports, pool, pool deck, clubhouse, lighting, mailboxes, signs, common area landscaping and other common area components.

## **Summary of Financial Assumptions**

<i>Fiscal Calendar Year Begins</i>	<i>January 01</i>
<i>Reserve Study by Fiscal Calendar Year Starting</i>	<i>January 01, 2022</i>
<i>Funding Study Length</i>	<i>30 Years</i>
<i>Number of Dues Paying Members</i>	<i>292</i>
<i>Reserve Balance as of January 01, 2022</i>	<i>\$3,457,000</i>
<i>Annual Inflation Rate</i>	<i>3%</i>
<i>Tax Rate on Reserve Interest</i>	<i>30%</i>
<i>Minimum Reserve Account Balance</i>	<i>\$0</i>
<i>Dues Change Period</i>	<i>1 Year</i>
<i>Monthly Dues</i>	<i>\$370.26</i>

## **Reserve Study Assumptions**

- Cost estimates and financial information are accurate and current.
- No unforeseen circumstances will cause a significant reduction of reserves.
- Sufficient comprehensive property insurance exists to protect from insurance risks.
- The association plans to continue to maintain the existing common area and amenities.
- Reserve payments occur at the end of every calendar month.
- Expenses occur at the end of the expense year.

## **Impact of Component life**

The projected life expectancy of the major components and the reserve funding needs of the association are closely tied. Performing the appropriate routine maintenance for each major component generally increases the component useful life, effectively moving the component expense into the future, which reduces the reserve funding payments of the association.

Failure to perform such maintenance can shorten the remaining useful life of the major components, bringing the replacement expense closer to the present, which increases the reserve funding payments of the association.

## **Study Method**

Funding studies may be done in several ways, but we believe that the value of a meaningful funding study lies in the details. “Bulk” studies are quick, usually inexpensive, and almost always border on worthless.

In this study, we have used the “Component” method because it is the only method, which allows scrutiny of the funding details. The method is pragmatic, and allows human judgment and experience to enter into the equation.

Unless noted otherwise, the present cost of every reserve item in this report has been estimated using the “National Construction Estimator”, a nationally recognized standard, and modified by an area cost adjustment factor.

Where possible, known costs have been used. In addition, every reserve item has been given an estimated remaining useful life, an estimated useful life when new, and has been cast into the future to determine the inflated cost.

Equal annual payments are calculated for each reserve item based upon a payment starting year and a payment ending year using the end of period payment method. Interest earned on accumulated reserve funds and taxes on the reserve interest are also calculated. Initial reserve funds are consumed as expenses occur.

As you review this report, we are certain that you will appreciate the level of detail provided, allowing you to review each reserve item in detail.

## **Summary of Findings**

Reserve Study Specialists has estimated future projected expenses for the association based upon preservation of existing improvements.

The attached funding study is limited in scope to those expense items listed in the reserve study.

Of primary concern is the preservation of a positive funding balance with funds sufficient to meet projected expenses throughout the study life. Based upon the attached funding study, it is our professional opinion that annual reserve contributions as shown in the attached study will realize this goal. The association warrants that the information provided to Reserve Study Specialists, including but not limited to that information contained in the attached reserve study, that the maintenance records are complete and accurate, and that Reserve Study Specialists may rely upon such information and documents without further verification or corroboration.

Where the age of a particular Reserve Item (as listed in the Reserve Study) is unknown, the association shall provide to Reserve Study Specialists best-estimated age of that item. If the association is unable to provide an estimate of a Reserve Item's age, Reserve Study Specialists shall make its own estimate of age of the Reserve Item. The Reserve Study is created for the association's use, and is a reflection of information provided to Reserve Study Specialists. This information is not for the purpose of performing an audit, historical records, quality or forensic analyses.

## **Special Assessments**

Special assessments are not required in this reserve study, unless specified in the funding plan, provided the Board of Directors and association members adopt this reserve study as submitted. Any material change from the recommended reserve contributions may result in special assessments in future.

## **Percent Funded**

Many reserve studies use the concept of "Percent Funded" to measure the reserve account balance against a theoretically perfect value. Percent Funded is often used as a measure of the "Financial Health" of an association. The assumption is, the higher the percentage, the greater the "Financial Health". The question of substance is simply: How much is enough? To answer the question, some understanding of Percent Funded is required. Percent Funded is defined as the current cash reserves divided by the Fully Funded value at any instant in time. Fully Funded value is defined as the total depreciated value or accrued liability of all reserve items.

Most reserve items with a remaining life greater than the study life are not included in the calculation unless they are specifically instructed by the HOA to be included. For example; building framing, foundations, water lines, and other long-lived items that fall outside the envelope of the reserve study are excluded from the calculation. Percent Funded is then, the current reserve balance divided by the Fully Funded value multiplied by 100 (to give a percentage). The concept of percent funded is useful when the reserve study is comprehensive, but misleading when the reserve study is superficial or constrained. As a result, we recommend that the statement "Percent Funded" be used with caution.

This study will attempt to achieve a fully-funded reserves (100% funded) during the length of the study.

### **Keeping Your Reserve Study Current**

Reserve Study Specialists believes that funding studies are an essential part of property management. People and property are constantly changing and evolving. As a result, the useful life of a funding study is at best a few years and certainly not more than three years.

This reserve study should be updated to remain an accurate estimation of reserve funding:

- At changes in interest rates
- At changes in inflation rates
- At changes in the number of dues paying members
- Before starting new improvements
- Before making changes to the property
- After a flood or fire
- After the change of ownership or management
- After Annexation or Incorporation

### **Statement of Qualifications**

Reserve Study Specialists is a professional in the business of preparing reserve studies for community associations. I have inspected the association improvements, and have made a complete review of all components required to complete a reserve study. I have completed a physical inspection of the components listed in this reserve study. My inspection included a review of current condition, economic life, remaining useful life, and replacement cost of all components included in this reserve study. No destructive testing was done.

### **Conflict of Interest**

As the preparer of this reserve study, Reserve Study Specialists certifies that we do not have any vested interests, financial interests, or other interests that would cause a conflict of interest in the preparation of this reserve study.

Reserve Study Specialists would like to thank the association for the opportunity to be of service in the preparation of the attached Funding Study. Again, please feel free to write or call at our letterhead address if you have any questions.

Prepared by:

Fred Etemad, PhD  
CEO

## Summary

## ANNANDALE TOWNHOUSE

### ASSOCIATION

Association name	ANNANDALE TOWNHOUSE
Address	28700 Conejo View Dr., Agoura Hills, CA 91301
Association Type	Townhouse
Number of Units	292
Year Built	1973

### FINANCIAL

Fiscal year begins	January 01
Starting fiscal year	2022
Monthly dues	\$370.26
End of year Projected reserve balance	\$3,457,000
Current annual reserve contribution	\$407,892
Reserve account interest rate %	0.75

### ASSUMPTIONS

Inflation rate %	3.00
Tax rate %	30.00
Minimum reserve balance	\$0
Unplanned project fund %	5.00

### FUNDING PLAN SIX YEAR SUMMARY

Year	2022	2023	2024	2025	2026	2027
Special assessments	\$0	\$0	\$0	\$0	\$0	\$0
Annual Reserve contribution	\$530,532	\$653,172	\$673,224	\$693,892	\$715,195	\$737,151
Contribution per unit/month	\$151.41	\$186.41	\$192.13	\$198.03	\$204.11	\$210.37
Contribution increase on the year before	\$35.00	\$35.00	\$5.72	\$5.90	\$6.08	\$6.27
<b>Contribution increase %</b>	30.07%	23.12%	3.07%	3.07%	3.07%	3.07%
Annual expenses	\$2,368,802	\$874,254	\$1,381,500	\$86,831	\$1,022,558	\$78,387
End of year balance	\$1,638,272	\$1,427,506	\$728,492	\$1,341,200	\$1,042,755	\$1,708,929
Accrued liability	\$4,113,020	\$3,855,588	\$3,097,990	\$3,627,580	\$3,253,034	\$3,827,599
<b>Percent funded</b>	39.83%	37.02%	23.51%	36.97%	32.05%	44.65%
Deficiency/Surplus per unit	\$8,475	\$8,315	\$8,115	\$7,830	\$7,569	\$7,256

### 30 YEAR RESERVE FUNDING PLAN (RECOMMENDED)

### ANNANDALE TOWNHOUSE

Calendar Year	Starting	Total	Annual	Reserve	Reserve	Contribution				End of	Fully	Deficiency	
	Reserve	Annual	Reserve	Contribution	Contribution	Increase	Special	Interest	Tax on	Year	Funded	Percent	Surplus ( )
	Balance	Expenditure	Contribution	Per Unit	Increase	Per Unit	Assessment	Received	Interest	Balance	Balance	Funded	Per Unit
2022	\$3,457,000	\$2,368,802	\$530,532	\$151.41	30.07	\$35.00	\$0	\$27,917	\$8,375	\$1,638,272	\$4,113,020	39.83%	\$8,475
2023	\$1,638,272	\$874,254	\$653,172	\$186.41	23.12	\$35.00	\$0	\$14,736	\$4,421	\$1,427,506	\$3,855,588	37.02%	\$8,315
2024	\$1,427,506	\$1,381,500	\$673,224	\$192.13	3.07	\$5.72	\$0	\$13,231	\$3,969	\$728,492	\$3,097,990	23.51%	\$8,115
2025	\$728,492	\$86,831	\$693,892	\$198.03	3.07	\$5.90	\$0	\$8,066	\$2,420	\$1,341,200	\$3,627,580	36.97%	\$7,830
2026	\$1,341,200	\$1,022,558	\$715,195	\$204.11	3.07	\$6.08	\$0	\$12,741	\$3,822	\$1,042,755	\$3,253,034	32.05%	\$7,569
2027	\$1,042,755	\$78,387	\$737,151	\$210.37	3.07	\$6.27	\$0	\$10,585	\$3,175	\$1,708,929	\$3,827,599	44.65%	\$7,256
2028	\$1,708,929	\$2,033,053	\$759,782	\$216.83	3.07	\$6.46	\$0	\$15,666	\$4,700	\$446,624	\$2,481,396	18.00%	\$6,968
2029	\$446,624	\$164,133	\$783,107	\$223.49	3.07	\$6.66	\$0	\$6,286	\$1,886	\$1,069,999	\$2,980,887	35.90%	\$6,544
2030	\$1,069,999	\$48,470	\$807,149	\$230.35	3.07	\$6.86	\$0	\$11,052	\$3,316	\$1,836,414	\$3,628,702	50.61%	\$6,138
2031	\$1,836,414	\$314,272	\$831,928	\$237.42	3.07	\$7.07	\$0	\$16,893	\$5,068	\$2,365,895	\$4,048,355	58.44%	\$5,762
2032	\$2,365,895	\$265,895	\$857,468	\$244.71	3.07	\$7.29	\$0	\$20,960	\$6,288	\$2,972,141	\$4,547,726	65.35%	\$5,396
2033	\$2,972,141	\$77,915	\$883,793	\$252.22	3.07	\$7.51	\$0	\$25,605	\$7,682	\$3,795,942	\$5,269,373	72.04%	\$5,046
2034	\$3,795,942	\$1,599,098	\$910,925	\$259.97	3.07	\$7.74	\$0	\$31,886	\$9,566	\$3,130,089	\$4,511,380	69.38%	\$4,730
2035	\$3,130,089	\$194,123	\$938,890	\$267.95	3.07	\$7.98	\$0	\$26,997	\$8,099	\$3,893,754	\$5,156,114	75.52%	\$4,323
2036	\$3,893,754	\$228,473	\$967,714	\$276.17	3.07	\$8.23	\$0	\$32,832	\$9,850	\$4,655,978	\$5,806,944	80.18%	\$3,942
2037	\$4,655,978	\$168,090	\$997,423	\$284.65	3.07	\$8.48	\$0	\$38,660	\$11,598	\$5,512,374	\$6,559,422	84.04%	\$3,586
2038	\$5,512,374	\$153,034	\$1,028,044	\$293.39	3.07	\$8.74	\$0	\$45,198	\$13,559	\$6,419,023	\$7,371,920	87.07%	\$3,263
2039	\$6,419,023	\$205,140	\$1,059,605	\$302.40	3.07	\$9.01	\$0	\$52,116	\$15,635	\$7,309,969	\$8,179,750	89.37%	\$2,979
2040	\$7,309,969	\$1,305,797	\$1,092,135	\$311.68	3.07	\$9.28	\$0	\$58,920	\$17,676	\$7,137,551	\$7,934,911	89.95%	\$2,731
2041	\$7,137,551	\$355,060	\$1,125,663	\$321.25	3.07	\$9.57	\$0	\$57,753	\$17,326	\$7,948,582	\$8,657,932	91.81%	\$2,429
2042	\$7,948,582	\$97,010	\$1,160,221	\$331.11	3.07	\$9.86	\$0	\$63,965	\$19,190	\$9,056,568	\$9,685,894	93.50%	\$2,155
2043	\$9,056,568	\$121,956	\$1,195,840	\$341.28	3.07	\$10.17	\$0	\$72,409	\$21,723	\$10,181,138	\$10,745,706	94.75%	\$1,933
2044	\$10,181,138	\$1,048,108	\$1,232,552	\$351.76	3.07	\$10.48	\$0	\$80,981	\$24,294	\$10,422,269	\$10,937,895	95.29%	\$1,766
2045	\$10,422,269	\$140,563	\$1,270,392	\$362.55	3.07	\$10.80	\$0	\$82,931	\$24,879	\$11,610,149	\$12,070,934	96.18%	\$1,578
2046	\$11,610,149	\$2,817,865	\$1,309,393	\$373.69	3.07	\$11.13	\$0	\$91,986	\$27,596	\$10,166,067	\$10,589,025	96.01%	\$1,448
2047	\$10,166,067	\$437,978	\$1,349,591	\$385.16	3.07	\$11.47	\$0	\$81,306	\$24,392	\$11,134,595	\$11,471,762	97.06%	\$1,155
2048	\$11,134,595	\$82,516	\$1,391,023	\$396.98	3.07	\$11.82	\$0	\$88,726	\$26,618	\$12,505,210	\$12,766,534	97.95%	\$895
2049	\$12,505,210	\$3,785,669	\$1,433,728	\$409.17	3.07	\$12.19	\$0	\$99,166	\$29,750	\$10,222,685	\$10,427,990	98.03%	\$703
2050	\$10,222,685	\$217,600	\$1,477,743	\$421.73	3.07	\$12.56	\$0	\$82,212	\$24,664	\$11,540,376	\$11,619,282	99.32%	\$270
2051	\$11,540,376	\$342,603	\$1,523,110	\$434.68	3.07	\$12.95	\$0	\$92,264	\$27,679	\$12,785,468	\$12,754,192	100.25%	(\$107)

### 30 YEAR RESERVE FUNDING PLAN (WITH NO INCREASE IN CONTRIBUTION)

### ANNANDALE TOWNHOUSE

Calendar Year	Starting	Total	Annual	Reserve	Reserve	Contribution				End of	Fully	Deficiency	
	Reserve	Annual	Reserve	Contribution	Contribution	Increase	Special	Interest	Tax on	Year	Funded	Percent	Surplus ( )
	Balance	Expenditure	Contribution	Per Unit	Increase	Per Unit	Assessment	Received	Interest	Balance	Balance	Funded	Per Unit
2022	\$3,457,000	\$2,368,802	\$407,892	\$116.41	0.00	\$0	\$0	\$27,457	\$8,237	\$1,515,310	\$4,113,020	36.84%	\$8,896
2023	\$1,515,310	\$874,254	\$407,892	\$116.41	0.00	\$0	\$0	\$12,894	\$3,868	\$1,057,974	\$3,855,588	27.44%	\$9,581
2024	\$1,057,974	\$1,381,500	\$407,892	\$116.41	0.00	\$0	\$0	\$9,464	\$2,839	\$90,992	\$3,097,990	2.94%	\$10,298
2025	\$90,992	\$86,831	\$407,892	\$116.41	0.00	\$0	\$0	\$2,212	\$664	\$413,601	\$3,627,580	11.40%	\$11,007
2026	\$413,601	\$1,022,558	\$407,892	\$116.41	0.00	\$0	\$0	\$4,632	\$1,389	(\$197,823)	\$3,253,034	-6.08%	\$11,818
2027	(\$197,823)	\$78,387	\$407,892	\$116.41	0.00	\$0	\$0	\$46	\$14	\$131,714	\$3,827,599	3.44%	\$12,657
2028	\$131,714	\$2,033,053	\$407,892	\$116.41	0.00	\$0	\$0	\$2,517	\$755	(\$1,491,684)	\$2,481,396	-60.11%	\$13,606
2029	(\$1,491,684)	\$164,133	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,247,925)	\$2,980,887	-41.86%	\$14,482
2030	(\$1,247,925)	\$48,470	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$888,503)	\$3,628,702	-24.49%	\$15,470
2031	(\$888,503)	\$314,272	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$794,883)	\$4,048,355	-19.63%	\$16,586
2032	(\$794,883)	\$265,895	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$652,885)	\$4,547,726	-14.36%	\$17,810
2033	(\$652,885)	\$77,915	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$322,908)	\$5,269,373	-6.13%	\$19,152
2034	(\$322,908)	\$1,599,098	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,514,114)	\$4,511,380	-33.56%	\$20,635
2035	(\$1,514,114)	\$194,123	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,300,345)	\$5,156,114	-25.22%	\$22,111
2036	(\$1,300,345)	\$228,473	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,120,925)	\$5,806,944	-19.30%	\$23,726
2037	(\$1,120,925)	\$168,090	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$881,123)	\$6,559,422	-13.43%	\$25,481
2038	(\$881,123)	\$153,034	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$626,265)	\$7,371,920	-8.50%	\$27,391
2039	(\$626,265)	\$205,140	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$423,512)	\$8,179,750	-5.18%	\$29,463
2040	(\$423,512)	\$1,305,797	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,321,417)	\$7,934,911	-16.65%	\$31,700
2041	(\$1,321,417)	\$355,060	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,268,585)	\$8,657,932	-14.65%	\$33,995
2042	(\$1,268,585)	\$97,010	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$957,704)	\$9,685,894	-9.89%	\$36,451
2043	(\$957,704)	\$121,956	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$671,767)	\$10,745,706	-6.25%	\$39,101
2044	(\$671,767)	\$1,048,108	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,311,984)	\$10,937,895	-11.99%	\$41,952
2045	(\$1,311,984)	\$140,563	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$1,044,655)	\$12,070,934	-8.65%	\$44,916
2046	(\$1,044,655)	\$2,817,865	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$3,454,628)	\$10,589,025	-32.62%	\$48,095
2047	(\$3,454,628)	\$437,978	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$3,484,714)	\$11,471,762	-30.38%	\$51,221
2048	(\$3,484,714)	\$82,516	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$3,159,338)	\$12,766,534	-24.75%	\$54,541
2049	(\$3,159,338)	\$3,785,669	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$6,537,115)	\$10,427,990	-62.69%	\$58,100
2050	(\$6,537,115)	\$217,600	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$6,346,823)	\$11,619,282	-54.62%	\$61,528
2051	(\$6,346,823)	\$342,603	\$407,892	\$116.41	0.00	\$0	\$0	\$0	\$0	(\$6,281,534)	\$12,754,192	-49.25%	\$65,191