

**CONTACT INFORMATION**

CONTACT: Board of Directors  
 ASSOCIATION NAME: Marwood Circle HOA - 1Yr Update 2008  
 ADDRESS: 1742 Marlow Road  
 CITY, STATE, ZIP: Santa Rosa, CA  
 PHONE NUMBER:

**PROPERTY INFORMATION**

BEGINNING YEAR OF STUDY: 2008 NUMBER OF UNITS IN PROJECT: 26  
 YEAR CONSTRUCTED: 1992 NUMBER OF BUILDINGS ANALYZED:  
 NUMBER OF CONSTRUCTION PHASES: 1 YEAR ENDING DATE: 12/31  
 YEAR OF LAST PHYSICAL INSPECTION: 2007  
 PERFORMED BY: Reserve Analysis Consulting, L.L.C.  
 YEAR OF NEXT PHYSICAL INSPECTION: 2010 (as required by the Davis-Stirling Act - 1997)  
 COMPLETE SET PLANS AVAILABLE: YES  NO   
 MAINTENANCE RECORDS AVAILABLE: YES  NO   
 RESERVE STUDY PREPARER: Reserve Analysis Consulting, L.L.C.  
 3030 Bridgeway, Suite 305  
 Sausalito, California 94965  
 Jim Kelly (415) 289-7445  
 jimk@reserveanalysis.com FAX (415) 332 - 7801  
 CURRENT PROPERTY MANAGER: Ms. Karin Whitney  
 Eugene Burger Management Corp.  
 6600 Hunter Drive  
 Rohnert Park, CA 94928-2418  
 (707) 584-5123  
 CURRENT ACCOUNTANT:

**RESERVE ACCOUNT INFORMATION**

2008 PROJECTED BEGINNING YEAR BALANCE: \$27,407 2008 CURRENT RETURN ON ACCOUNT: 4.81%  
 REQUESTED MINIMUM RESERVE BALANCE: \$0 2008 PROJECTED REPLACEMENT EXPENSES: \$29,008  
 CURRENT CALCULATED PERCENT FUNDED: 17.00% 2008 PROJECTED EXPENDITURE/CASH RATIO: 100%  
 2007 ANNUALLY TO RESERVE FUND: \$21,999 2008 ANNUAL CONTRIBUTION: \$25,666  
 2007 MONTHLY TO RESERVE FUND: \$1,833 2008 MONTHLY CONTRIBUTION: \$2,139  
 2007 UNIT PER MONTH TO RESERVE FUND: \$70.51 2008 UNIT PER MONTH CONTRIBUTION: \$82.26  
 2007 LAST YEARS SPECIAL ASSESSMENT: \$0 2008 TOTAL SPECIAL ASSESSMENT: \$0  
 TOTAL VALUE OF COMPONENTS: \$395,485

**LEGAL REQUIREMENTS**

Identify the current cash reserve balance.  
Identify the major components to be included.  
Establish reasonable life of all components.  
Establish remaining life of all components.  
Project estimated cost of all repairs.  
Project year in which repairs are to occur.  
Prepare Statement of Methodology.

**SCOPE OF STUDY**

The time frame covered by this analysis is from 2008 through 2037. These are the beginning and ending points for all repairs and funding calculations included in this study.

**STATEMENT OF RESERVE STUDY METHODOLOGY**

In order to determine the annual Reserve contributions which will be required, a Fund Balance Methodology was performed. The premise of this replacement cost projection is to ensure a positive cash balance in the Reserve Fund Account which will enable the Association to fulfill its responsibility for maintaining the common area components. It is equally important that a positive cash fund be maintained without relying on Special Assessments or overfunding of Reserves. The initial inflation rate used is based upon a specific construction industry index. The Association's current rate of return on its reserve account(s) is used for this study.

The components included in this analysis were identified by age, quantity and type. Upon completion of the component list and the Reserve Fund Requirement Analysis, the report was presented to the Homeowner Association's Board for approval. The following sources were used, when possible, to make our determinations:

- Original plans and specifications.
- Original contractors, maintenance contractors and vendors.
- Current contractors, maintenance contractors and vendors.
- Association maintenance staff.
- Association management.
- Independent subcontractors.
- In-house quantity surveyor.

While gathering this information there were some assumptions made regarding existing conditions, future conditions and additional circumstances that may occur that would effect the cost of repairs. Some of these assumptions may come true and others may not, therefore, the cost of repairs and life of certain components could vary substantially. Life expectancies of all components were based on industry standard experiences, and on the components being in reasonable and ordinary condition. Items that were not in such condition are identified in the Reserve Study.

All component conditions were based on visual inspection. There was no disassembly of components or demolition involved. This report does not address any factory or product defects or any damage due to improper maintenance, system design, or installation. It is also assumed all components will receive reasonable maintenance for their remaining life.

Only components which met the following criteria were included in this report.

The component maintenance is the responsibility of the Association.

The component is not covered by the Association's Annual Operating Budget.

The components estimated useful life is greater than one year.

The components remaining estimated useful life is less than 30 years. (Provided its performing to standards)

The replacement cost of all components included in this report is based on current repair or replacement costs.

Based on the fact we have no knowledge or control over costs in the future, we would advise the Association to have the Reserve Study reviewed on an annual basis and make any necessary adjustments regarding component performance and their respective replacement costs.

### 3.00 RESERVE STUDY COMPONENT SCHEDULE & PERCENT FUNDED REQUIREMENT

**STEPS FOR DETERMINING PERCENT FUNDED:**

- Step 1: Calculate for each component a required contribution on a "straight-line" funding methodology.  
(total component cost divided by the life expectancy of the component)
- Step 2: Calculate the required dollars in Reserves for each component.  
(required annual contribution multiplied by the components life in service)
- Step 3: Total the required dollars for each component to arrive at "required dollars in bank".
- Step 4: Divide actual dollars in bank by required dollars in bank to arrive at percent funded calculation.

This report includes, but is not limited to\*, reserve calculations made using the formula described in paragraph (4) of sub-division (b) of section 1365.2.5 of the Davis-Stirling Act.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. **This shall not be construed to require the board to fund reserves in accordance with this calculation.**

\* The future funding requirements shown on page 9:00 A & B of this Reserve study are derived by cash flow funding calculations.

Code #	Component Description	Year New	Useful Life	Remaining Life	Total Cost	Annual Contrib.	2007 Total Req'd in Bank
1.00	<b>SIGNAGE</b>						
1.01	Major Entrance Sign Letters	1992	30	14	\$390	\$13	\$195
1.02	Miscellaneous Sign Replacement	2002	10	4	\$500	\$50	\$250
2.00	<b>ASPHALT</b>						
2.01	Asphalt Sealing	2008	5	5	\$3,810	\$762	\$3,048
2.02	Striping	2008	5	5	\$417	\$83	\$334
2.03	Asphalt Repairs	2008	5	5	\$1,500	\$300	\$1,200
2.04	Asphalt Repairs (major)	2008	100	0	\$10,000	\$100	\$9,900
2.05	Asphalt Replacement	1992	50	34	\$76,192	\$1,524	\$22,858
3.00	<b>CONCRETE &amp; MASONRY</b>						
3.01	Annual Replacement Allowances	2008	1	1	\$1,500	\$1,500	\$0
3.02	Curb Replacement (major)	2008	100	0	\$5,000	\$50	\$4,950
4.00	<b>RETAINING WALLS</b>						
4.01	Wood	2010	25	2	\$6,920	\$277	\$6,090
5.00	<b>FENCING</b>						
5.01	Wood @ Common Area	1992	25	9	\$6,440	\$258	\$3,864
5.02	Wood @ Common Area	2007	25	24	\$3,950	\$158	\$0
5.03	Wood Handrails @ Common Area	1992	25	9	\$875	\$35	\$525
6.00	<b>COMMON AREA</b>						
6.01	Wood Trellis	1992	40	24	\$5,880	\$147	\$2,205
6.02	Message Kiosk	2006	15	13	\$1,500	\$100	\$100
6.03	Picnic Table	1992	35	19	\$500	\$14	\$214
6.04	Mail Boxes (pedestal mount)	1992	35	19	\$2,500	\$71	\$1,071
6.05	Parcel Boxes (pedestal mount)	1992	35	19	\$2,000	\$57	\$857
7.00	<b>IRRIGATION &amp; LANDSCAPE</b>						
7.01	Irrigation Controllers	2005	15	12	\$1,350	\$90	\$180
7.02	Irrigation Repair Allowance	2008	1	1	\$500	\$500	\$0
7.03	Landscape Enhancement	2008	1	1	\$1,000	\$1,000	\$0
7.04	Tree Pruning & Preservation	2008	1	1	\$1,000	\$1,000	\$0
7.05	Backflow Prevention	1992	30	14	\$1,650	\$55	\$825
8.00	<b>ELECTRICAL</b>						
8.01	Street Light Fixtures	1992	25	9	\$6,000	\$240	\$3,600
8.02	Street Light Poles	1992	50	34	\$7,500	\$150	\$2,250
8.03	Security Light Fixtures	1992	25	9	\$1,500	\$60	\$900
8.04	Security Light Poles	1992	50	34	\$3,000	\$60	\$900
8.05	Landscape Lights	1992	25	9	\$275	\$11	\$165
8.06	Garage Building Exterior Lights	2002	15	9	\$2,210	\$147	\$737
8.07	Residential Building Exterior Lights	2002	15	9	\$2,210	\$147	\$737
8.08	Residential Building Address Lights	1992	20	4	\$2,210	\$111	\$1,658

**3.00 RESERVE STUDY COMPONENT SCHEDULE & PERCENT FUNDED REQUIREMENT**

**STEPS FOR DETERMINING PERCENT FUNDED:**

Step 1: Calculate for each component a required contribution on a "straight-line" funding methodology.  
 (total component cost divided by the life expectancy of the component)

<b>9.00</b>	<b>GARAGES</b>						
9.01	Composition Roof	1992	25	9	\$26,813	\$1,073	\$16,088
9.02	Gutters	1992	25	9	\$4,800	\$192	\$2,880
9.03	Downspouts	1992	25	9	\$1,920	\$77	\$1,152
<b>10.00</b>	<b>RESIDENTIAL BUILDING</b>						
10.01	Composition Roof	1992	25	9	\$75,985	\$3,039	\$45,591
10.02	Roof Vent Flashing	2006	12	10	\$3,500	\$292	\$292
10.03	Gutters	1992	25	9	\$9,952	\$398	\$5,971
10.04	Downspouts	1992	25	9	\$9,280	\$371	\$5,568
10.05	Deck Rebuild	1992	45	29	\$16,000	\$356	\$5,333
10.06	Deck Resurface	2008	15	15	\$2,400	\$160	\$2,240
10.07	Deck Resurface	2007	15	14	\$800	\$53	\$0
10.08	Deck Railings	1992	30	14	\$2,880	\$96	\$1,440
10.09	Utility Doors	1992	25	9	\$4,320	\$173	\$2,592
10.10	Utility Doors	2007	25	24	\$2,700	\$108	\$0
10.11	Spark Arrestors	1992	25	9	\$3,250	\$130	\$1,950
10.12	Flue Replacement Allowance	2005	1	-2	\$500	\$500	\$500
<b>11.00</b>	<b>PAINT EXTERIOR</b>						
11.01	Paint Exterior	2007	6	5	\$58,106	\$9,684	\$0
11.02	Siding & Trim Replacement Allowance (paint cycle)	2007	6	5	\$4,000	\$667	\$0
11.03	Siding & Trim Replacement Allowance (major)	2007	100	99	\$8,000	\$80	\$0

<b>Total Value of Components:</b>	<u>\$395,485</u>
<b>Annual Component Contribution:</b>	<u>\$26,519</u>
<b>Total Dollars Required:</b>	<u>\$161,208</u>
<b>Actual Dollars In Reserve Fund:</b>	<u>\$27,407</u>
<b>Current Fund Deficiency:</b>	<u>\$133,801</u>
<b>Current Per Unit Deficiency:</b>	<u>\$5,146</u>
<b>Percent Funded:</b>	<u>17.00%</u>
<b>(Actual dollars/Total dollars Required)</b>	

While gathering information for this Reserve Analysis, there were some assumptions made regarding existing conditions, future conditions and additional circumstances, that may occur that affect the cost of repairs. Some of these assumptions may come true and others may not, therefore, the cost of repairs and life of certain components could vary substantially. Life expectancies of all components are based on industry standard experiences, and on the component being in reasonable and properly maintained condition.

All component conditions were based on a visual inspection only as required by the Davis-Stirling Act. This component analysis is a statistical analysis of the components for which the Contractee has responsibility and does not employ methods used for forensic or defect investigation or actual construction. This report does not address any factory or product defects or any damage due to improper maintenance, system design, or installation. It also assumed that all components would receive reasonable maintenance for their remaining lives.

Component useful life and remaining life projections are based on industry standards, manufacturer information, date of installation and maintenance information provided by the Contractee and/or its management or staff. Each component's condition, life expectancy and replacement cost evaluations were based on visual inspections only. Inspections were limited to areas accessible to inspectors. When components are not accessible, assumptions will be made based on available component statistical information.

Many associations are experiencing some siding failures that cannot be investigated without destructive testing. This report includes a siding replacement allowance coinciding with the paint cycle for incidental repairs but does not account for major siding replacement. We would recommend that this association's Board of Directors engage an appropriate, professional expert to do an in-depth inspection of the siding to determine its condition and likely useful life. This information, specifications and projected costs for major siding replacement will then be incorporated into the next Reserve Study update.

Because of these restrictions, we would recommend that the Board seek appropriate, expert inspection (as it deems necessary), testing and opinions for the following areas of concern. These may include but are not limited to:

- A. Defective construction and component installation.
- B. Dry Rot damage.
- C. Pest infestation.
- D. Mold infestation.
- E. Moisture penetration.
- F. Roof inspections and repairs.
- G. Balcony, deck and stair condition.
- H. Siding and Trim condition.
- I. Window and sliding glass door installation.

**Marwood Circle HOA - 1Yr Update 2008**  
**For Budget Year: 2008**  
**ASSESSMENT and RESERVE FUNDING DISCLOSURE SUMMARY**

Sec. 2. Section 1365.2.5  
(a)

(1) The current average Reserve contribution for 2007 is \$70.51 per unit per month.  
The proposed average Reserve contribution for 2008 is \$82.26 per unit per month.  
Assessments that vary by size or unit type are determined by the association's governing documents and are found in the association's Pro Forma Operating Budget.

The total current 2007 annual assessment per unit/lot is \$2,520.00  
The total projected 2008 annual assessment per unit/lot is \$2,616.00

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

Date assessment is due	Amount per unit per month	Purpose of assessment
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
TOTAL	_____	_____

**NOTE:** These assessments might be for purposes outside of the scope of the current Reserve Study and have been included by the party preparing the association's Pro Forma Operating Budget. Proposed assessments relative to Reserve Funding, if necessary, are shown under question (3).

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

**Yes\***                       **No**

\* Sufficient ending balances for each year of the this study are projected at this time. Future economic conditions, unforeseen component conditions, material and construction costs may alter these projections drastically. We would highly recommend that this Board of Directors have their Reserve Studies updated annually.

(4) If additional assessments or other contributions to reserves, as determined by the Board of Directors, are necessary to ensure that sufficient reserve funds will be available each year during the next 30 years:

Year Due:	\$ Per unit per year	Average \$ Per unit per month
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(5) The following major components, which are included in the component list, are NOT included in the existing reserve fund calculations:

Code #	Major Component	Remaining Useful Life	Reason Not Included
2.05	Asphalt Replacement	34	Not in time scope of study.
8.02	Street Light Poles	34	Not in time scope of study.
8.04	Security Light Poles	34	Not in time scope of study.

(6) As of the last reserve study or update, as dated below, the projected beginning balance in the reserve fund is \$27,407.

## **Marwood Circle HOA - 1Yr Update 2008**

### **For Budget Year: 2008**

Based on the method of calculation in paragraph (4) of subdivision (b) of Section 1365.2.5 of the Davis-Stirling Act, the required amount in the reserve fund is \$161,208.

**NOTE:** The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change.

(b) For the purposes of preparing a summary pursuant to this section:

(1) "Estimated remaining useful life" means the time reasonably calculated to remain before a major component will require replacement.

(2) "Major component" has the meaning used in Section 1365.5.

Components with an estimated remaining useful life of more than 30 years may be included in a study as a capital asset or disregarded from the reserve calculation, so long as the decision is revealed in the reserve study report and reported in the Assessment and Reserve Funding Disclosure Summary.

(3) The form set out in subdivision (a) shall accompany each pro forma operating budget or summary thereof that is delivered pursuant to this article. The form may be supplemented or modified to clarify the information delivered, so long as the minimum information set out in subdivision (a) is provided.

(4) For the purpose of the report and summary, the amount of reserves needed to be accumulated for a component at a given time shall be computed as the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component. This shall not be construed to require the board to fund reserves in accordance with this calculation.

**General Notes:** Please read the General Reserve Study Notes on page 4.00 of this Financial Summary for further recommended Board actions and disclosures.

Because the reserve study is a SERIES OF PROJECTIONS, the estimated lives and costs of components will likely CHANGE OVER TIME depending on a variety of factors such as future inflation rates, levels of maintenance actioned by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand.

A Reserve Study is an evolving document that represents a moment in time covering a 30 year period. It is a dynamic document that should be updated annually to insure that the most current information is available to the association board for making informed decisions that are recorded in board minutes. Interested association members should review these minutes regularly for knowledge of the most recent board actions.