

# Reserve Analysis Report

## Coronado Shores #4

Coronado, CA

### Level I Study with Site Inspection

Fiscal Year End Date: 12/31/2016



Phone: 858-764-1895

Fax: 800-436-3816

[brian@mccafferyreserveconsulting.com](mailto:brian@mccafferyreserveconsulting.com)

[www.mccafferyreserveconsulting.com](http://www.mccafferyreserveconsulting.com)

## Preface

A reserve study is a detailed report that assists common interest developments (CID) in planning for long-term common area repair and replacement expenses. These common areas differ for every development. They can include streets, roofs, recreational facilities and many other items. A reserve study estimates the costs of common area repairs and replacements over a 30 year period. Each component is given a useful life, remaining life, and estimated cost. A reserve study then calculates the funds necessary to cover these expenses by creating funding plans.

### **The Big Picture - What are the significant figures to look at in the report?**

- **The Component List** – What are our reserve components and when will they need maintenance

Every reserve study must start with a list of the components. The component summary contains the list of all the components, their useful and remaining lives, and their estimated costs. These numbers are the building blocks for most of the figures in the study.

- **Percent Funded** - What is our current financial standing

Probably the most important number in a reserve study is percent funded. It's almost like a credit score for an association. It tells them the current strength of their reserve fund.

Over 70% = Well Funded    Between 30-70% = Fairly Funded    Below 30% = Poorly Funded

The lower your percent funded the higher the risk of a special assessment. A low percent funded also increases the likelihood of deferred maintenance which can cause declining property values.

- **Funding Plans** - How much do we need to save for the future

The next important part of the study is the theoretical 30 year funding plans. The study contains 3 funding plans. It projects what the percent funded will be over the next 30 years if the CID follows each of these plans.

Current Funding Plan – This plan is based on what the association is currently contributing to its reserve fund. This information is supplied by the board or management

Recommended Funding Plan – This is McCaffery's recommendation, if a CID follows the recommended plan they should end up well funded and near the 100% funded level.

5% Threshold Funding Plan - The threshold funding plan is a 30 year cash flow plan that calculates the minimum amount a CID should contribute so their reserve balance won't fall below 5% funded and cause the need for a special assessment. The percent funded will at some point fall into poorly funded levels but will never drop below 5%. If a CID has a funding plan that is below this threshold plan they should also plan on a future special assessment and/or a deferred maintenance. (Following this plan does carry higher risk of a special assessment if a component fails early or costs more than expected)

## Executive Summary

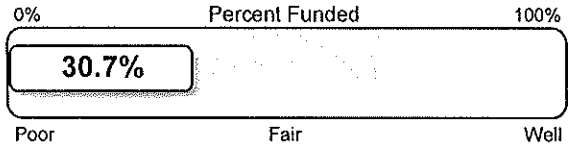
Coronado Shores #4

This is a Homeowners Association with 150 Condominium Units.

The common area components include: hallways, mechanical equipment, and building exterior.

A Full Study with an on-site inspection was performed on October 5th, 2016

Number of Units	150
Year Built	
Fiscal Year End	December 31, 2016

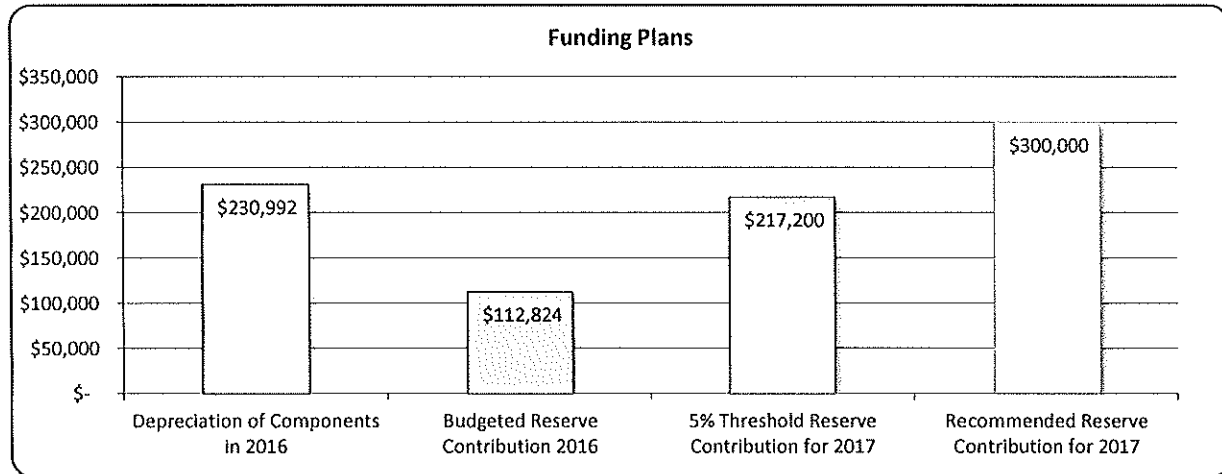


Reserve Fund Balance December 31, 2016

Fully Funded Reserve Balance	\$ 1,723,509
Projected Balance	\$ 528,456
Under Funded (Deficiency in Reserve Funding)	\$ 1,195,053
Deficiency in Reserve Funding Per Unit	\$ 7,967.02
<b>Percent Funded</b>	<b>30.7%</b>

### Funding Plans

	Annually	Monthly	Per Unit Monthly
Depreciation of Components in 2016	\$ 230,992	\$ 19,249	\$ 128.33
Budgeted Reserve Contribution 2016	\$ 112,824	\$ 9,402	\$ 62.68
5% Threshold Reserve Contribution for 2017	\$ 217,200	\$ 18,100	\$ 120.67
<b>Recommended Reserve Contribution for 2017</b>	<b>\$ 300,000</b>	<b>\$ 25,000</b>	<b>\$ 166.67</b>



### Theoretical 30 Year Funding Plans

Coronado Shores #4

Above 70% = Well Funded Between 30% and 70% = Fairly Funded Below 30% = Poorly Funded  
 (Low Risk of Special Assessment) (Higher Risk of Special Assessment)

Before Tax Interest Rate 1.5%  
 Annual Inflation Rate 3.0%  
 Annual Funding Increase 3.0%

Year End	Annual Expenses	Fully Funded		Current Funding Plan		Recommended Funding Plan		5% Threshold Funding Plan	
		Balance	% Funded	Contribution	Balance	% Funded	Contribution	Balance	% Funded
2016	\$ -	\$ 1,723,509	31%	\$ 112,824	\$ 528,456	\$ -	\$ 528,456	\$ -	31%
2017	\$ 198,545	\$ 1,798,410	25%	\$ 116,209	\$ 454,047	\$ 300,000	\$ 637,838	\$ 217,200	35%
2018	\$ 132,561	\$ 1,954,057	23%	\$ 119,695	\$ 447,991	\$ 309,000	\$ 823,844	\$ 223,716	33%
2019	\$ 387,759	\$ 1,845,729	10%	\$ 123,286	\$ 190,238	\$ 318,270	\$ 766,713	\$ 230,427	27%
2020	\$ 142,055	\$ 2,007,452	9%	\$ 126,984	\$ 178,021	\$ 327,818	\$ 963,977	\$ 237,340	30%
2021	\$ 28,138	\$ 2,305,028	12%	\$ 130,794	\$ 283,348	\$ 337,653	\$ 1,287,952	\$ 244,461	36%
2022	\$ 110,363	\$ 2,530,639	12%	\$ 134,718	\$ 311,953	\$ 347,782	\$ 1,544,691	\$ 251,794	39%
2023	\$ 90,987	\$ 2,792,247	13%	\$ 138,759	\$ 364,405	\$ 358,216	\$ 1,835,090	\$ 259,348	42%
2024	\$ 558,978	\$ 2,564,094	-2%	\$ 142,922	\$ (46,185)	\$ 368,962	\$ 1,672,601	\$ 267,129	35%
2025	\$ 95,008	\$ 2,839,658	0%	\$ 147,210	\$ 6,017	\$ 380,031	\$ 1,982,713	\$ 275,142	38%
2026	\$ 52,191	\$ 3,178,838	3%	\$ 151,626	\$ 105,543	\$ 391,432	\$ 2,351,695	\$ 283,397	42%
2027	\$ 570,761	\$ 2,976,672	-10%	\$ 156,175	\$ (307,461)	\$ 403,175	\$ 2,219,384	\$ 291,899	36%
2028	\$ 124,858	\$ 3,260,278	-8%	\$ 160,860	\$ (271,459)	\$ 415,270	\$ 2,543,087	\$ 300,656	39%
2029	\$ 116,202	\$ 2,440,385	-52%	\$ 165,686	\$ (1,267,975)	\$ 427,728	\$ 1,846,759	\$ 309,675	18%
2030	\$ 110,140	\$ 2,743,876	-44%	\$ 170,656	\$ (1,207,458)	\$ 440,560	\$ 2,204,881	\$ 318,966	24%
2031	\$ 260,922	\$ 2,903,884	-45%	\$ 175,776	\$ (1,292,604)	\$ 453,777	\$ 2,430,809	\$ 328,534	25%
2032	\$ 131,087	\$ 3,219,905	-39%	\$ 181,049	\$ (1,242,642)	\$ 467,390	\$ 2,803,574	\$ 338,391	30%
2033	\$ 127,895	\$ 3,559,978	-33%	\$ 186,481	\$ (1,184,056)	\$ 481,412	\$ 3,199,145	\$ 348,542	33%
2034	\$ 133,550	\$ 3,915,592	-29%	\$ 192,075	\$ (1,125,531)	\$ 495,854	\$ 3,609,436	\$ 358,999	36%
2035	\$ 93,634	\$ 4,336,841	-24%	\$ 197,838	\$ (1,021,327)	\$ 510,730	\$ 4,080,674	\$ 369,768	40%
2036	\$ 43,838	\$ 4,836,733	-18%	\$ 203,773	\$ (861,392)	\$ 526,052	\$ 4,624,098	\$ 380,862	43%
2037	\$ 1,014,312	\$ 4,314,570	-39%	\$ 209,886	\$ (1,665,818)	\$ 541,833	\$ 4,220,981	\$ 392,287	35%
2038	\$ 344,527	\$ 4,514,007	-40%	\$ 216,182	\$ (1,794,162)	\$ 558,088	\$ 4,497,857	\$ 404,056	35%
2039	\$ 1,741,738	\$ 3,221,621	-103%	\$ 222,668	\$ (3,313,232)	\$ 574,831	\$ 3,398,418	\$ 416,178	9%
2040	\$ 167,755	\$ 3,606,402	-90%	\$ 229,348	\$ (3,251,639)	\$ 469,560	\$ 3,751,199	\$ 428,663	15%
2041	\$ 266,591	\$ 3,909,923	-84%	\$ 236,228	\$ (3,282,002)	\$ 483,646	\$ 4,024,523	\$ 441,523	19%
2042	\$ 1,038,933	\$ 3,401,771	-120%	\$ 243,315	\$ (4,077,619)	\$ 498,156	\$ 3,544,114	\$ 454,769	5%
2043	\$ 423,123	\$ 3,559,317	-119%	\$ 250,615	\$ (4,250,127)	\$ 513,101	\$ 3,687,253	\$ 468,412	6%
2044	\$ 207,691	\$ 3,969,972	-106%	\$ 258,133	\$ (4,199,685)	\$ 528,494	\$ 4,063,365	\$ 482,464	12%
2045	\$ 154,435	\$ 4,466,398	-92%	\$ 265,877	\$ (4,088,243)	\$ 544,348	\$ 4,514,229	\$ 496,938	19%
2046	\$ 89,078	\$ 5,064,731	-77%	\$ 273,853	\$ (3,903,467)	\$ 560,679	\$ 5,053,543	\$ 511,846	25%

Note: All future projections are theoretical. The estimated lives and costs of components will likely change over time depending on factors such as inflation rates and levels of maintenance. Reserve analysis should be performed annually to account for these factors.

Component Summary  
Coronado Shores #4

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source
<b>Roofing</b>							
Roof Resurface	18000	SF	30	7	\$ 8.50	\$ 153,000	1
Roof Recoat	18000	SF	5	0	\$ 0.70	\$ 12,600	1
Terrace Planter Waterproofing	840	LF	30	5	\$ 45.00	\$ 37,800	1
Terrace Resurface	19000	SF	30	7	\$ 8.50	\$ 161,500	1
Terrace Recoat	19000	SF	5	1	\$ 1.80	\$ 34,200	1
Terrace Stairs at Units	1	Allowance	25	15	\$ 2,500	\$ 2,500	1
						\$ 401,600	
<b>Painting</b>							
Building Exterior	1	Allowance	12	10	\$ 135,000	\$ 135,000	1
Spalling Repairs	1	Allowance	12	10	\$ 180,000	\$ 180,000	1
Garage Interior	1	Allowance	15	2	\$ 25,000	\$ 25,000	1
Stairwells	2	Each	10	2	\$ 7,500	\$ 15,000	1
Hall Ceilings	20000	SF	10	2	\$ 0.70	\$ 14,000	1
Hall Wall Coverings	1	Allowance	12	2	\$ 120,000	\$ 120,000	1
						\$ 489,000	
<b>Gates/Rails</b>							
Terrace Stair Enclosures	2	Each	25	20	\$ 12,000	\$ 24,000	1
Balcony Railings	1	Allowance	35	25	\$ 425,000	\$ 425,000	1
Handicap Access Doors	4	Each	10	1	\$ 3,500	\$ 14,000	1
Vehicular Gate Motors	4	Each	12	5	\$ 3,200	\$ 12,800	1
Vehicle Gates	4	Each	25	3	\$ 3,750	\$ 15,000	1
						\$ 490,800	
<b>Common Areas</b>							
Front Entry Remodel	1	Allowance	20	20	\$ 125,000	\$ 125,000	1
Lobby/Hall Furnishings	1	Allowance	12	12	\$ 40,000	\$ 40,000	1
Hall Tile	1	Allowance	24	12	\$ 325,000	\$ 325,000	1
Hall Artwork	1	Allowance	12	8	\$ 50,000	\$ 50,000	1
Hall Tile Clean	1	Allowance	5	1	\$ 10,000	\$ 10,000	1
Hall Doors/Panel/Mirrors	1	Allowance	24	12	\$ 120,000	\$ 120,000	1
Hall Carpet	9000	SF	12	0	\$ 7.00	\$ 63,000	1
Office Equipment	1	Each	7	0	\$ 12,000	\$ 12,000	1
Lobby Granite	1	Allowance	20	20	\$ 25,000	\$ 25,000	1
Lobby/Mail Remodel	1	Allowance	20	20	\$ 200,000	\$ 200,000	1
Office Furniture/Carpet	1	Allowance	15	15	\$ 5,000	\$ 5,000	1
Trash Room Remodel	1	Allowance	20	0	\$ 13,000	\$ 13,000	1
						\$ 988,000	
<b>Mechanical</b>							
Elevator AC Unit	1	Each	15	1	\$ 3,500	\$ 3,500	1
Hall AC Units	2	Each	14	7	\$ 24,000	\$ 48,000	1
Hall AC Condensor	2	Each	14	0	\$ 4,000	\$ 8,000	1
Lobby AC	1	Each	14	0	\$ 7,500	\$ 7,500	1
Boiler Replace	4	Each	20	2	\$ 20,000	\$ 80,000	1
Boiler Repairs	4	Each	20	12	\$ 5,000	\$ 20,000	1
Cooling Tower	1	Each	25	22	\$ 170,000	\$ 170,000	1
Cooling Tower Repairs	1	Each	25	9	\$ 15,000	\$ 15,000	1
Plumbing Repairs	1	Allowance	10	3	\$ 50,000	\$ 50,000	1
Electrical Upgrades	1	Allowance	15	3	\$ 30,000	\$ 30,000	1
Elevator Modernization	2	Each	30	22	\$ 145,000	\$ 290,000	1
Elevator Cabs	2	Each	20	20	\$ 12,000	\$ 24,000	1
Domestic Pump System	1	Allowance	20	1	\$ 35,000	\$ 35,000	1
Miscellaneous Pumps	1	Allowance	5	0	\$ 3,000	\$ 3,000	1
Exhaust Fans	7	Each	15	10	\$ 1,300	\$ 9,100	1
Exhaust Fans	16	Each	15	0	\$ 1,300	\$ 20,800	1
						\$ 613,900	
<b>Fire/Emergency</b>							
CO Monitors	1	Allowance	15	2	\$ 18,000	\$ 18,000	1
Backup Generator	1	Allowance	30	2	\$ 55,000	\$ 55,000	1
Fire Alarm System	1	Allowance	25	12	\$ 190,000	\$ 190,000	1
Fire Hoses	37	Each	12	0	\$ 85	\$ 3,145	1
Fire Booster Pump	1	Allowance	20	3	\$ 10,000	\$ 10,000	1
5 Year Certification	1	Allowance	5	0	\$ 4,000	\$ 4,000	1
						\$ 280,145	
<b>Lighting</b>							
Emergency Hallways	30	Each	15	0	\$ 180	\$ 5,400	1
Emergency Stairs	30	Each	15	0	\$ 80	\$ 2,400	1
Emergency Vestibules	15	Each	15	0	\$ 80	\$ 1,200	1
Front Entry Fixtures	28	Each	15	15	\$ 80	\$ 2,240	1
Garage Fluorescents	140	Each	25	0	\$ 125	\$ 17,500	1
Hall Fixtures	1	Allowance	20	7	\$ 55,000	\$ 55,000	1
						\$ 83,740	
<b>Miscellaneous</b>							

Category Component	Approx. Quantity	Unit of Measure	Useful Life	Remaining Life	Unit Cost	Total Cost	Cost Source	
Mailboxes	150	Each	25	2	\$ 90	\$ 13,500	1	
L&R & Insurance Deductable	1	Allowance	1	0	\$ 25,000	\$ 25,000	1	
Common Area Doors	1	Allowance	5	1	\$ 7,000	\$ 7,000	1	
Surveillance	1	Allowance	10	10	\$ 16,000	\$ 16,000	1	
FOB System	1	Allowance	10	10	\$ 40,000	\$ 40,000	1	
						\$ 101,500		
Contingency								
5%								1
<b>TOTALS</b>						<b>\$ 3,648,685</b>		

Notes: Any other items not listed are included in operating budget.

**Assessment and Reserve Funding Disclosure Summary  
Coronado Shores #4**

(1) The current regular assessment per ownership interest per month is:

Variable between \$570 and \$760  
per month for the year ending 12/31/16

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_ of the attached summary.

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members: As of 10/10/2016

Date Assessment is Due	Amount per unit	Purpose of Assessment
NA		
Total:		

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page \_\_\_\_ of the attached summary.

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

Yes  No

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(4) If the answer to #3 is no, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years?

Increase the monthly reserve contribution by \$ 57.99 per unit on average

For more detail see attached theoretical 30 year funding plans.

Note: This calculation assumes the association will raise their current reserve contribution 3% per year over the next 30 years.

(5) All major components appropriate for reserve funding are included in the reserve study and are included in it's calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the estimated amount required in the reserve fund at the end of the current fiscal year is:

based in whole or in part on the last reserve study or update prepared by McCaffery Reserve Consulting as of 12/31/2016 the projected reserve fund cash balance at the end of the current fiscal year is:  resulting in the reserves being  funded at this date.

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5570 of the civil code the projected required amount in reserves, projected reserve fund cash balance and projected percent funded for each of the next 5 years is:

Year	Amt Required	Proj. Balance	% Funded
2017	\$ 1,798,410	\$ 454,047	25%
2018	\$ 1,954,057	\$ 447,991	23%
2019	\$ 1,845,729	\$ 190,238	10%
2020	\$ 2,007,452	\$ 178,021	9%
2021	\$ 2,305,028	\$ 283,348	12%

For more detail see attached theoretical 30 year funding plans.

**Note:** This calculation assumes the association will raise their reserve contribution 3% per year over the next 30 years.

NOTE: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate was : 1.50% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was: 3.00% per year

(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 5530. 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.

The Preparer of this form will be indemnified and held harmless against all losses, claims, action, 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 has been provided to Preparer by others and relied upon by Preparer which may result from any improper use or reliance on this disclosure.