

RESERVE STUDY SUMMARY

for

Wood Ranch

OWNERS ASSOCIATION

Date Prepared: 09/30/16 *for fiscal year 2017*

Prepared By:

John D. Beatty & Company

1501 Discovery Bay Blvd.

Discovery Bay, CA 94505

(925) 831-1803

Fax (925) 831-2493

Reserve Study Summary

This report documents the results of a reserve study performed by John D. Beatty & Company for the following:

Wood Ranch Owners Association Danville, California

It provides an analysis of the repair and replacement requirements for the association's major components and recommends a funding plan to meet those obligations. This study was performed in compliance with California Civil Code sections 4178, 5300, 5550, 5560 & 5565. The intent of this legislation is to insure that the association maintains a plan to meet all future obligations for major component maintenance. The essential elements of this legislation are:

- 1 . Identification of the major components which the association is obligated to maintain
- 2 . Current estimate of the useful life of each component
- 3 . Current estimate of the remaining life of each component
- 4 . Current estimate of the replacement cost of each component
- 5 . Current estimate of the total annual contribution necessary to maintain the major components
- 6 . Current estimate of the amount of cash reserves necessary to maintain the major components
- 7 . Disclosure of the current amount of accumulated cash reserves actually funded
- 8 . Disclosure of the percentage of reserves actually funded
- 9 . Disclosure of any determined or anticipated special assessments
- 10 . A general statement of methodology

SCOPE

This study is aligned with the association's fiscal year and establishes January 1, 2017 through December 31, 2026 as the period of time for which reserve expenditures and reserve fund balances are projected.

METHODOLOGY

A cash flow methodology was used to determine the annual reserve contribution. The underlying premise of this reserve funding approach is to establish a contribution level that will allow the association to maintain a positive balance in the reserve fund while meeting all anticipated maintenance obligations. The cash flow method allows the association to achieve this goal without the unnecessary overfunding of reserves. Also, as the interest earned on the reserve fund will not totally offset inflation, projections were made using the current inflation factor and an average interest rate on fully insured certificates of deposit.

In preparing this study, a comprehensive list of major components was developed and information was compiled on the type, number, age and cost of each of these components. In gathering this data, certain assumptions were made about costs, conditions, and future events and circumstances that may occur. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this report. Therefore, the actual replacement costs and remaining lives may vary from this report and the variations could be material. All life expectancies were based on reasonable industry experience for equipment and material and, unless specifically noted, all components were in a reasonable and ordinary condition.

This study was limited to a visual inspection of the property and as such did not disturb the major components. Therefore, all common areas for which there is no access without defacement are specifically omitted. However, if sufficient historical data were available that would allow a reasonable projection of future expenditures for any unobservable components e.g., plumbing or electrical wiring, those components could be included in this report.

Since no destructive testing was undertaken, this study does not purport to address any latent and/or patent defects, nor does it address any life expectancies that are abnormally short due to either improper design or installation, or to subsequent improper maintenance. It is assumed that all components are to be reasonably maintained for the remainder of their life expectancy.

For a component to be included in this study, the following criteria must be met:

- 1 . The maintenance of the component is the responsibility of the association;
- 2 . The maintenance of the component is not included in the annual operating budget;
- 3 . The estimated useful life of the component is greater than one year; and
- 4 . The estimated remaining life of the component is less than 30 years.

This study is intended to reflect the estimated replacement cost of the components and is not intended to project the actual cost of the work when performed. This limitation is necessary, as it is virtually impossible to predict with any degree of certainty the myriad factors that will impact costs at a future date. Because of this qualification, it is necessary for the results of this study to be reviewed annually to reflect any meaningful changes in use or significant increases in labor and/or materials costs.

The funding for this study has a threshold margin of 10%. This means that the projected ending balance for each fiscal year is at least 10% of the projected expenditures for the same year. This margin provides a contingency for any unforeseen or out of the ordinary repair or replacement expense. Additionally, it can be used in subsequent years as a source of funds for reallocation of the life cycles should the aging of any components be abnormally accelerated.

FINDINGS

The findings of this study indicate that it will be necessary to adjust the annual reserve contribution as indicated on 6-8 of this report in order to meet projected expenditures and keep pace with inflation. These findings are based on the following:

- 1 . Projected reserve fund balance as of January 1, 2017 \$ 318,795
- 2 . Reserve contribution for fiscal year 2016..... \$ 44,429
- 3 . Reserve contribution for fiscal year 2017..... \$ 47,539
- 4 . Assumed annual inflation rate 3.0%
- 5 . All "after tax" interest earned on reserve fund investments will be retained in the reserve fund.

DISCLOSURES

This plan provides adequate funds to meet projected expenditures without relying on a special assessments or increases in regular assessments that require a vote of the membership. Based on the assumption that the association will fund reserves in accordance with this plan, which includes those increases indicated above, the percent funded was calculated in the following manner:

<u>Accumulated Cash Reserves (Numerator)</u>	
Projected reserve fund balance as of January 1, 2017	\$ 318,795
 <u>Accrued Liability (Denominator)</u>	
Estimate of the amount of cash necessary to repair, replace, restore or maintain the association's major components as of January 1, 2017.....	\$ 475,744
 Percent Funded	<div style="border: 1px solid black; padding: 2px; display: inline-block;">67%</div>

This Reserve Study was reviewed and approved by the Association's Board of Directors.

Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Repair/Replace Cost	Usfl Life	Rmng Life	Jan 1 Dec 31	2017 2017	2018 2018	2019 2019	2020 2020	2021 2021	2022 2022	2023 2023	2024 2024	2025 2025	2026 2026
BUILDING EXTERIORS:															
1 - Exterior Door Replace		5,305	25	6							6,149				
2 - Exterior Door Replace		2,652	25	7								3,167			
3 - Exterior Door Replace		1,008	25	8									1,240		
4 - Exterior Door Restroom Repl		2,334	25	7								2,787			
5 - Window Replace		1,591	35	16											
6 - Wood Siding Paint		3,947	7	3				4,187							5,150
7 - Wood Siding Repairs	30%	4,151	10	3				4,404							
BUILDING INTERIORS:															
8 - Clubhouse Paint		2,520	7	1		2,520							3,100		
9 - Interior Door Replace		1,910	25	8									2,349		
10 - Interior Door Replace		2,122	25	8									2,610		
11 - Restrooms Refurbish		47,762	30	4					52,191						
12 - Shower Tile Replace		1,194	30	4					1,305						
13 - Window Covering Replace		318	12	3				338							
14 - Wall & Ceiling Paint		5,715	10	4					6,245						
FENCING, WALLS & ARBORS:															
15 - Chain Link Repair		2,975	15	3				3,156							
16 - Entry Sign Repair		3,781	15	4					4,132						
17 - Metal Picket Paint @ Pool		6,343	7	4					6,931						
18 - Metal Picket Repair @ Pool	5%	6,851	14	11											
19 - Metal Picket Replace @ Pool		137,014	21	11											
20 - Wood Split Rail Repair	15%	361	7	3				383							471
21 - Wood Split Rail Replace		2,407	21	17											
22 - Wood Arbor Paint		6,989	7	2				7,199						8,853	
23 - Wood Arbor Repair	25%	26,919	14	9										34,101	
24 - Wood Arbor Replace		107,677	21	16											
25 - Wood Walls @ Pool Paint		2,342	7	1		2,342							2,880		
26 - Wood Walls @ Pool Repair		6,740	14	8									8,289		
27 - Wood Retaining Wall Replace		9,620	18	2				9,908							
FLOOR COVERINGS:															
28 - Clubhouse Wilsonart Flr Repl		11,984	15	12											
29 - Tile Flooring Replace		866	18	15											
30 - Restroom Flooring															
FURNISHINGS & APPLIANCES:															
31 - Clubhouse Appliances		4,434	15	6							5,140				
32 - Clubhouse Cabinetry & Counters		12,668	15	6							14,685				
33 - Clubhouse Furnishings		11,401	10	3				12,095							
34 - Metal Benches & Tables Paint		3,782	7	1		3,782							4,651		
35 - Metal Bench (no back) Repl		4,031	25	1		4,031									
36 - Metal Bench Replace		5,092	25	1		5,092									
37 - Metal Picnic Tables Replace		3,387	25	4					3,702						
38 - Pool Drinking Fountain Replace		1,815	15	2				1,870							
39 - Pool Patio Furnishings		20,736	10	9										26,268	

Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current	Estimated		Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
		Repair/Replace Cost	Usfl Life	Rmng Life	Jan 1 Dec 31	2017 2017	2018 2018	2019 2019	2020 2020	2021 2021	2022 2022	2023 2023	2024 2024	2025 2025	2026 2026
LANDSCAPING:															
40 - Irrigation Backflow Devices	20%	2,814	5	1		2,814					3,262				
41 - Irrigation Timers	33%	3,343	5	1		3,343					3,875				
LANDSCAPING Cont'd:															
42 - Irrigation Valves	5%	2,127	2	1		2,127		2,257		2,394		2,540		2,695	
43 - Irrigation - Moderization		2,122	1	1		2,122	2,185	2,251	2,319	2,388	2,460	2,534	2,610	2,688	2,768
44 - Open Space Erosion Control		756	5	1		756					877				
45 - Plant Stock Replenishment		7,563	5	3				8,024					9,301		
LIGHT FIXTURES:															
46 - Bollard Lights Fixture Replace		3,630	20	3				3,851							
47 - Building Light Ext (ceiling) Repl		1,588	20	1		1,588									
48 - Building Light Ext (mount) Repl		492	20	1		492									
49 - Building Light Ext (mount) Repl		246	20	14											
50 - Building Light Ext Repl		184	20	1		184									
51 - Building Lights Interior		3,970	25	3				4,212							
52 - Can Light Replace		541	20	2				557							
53 - Pole Light Fixture Replace		1,513	20	1		1,513									
54 - Pole Light Fixture Replace		378	20	5						426					
55 - Pole Light Fixture Replace		1,513	20	2			1,558								
56 - Spot Light Replace		676	20	5						761					
MECHANICAL SYSTEMS:															
57 - Air Condensing Unit		9,638	15	2				9,927							
58 - Forced Air Furnace		2,269	15	1		2,269									
59 - Water Heater Replace		1,159	15	10											1,513
PAVED SURFACES:															
60 - Asphalt Remove & Replace	10%	3,449	10	6							3,998				
61 - Asphalt Sealcoat & Repair		2,597	5	1		2,597					3,011				
62 - Concrete Walkway Repairs		1,513	5	1		1,513					1,754				
63 - Pool Deck Repairs		3,781	25	1		3,781									
64 - Tennis Court Colorcoat		11,941	5	2				12,299				14,258			
65 - Tennis Ct Resurf/Repr/Repl		71,643	30	25											
66 - V-Ditch Repairs		200,000	20	18											
RECREATION FACILITIES:															
67 - Tennis Ct - Windscreen Repl		9,170	20	15											
68 - Tennis Court Net Replace		585	6	2				603					720		
69 - Tot Lot Structure		71,288	20	8									87,675		
70 - Swing Set Replace		15,450	20	5						17,389					
RECREATION FACILITIES - POOL:															
71 - Chlorinator Replace		506	5	1		506					587				
72 - Control Panel Replace		1,605	15	1		1,605									
73 - Filter Replace		9,004	8	2				9,274							11,748
74 - Heater Replace		4,502	12	1		4,502									
75 - Pump Replace		4,502	8	1		4,502								5,703	
76 - Resurface Interior		47,421	12	3					50,309						

Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

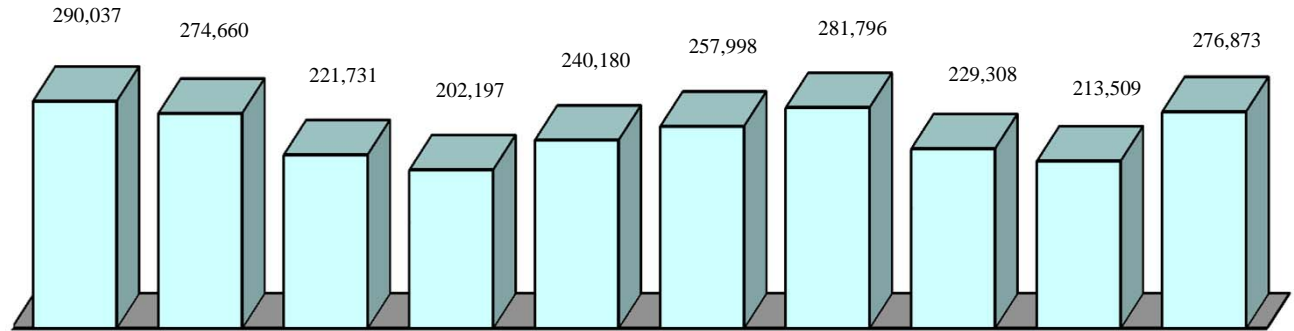
RESERVE COMPONENTS	Repair	Current	Estimated	Fiscal Year	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
	%	Repair/Replace Cost	Usfl Life	Rmng Life	Jan 1 Dec 31	2017 2017	2018 2018	2019 2019	2020 2020	2021 2021	2022 2022	2023 2023	2024 2024	2025 2025	2026 2026
RECREATION FACILITIES - POOL Cont'd:															
77 - Tile & Coping Replace		9,761	12	2											
78 - Solar Panel Replace		8,168	12	9				10,054							10,347
79 - Solar Panel Replace		8,849	12	1		8,849									
RECREATION FACILITIES - SPA:															
80 - Chlorinator Replace		506	5	1		506				587					
81 - Filter Replace		2,251	8	1		2,251									2,852
82 - Heater Replace		3,939	12	1		3,939									
83 - Pump Replace		2,251	8	1		2,251									2,852
84 - Resurface Interior		8,470	12	3				8,986							
85 - Tile & Coping Replace		1,194	12	3				1,266							
ROOFING SYSTEM:															
86 - Gutters & Downspouts		2,250	25	1		2,250									
87 - Roof Inspection & Repairs		1,287	5	1		1,287				1,492					
88 - Tile Shingles Replace		14,377	40	21											
OTHER:															
89 - BBQ Replace		716	20	3				760							
90 - Bike Rack Paint		225	7	1		225							277		
91 - Bike Rack Replace		1,688	20	8									2,076		
92 - Dog Station Replace		955	12	10											1,246
93 - Flag Pole & Assembly		3,671	20	7							4,384				
94 - Video Surveillance Equipment		14,136	10	7							16,879				
95 - X-mas Lights Repair/Replace		1,061	1	1		1,061	1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384
96 - Reserve Study Update															
97 - Reserve Study Update Inspection															
TOTAL EXPENDITURES		1,073,979				76,601	66,527	107,604	77,983	24,552	49,107	47,815	129,081	97,701	24,280

NOTE: Funding is handled via the association's operating budget.

NOTE: Funding is handled via the association's operating budget.

Funding Plan

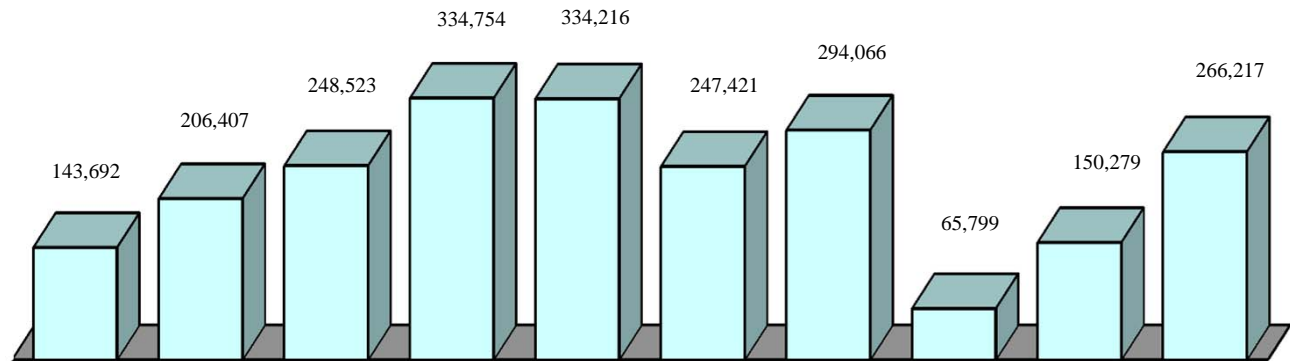
Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jan 1		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Dec 31		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
BEGINNING BALANCE		318,795	290,037	274,660	221,731	202,197	240,180	257,998	281,796	229,308	213,509
EXPENDITURES (inflated \$)	3.0%	76,601	66,527	107,604	77,983	24,552	49,107	47,815	129,081	97,701	24,280
RESERVE CONTRIBUTION		47,539	50,867	54,427	58,237	62,314	66,676	71,343	76,337	81,681	87,399
Per Unit Per Month (431 units)		9.19	9.84	10.52	11.26	12.05	12.89	13.79	14.76	15.79	16.90
Percentage Increase to Reserves		7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	304	282	248	212	221	249	270	255	221	245
ENDING BALANCE		290,037	274,660	221,731	202,197	240,180	257,998	281,796	229,308	213,509	276,873

Funding Plan

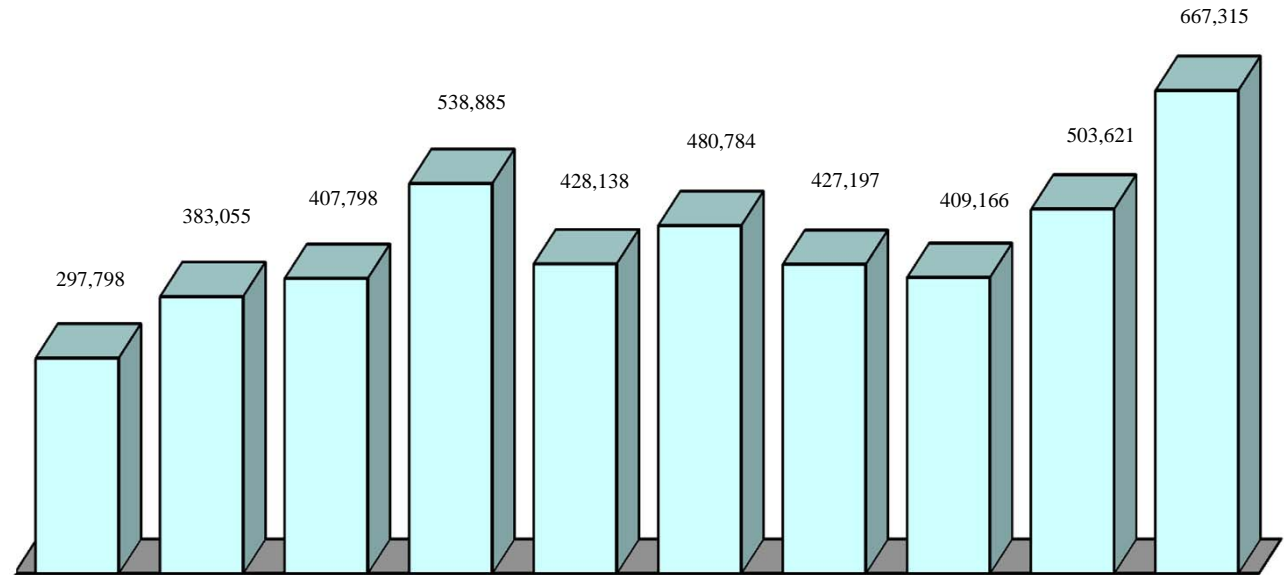
Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jan 1		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Dec 31		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BEGINNING BALANCE		276,873	143,692	206,407	248,523	334,754	334,216	247,421	294,066	65,799	150,279
EXPENDITURES (inflated \$)	3.0%	226,907	37,523	65,179	28,622	123,453	218,248	93,968	378,613	50,779	23,475
RESERVE CONTRIBUTION		93,516	100,063	107,067	114,562	122,581	131,162	140,343	150,167	135,150	139,205
Per Unit Per Month (431 units)		18.08	19.35	20.70	22.15	23.70	25.36	27.14	29.03	26.13	26.92
Percentage Increase to Reserves		7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	(10.0)	3.0
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	210	175	227	291	334	291	271	180	108	208
ENDING BALANCE		143,692	206,407	248,523	334,754	334,216	247,421	294,066	65,799	150,279	266,217

Funding Plan

Projected Cash Balance



Fiscal Year	(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
Jan 1	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	
Dec 31	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	
BEGINNING BALANCE	266,217	297,798	383,055	407,798	538,885	428,138	480,784	427,197	409,166	503,621	
EXPENDITURES (inflated \$)	3.0%	112,081	62,766	127,765	26,062	272,607	114,026	225,245	194,790	87,632	23,970
RESERVE CONTRIBUTION		143,381	147,682	152,113	156,676	161,377	166,218	171,204	176,341	181,631	187,080
Per Unit Per Month (431 units)		27.72	28.55	29.41	30.29	31.20	32.14	33.10	34.10	35.12	36.17
Percentage Increase to Reserves		3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	282	340	395	473	483	454	454	418	456	585
ENDING BALANCE		297,798	383,055	407,798	538,885	428,138	480,784	427,197	409,166	503,621	667,315

Assessment and Reserve Funding Disclosure Summary

This Summary contains information about the Association's assessments and the status of the reserve fund. The Association may periodically update or supplement the information in this Summary. Please contact the Association to determine if a more recently prepared Summary or supplement is available.

As of the date this Summary was prepared:

- (1) The current **total** assessment per unit is **\$245.00** per quarter.

NOTE: If assessments vary by the size or type of unit, the assessment applicable to this unit may be found on the attached Variable Assessment Report.

- (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 (if assessments are variable, see note immediately below):	Purpose of the assessment:

NOTE:if assessments vary by the size or type of unit, the assessment applicable to this unit may be found on the attached Variable Assessment Report.

- (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 If the Special Assessment in Note (2) is collected No

- (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?

Approximate date assessment will be due:	Amount per unit per month:
	\$
	Total:

- (5) The following major components, which are included in the reserve study, are NOT included in the existing reserve funding:

Major Component:	Useful remaining life in years:	Reason this major component was not included:

Assessment and Reserve Funding Disclosure Summary

- (6) Based on the method of calculation in paragraph (4) or subdivision (b) of Section 5570, the estimated amount required in the reserve fund at the end of the current fiscal year is **\$475,744** , based in whole or in part on the the last reserve study or update, prepared by John D. Beatty & Company. The projected reserve fund cash balance at the end of the current fiscal year is **\$318,795** , resulting in reserves being **67%** funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is **\$318,795** (beginning balance per management) (see attached explanation).
- (7) 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 each of the next five budget years is **(listed in the table below)**, and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known reserves, is **(listed in the table below)**, leaving the reserve at **(listed in the table below)** percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be **(listed in the table below)**, leaving the reserves at **(listed in the table below)** percent funding.

Year	Estimated amount required in the reserve fund	Projected reserve fund cash balance	Percent Funded
2	\$ 470,154	\$ 290,037	62%
3	\$ 476,768	\$ 274,660	58%
4	\$ 444,499	\$ 221,731	50%
5	\$ 444,112	\$ 202,197	46%
6	\$ 499,483	\$ 240,180	48%

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.

This Summary was authorized by the Association based on the information available in the Association's most recent reserve study or annual update dated as of **September 30, 2016** . This summary supercedes all earlier issued versions.

NOTE: The remainder of Civil Code Section 5570 is not part of the required Assessment and Reserve Funding Disclosure Summary Form, but is included here because the information is needed to properly complete the form.



John D. Beatty
President

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 5550. 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.

Assessment and Reserve Funding Disclosure Summary

- (3) The form set out in subdivision (a) of Civil Code Section 5700 shall accompany each annual budget report or summary thereof that is delivered pursuant to Section 5300. 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.