

RESERVE STUDY UPDATE SUMMARY

for

Wood Ranch

OWNERS ASSOCIATION

Date Prepared: 10/24/2017 for fiscal year 2018

Prepared By:

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Reserve Study Update 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, 2018 through December 31, 2027 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.

No inspection was conducted of the major components. Information utilized to update the reserve study was obtained from management and the association's records.

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, 2018 \$ 292,000
- 2 . Reserve contribution for fiscal year 2017..... \$ 64,050
- 3 . Reserve contribution for fiscal year 2018..... \$ 78,939
- 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, 2018	\$ 292,000	
<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, 2018.....	\$ 533,907	
Percent Funded	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td style="padding: 2px 10px;">55%</td></tr></table>	55%
55%		

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	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
BUILDING EXTERIORS:															
1 - Exterior Door Replace		5,464	25	5						6,149					
2 - Exterior Door Replace		2,732	25	6							3,167				
3 - Exterior Door Replace		1,038	25	7								1,240			
4 - Exterior Door Restroom Repl		2,404	25	6							2,787				
5 - Window Replace		1,639	35	15											
6 - Wood Siding Paint		4,072	7	2			4,194							5,158	
7 - Wood Siding Repairs	30%	4,273	10	2			4,401								
BUILDING INTERIORS:															
8 - Clubhouse Paint		2,595	7	2			2,673								3,288
9 - Interior Door Replace		1,967	25	7								2,349			
10 - Interior Door Replace		2,185	25	7								2,610			
11 - Restrooms Refurbish		49,195	30	3				52,191							
12 - Shower Tile Replace		1,230	30	3				1,305							
13 - Window Covering Replace		328	12	2			338								
14 - Wall & Ceiling Paint		5,895	10	3				6,254							
FENCING, WALLS & ARBORS:															
15 - Chain Link Repair		3,061	15	2			3,153								
16 - Entry Sign Repair		3,895	15	3				4,132							
17 - Metal Picket Paint @ Pool		6,544	7	2			6,740							8,289	
18 - Metal Picket Repair @ Pool	5%	7,056	14	9										8,938	
19 - Metal Picket Replace @ Pool		141,118	21	9										178,764	
20 - Wood Split Rail Repair	15%	372	7	2			383							471	
21 - Wood Split Rail Replace		2,478	21	16											
22 - Wood Arbor Paint		7,192	7	2			7,408							9,111	
23 - Wood Arbor Repair	25%	27,731	14	9										35,129	
24 - Wood Arbor Replace		110,925	21	16											
25 - Wood Walls @ Pool Paint		2,416	7	2			2,488							3,060	
26 - Wood Walls @ Pool Repair		6,942	14	9										8,794	
27 - Wood Retaining Wall Replace		9,909	18	2			10,206								
FLOOR COVERINGS:															
28 - Clubhouse Wilsonart Flr Repl		12,342	15	11											
29 - Tile Flooring Replace		891	18	14											
30 - Restroom Flooring															
FURNISHINGS & APPLIANCES:															
31 - Clubhouse Appliances		4,567	15	5						5,140					
32 - Clubhouse Cabinetry & Counters		13,048	15	5						14,685					
33 - Clubhouse Furnishings		11,743	10	2			12,095								
34 - Metal Benches & Tables Paint		3,895	7	2			4,012							4,934	
35 - Metal Bench (no back) Repl		4,152	25	2			4,277								
36 - Metal Bench Replace		5,245	25	2			5,402								
37 - Metal Picnic Tables Replace		3,489	25	3				3,702							
38 - Pool Drinking Fountain Replace		1,870	15	2			1,926								
39 - Pool Patio Furnishings		21,358	10	8									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	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
LANDSCAPING:															
40 - Irrigation Backflow Devices	20%	2,898	5	2			2,985					3,461			
41 - Irrigation Timers	33%	3,443	5	2			3,546					4,111			
LANDSCAPING Cont'd:															
42 - Irrigation Valves	5%	2,191	2	2			2,257		2,394		2,540		2,695		2,859
43 - Irrigation - Moderization		2,185	1	1	2,185	2,251	2,319	2,388	2,460	2,534	2,610	2,688	2,768	2,852	
44 - Open Space Landslide Repair		50,000	10	10											65,239
45 - Plant Stock Replenishment		7,790	5	2			8,024					9,301			
LIGHT FIXTURES:															
46 - Bollard Lights Fixture Replace		3,739	20	2			3,851								
47 - Building Light Ext (ceiling) Repl		1,636	20	2			1,685								
48 - Building Light Ext (mount) Repl		507	20	2			522								
49 - Building Light Ext (mount) Repl		253	20	13											
50 - Building Light Ext Repl		190	20	2			196								
51 - Building Lights Interior		4,090	25	2			4,212								
52 - Can Light Replace		557	20	2			574								
53 - Pole Light Fixture Replace		1,558	20	2			1,605								
54 - Pole Light Fixture Replace		389	20	4				426							
55 - Pole Light Fixture Replace		1,558	20	1	1,558										
56 - Spot Light Replace		697	20	4				761							
MECHANICAL SYSTEMS:															
57 - Air Condensing Unit		9,927	15	2			10,225								
58 - Forced Air Furnace		2,337	15	2			2,407								
59 - Water Heater Replace		1,194	15	9										1,513	
PAVED SURFACES:															
60 - Asphalt Remove & Replace	10%	3,550	10	7								4,239			
61 - Asphalt Sealcoat & Repair		2,670	5	2			2,750					3,188			
62 - Concrete Walkway Repairs		1,558	5	2			1,605					1,860			
63 - Pool Deck Repairs		3,895	25	2			4,012								
64 - Tennis Court Colorcoat		12,299	5	2			12,668					14,685			
65 - Tennis Ct Resurf/Repr/Repl		73,792	30	24											
66 - V-Ditch Repairs		206,000	20	17											
RECREATION FACILITIES:															
67 - Tennis Ct - Windscreen Repl		9,445	20	14											
68 - Tennis Court Net Replace		603	6	2			621						741		
69 - Tot Lot Structure		73,427	20	7							87,675				
70 - Swing Set Replace		15,914	20	4				17,389							
RECREATION FACILITIES - POOL:															
71 - Chlorinator Replace		522	5	2			537					623			
72 - Control Panel Replace		1,653	15	2			1,702								
73 - Filter Replace		9,274	8	2			9,552								12,101
74 - Heater Replace		4,637	12	2			4,776								
75 - Pump Replace		4,637	8	2			4,776								6,050
76 - Resurface Interior		48,840	12	2			50,305								

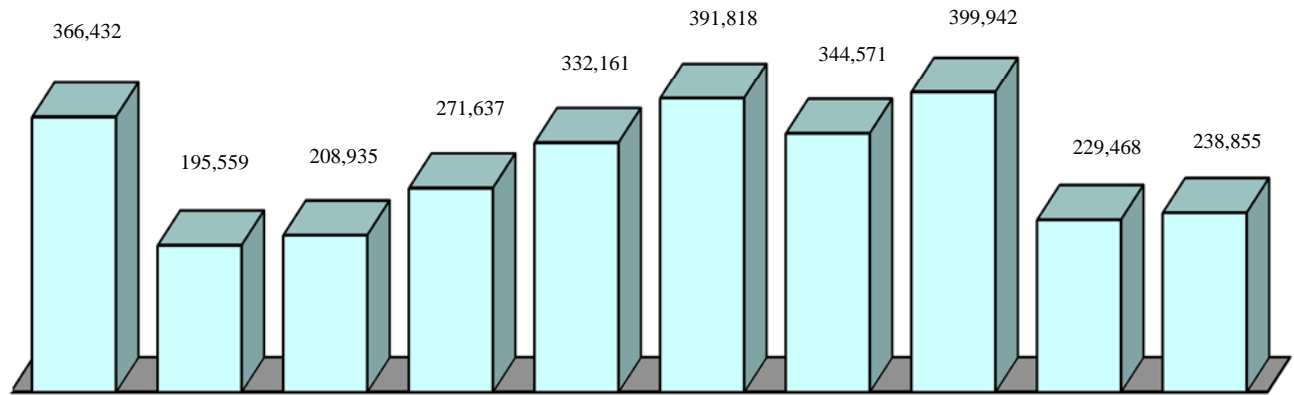
Projected Expenditures

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	2018 2018	2019 2019	2020 2020	2021 2021	2022 2022	2023 2023	2024 2024	2025 2025	2026 2026	2027 2027
RECREATION FACILITIES - POOL Cont'd:															
77 - Tile & Coping Replace		10,053	12	2			10,355								
78 - Solar Panel Replace		8,413	12	8								10,347			
79 - Solar Panel Replace		9,114	12	2			9,388								
RECREATION FACILITIES - SPA:															
80 - Chlorinator Replace		522	5	2			537				623				
81 - Filter Replace		2,319	8	2			2,388								3,025
82 - Heater Replace		4,057	12	2			4,179								
83 - Pump Replace		2,319	8	2			2,388								3,025
84 - Resurface Interior		8,724	12	2			8,986								
85 - Tile & Coping Replace		1,229	12	2			1,266								
ROOFING SYSTEM:															
86 - Gutters & Downspouts		2,317	25	2			2,386								
87 - Roof Inspection & Repairs		1,321	5	2			1,361				1,577				
88 - Tile Shingles Replace		14,801	40	20											
OTHER:															
89 - BBQ Replace		738	20	2			760								
90 - Bike Rack Paint		232	7	2			239							294	
91 - Bike Rack Replace		1,739	20	7							2,076				
92 - Dog Station Replace		983	12	9										1,246	
93 - Flag Pole & Assembly		3,781	20	6						4,384					
94 - Video Surveillance Equipment		14,560	10	6						16,879					
95 - X-mas Lights Repair/Replace		1,093	1	1		1,093	1,126	1,159	1,194	1,230	1,267	1,305	1,344	1,384	1,426
96 - Reserve Study Update						NOTE: Funding is handled via the association's operating budget.									
97 - Reserve Study Update Inspection						NOTE: Funding is handled via the association's operating budget.									
TOTAL EXPENDITURES		1,155,424				4,836	252,698	71,061	24,552	29,664	33,557	143,532	44,083	273,140	96,576

Funding Plan

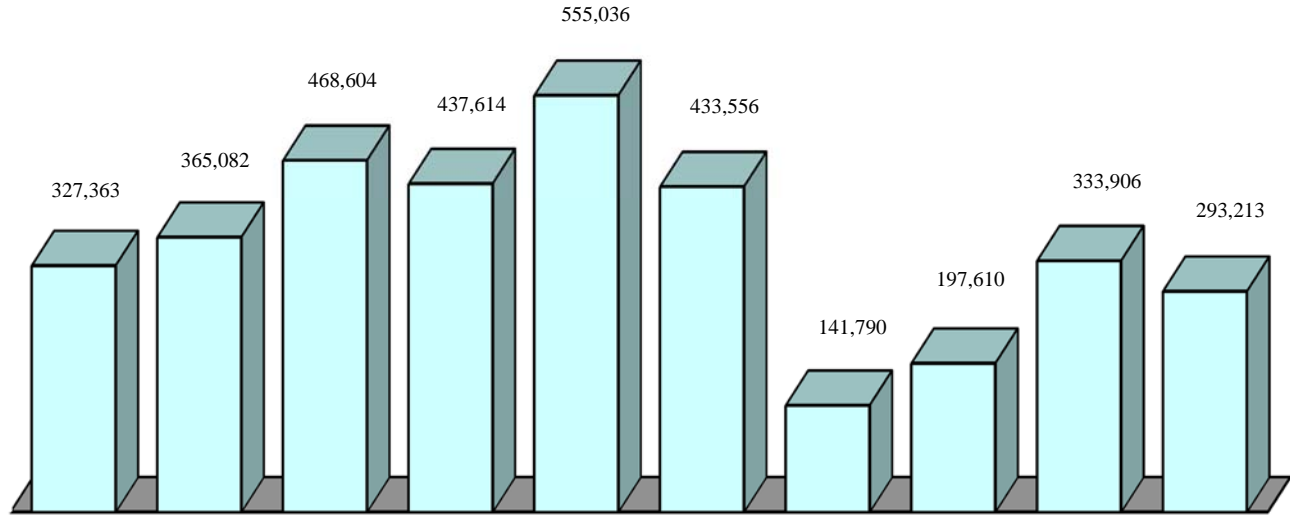
Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jan 1		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Dec 31		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
BEGINNING BALANCE		292,000	366,432	195,559	208,935	271,637	332,161	391,818	344,571	399,942	229,468
EXPENDITURES (inflated \$)	3.0%	4,836	252,698	71,061	24,552	29,664	33,557	143,532	44,083	273,140	96,576
RESERVE CONTRIBUTION		78,939	81,544	84,235	87,015	89,886	92,852	95,917	99,082	102,351	105,729
Per Unit Per Month (431 units)		15.26	15.77	16.29	16.82	17.38	17.95	18.55	19.16	19.79	20.44
Percentage Increase to Reserves		23.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	329	281	202	240	302	362	368	372	315	234
ENDING BALANCE		366,432	195,559	208,935	271,637	332,161	391,818	344,571	399,942	229,468	238,855

Funding Plan

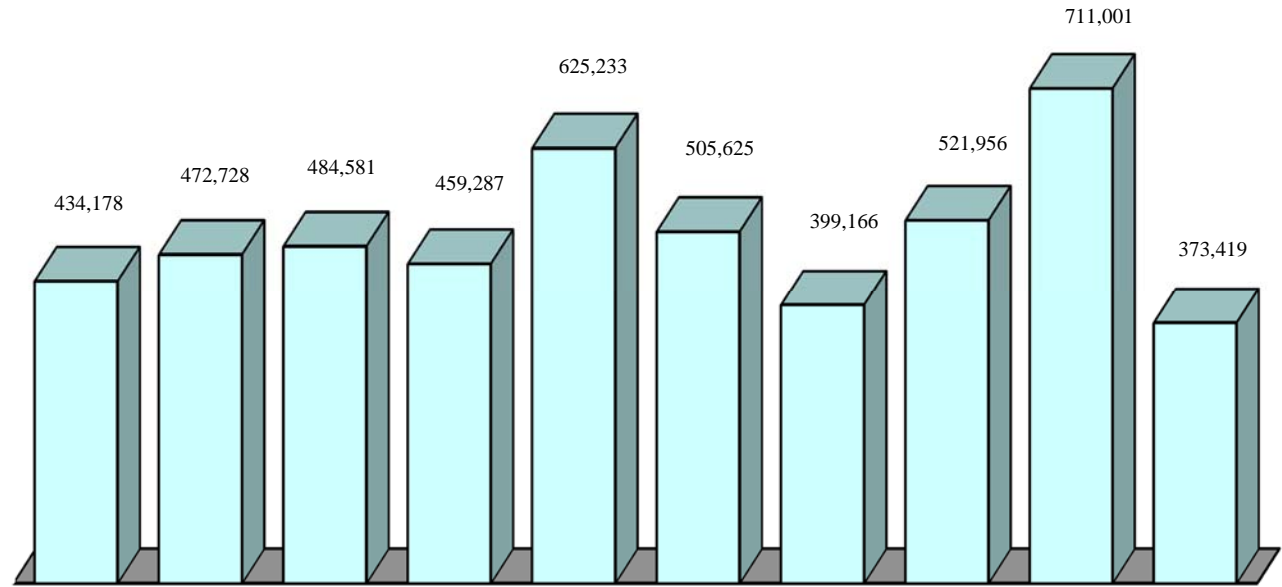
Projected Cash Balance



Fiscal Year		(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Jan 1		2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Dec 31		2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
BEGINNING BALANCE		238,855	327,363	365,082	468,604	437,614	555,036	433,556	141,790	197,610	333,906
EXPENDITURES (inflated \$)	3.0%	20,993	75,450	13,440	151,835	7,438	250,443	424,761	81,437	5,581	187,290
RESERVE CONTRIBUTION		109,218	112,822	116,545	120,391	124,364	128,468	132,708	137,087	141,611	146,284
Per Unit Per Month (431 units)		21.12	21.81	22.53	23.28	24.05	24.84	25.66	26.51	27.38	28.28
Percentage Increase to Reserves		3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	283	346	417	453	496	494	288	170	266	313
ENDING BALANCE		327,363	365,082	468,604	437,614	555,036	433,556	141,790	197,610	333,906	293,213

Funding Plan

Projected Cash Balance



Fiscal Year		(21)	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
Jan 1		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
Dec 31		2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
BEGINNING BALANCE		293,213	434,178	472,728	484,581	459,287	625,233	505,625	399,166	521,956	711,001
EXPENDITURES (inflated \$)	3.0%	10,511	118,001	149,876	192,337	6,664	297,919	290,523	67,341	7,500	540,520
RESERVE CONTRIBUTION		151,112	156,098	161,250	166,571	172,068	177,746	183,612	189,671	195,930	202,396
Per Unit Per Month (431 units)		29.22	30.18	31.18	32.21	33.27	34.37	35.50	36.67	37.88	39.13
Percentage Increase to Reserves		3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3
SPECIAL ASSESSMENTS		0	0	0	0	0	0	0	0	0	0
INTEREST	0.1%	364	453	478	472	542	565	452	460	616	542
ENDING BALANCE		434,178	472,728	484,581	459,287	625,233	505,625	399,166	521,956	711,001	373,419

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 **\$260.00** 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 **\$533,907** , 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 **\$292,000** , resulting in reserves being **55%** funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required reserve amount is **\$292,000** (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	\$ 607,056	\$ 366,432	60%
3	\$ 434,683	\$ 195,559	45%
4	\$ 446,357	\$ 208,935	47%
5	\$ 507,021	\$ 271,637	54%
6	\$ 565,131	\$ 332,161	59%

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 **October 24, 2017** . 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.