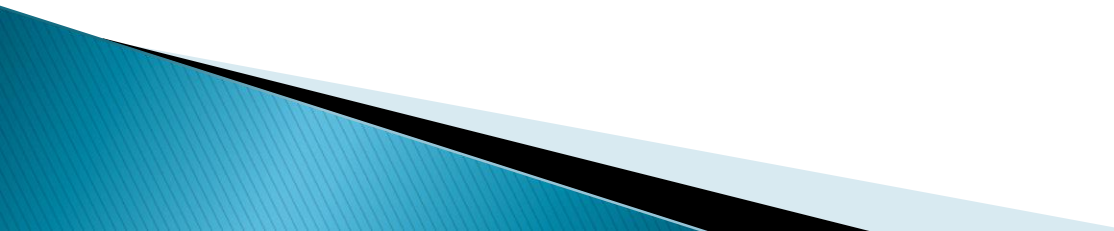


# PMLA Reserve Study

Property Owner Presentation  
3/24/2018

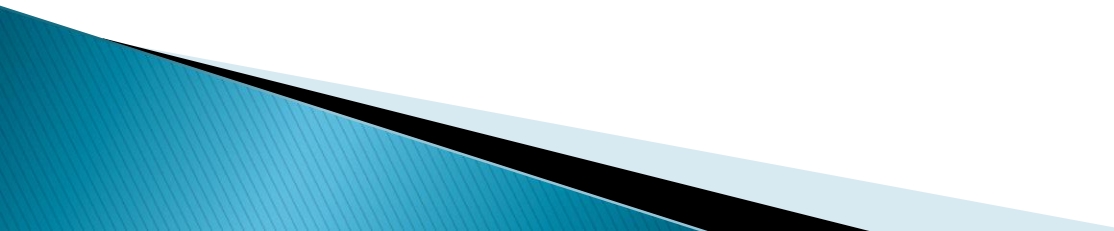
# What Is a Reserve Study?

- ▶ “A diligent visual inspection of the accessible areas of the major components that the association is obligated to repair, replace, restore or maintain” – Civil Code section 5550
  - ▶ “..boards must review the association’s reserve study...annually and shall consider and implement appropriate adjustments to the reserve account requirements.” – Civil Code section 5550
- 


# How often is the Reserve Study conducted?

- ▶ Per the Civil Code:
  - The initial study is a full evaluation and compilation of all applicable components
  - The study must be updated annually
    - PMLA updates our study monthly
  - Every three years the study must be updated with a complete on-site review
    - PMLA uses an outside professional to conduct our on-site review update


# What is the criteria for a Reserve Study Component?

- ▶ Four part test:
    - A common area maintenance responsibility
    - A limited useful life – generally  $<30$  years
    - A predictable remaining useful life
    - Above a minimum threshold of cost – generally  $> \$1\text{K}$
- 

# What Information is required in the Reserve Study?

- ▶ Identification of the major components the Association is responsible to maintain
  - ▶ Estimate of the Useful Life and remaining Useful Life of the component
  - ▶ Estimated current cost of replacing each component
  - ▶ Estimated necessary contributions to the Reserve Fund
  - ▶ Projected Reserve Fund Balance
  - ▶ Percent funded calculation
- 

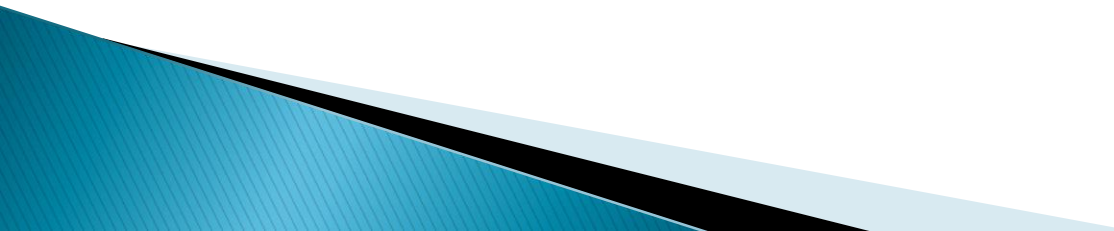
# How is a typical Reserve requirement calculated?

- Asset has a \$100,000 initial cost
  - Asset has an estimated useful life of 10 years
  - For each year of the asset's useful life \$10,000 should be contributed to the Reserve Fund in order to achieve full (100%) funding.
  - After 4 years the fund should contain \$40,000
  - At the end of the useful life (10 years) the Reserve fund should contain \$100,000. Sufficient to replace the asset.
  - It does not mean that \$100,000 is in the fund at all times, only at the end of the asset's life
- 

# What does percent funded mean?

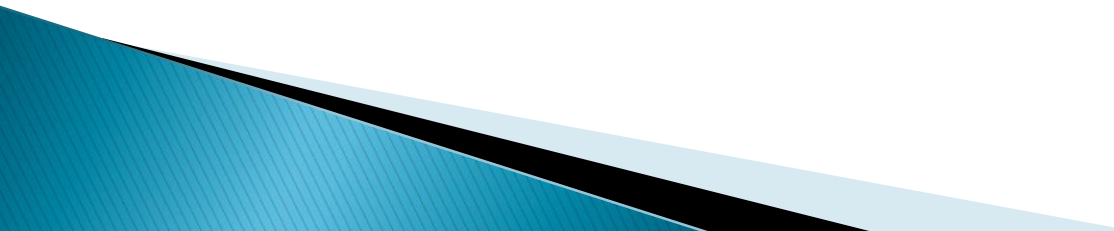
- ▶ How much of the estimated replacement cost of all the components is currently in the Reserve?
  - For example: \$100,000 asset with a 10 year life after 4 years of use.
- ▶ Should the balance be \$100,000?
- ▶ Should the balance be \$40,000?
- ▶ A balance of \$40,000 would mean that the percent funded would be 100%.
- ▶ This calculation is performed for all components as a whole. The resulting percentage = Percent Funded

# What happens if we do not fund the Reserve?

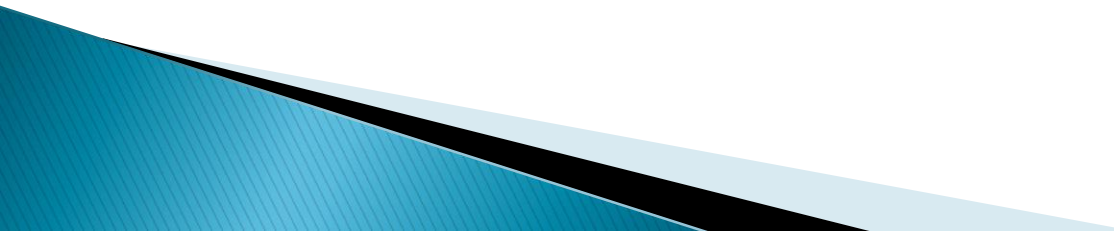
- ▶ Deferred maintenance
  - ▶ Reduced property value
  - ▶ Potential litigation due to damage
  - ▶ Increased cost of eventual repairs/replacement
  - ▶ Liability to Board members for gross negligence, breach of CC&R's, breach of fiduciary duty.
    - Personal liability
- 



# What is the legally required funding percentage?

- ▶ 100%
  - ▶ 75%
  - ▶ 50%
  - ▶ 25%
  - ▶ The State of California does not require any specific level of funding. Therefore the required minimum funding level is.....
  - ▶ 0%
- 

# What is PMLA's funding percentage requirement?

- ▶ Per Board Resolution we are to achieve 65% funding by the year 2029.
  - ▶ Current PMLA Reserve Funding Level – 30%
- 

# Reserve Funding Levels

- ▶ What is the proper level of funding?
  - “If your reserves are in the 0–30% funding range, you can expect frequent and significant Special Assessments.” – Adams Kessler Attorneys on Davis–Stirling.com
  - “Associations in the 70–100% funding range are considered financially strong, and Special Assessments should be rare.” Adams Kessler Attorneys on Davis–Stirling.com
  - “It should be no surprise that healthy reserves increase property values and improve sales.” Adams Kessler Attorneys on Davis–Stirling.com

# What is Reserve Funding vs. Reserve Spending?

- ▶ Reserve funding does not equal Reserve spending
- ▶ What is Reserve Funding?
  - Monies set aside/reserved for the future repair and replacement of Association assets and infrastructure.
  - Pool concept
  - Not specific to items
- ▶ What is Reserve Spending?
  - Most are budgeted
  - Those items to be repaired/replaced in a specific year, primarily the current or budgeted year.
  - Allows for unplanned/unbudgeted expenditures

Pine Mountain Lake  
Thirty Year Cash Flow/Capital Budget Summary  
January 1, 2018  
Financial Exhibit

Fiscal Year Beginning		1/1/2018
Number of Units		3400
Unit Interests		3,400
Previous Year Annual Assessments		\$ 1,900,000
Inflation Rate		3.00%
Tax Rate on Investment Income		0%
Interest Rate on Investments		0.50%
1/1/2018	Annual Assessment/Unit Inter	\$ 577.94

Year	Percent Change	Beginning Balance	Fully Funded	Percent Funded	Dollar Change	Misc. Income	Special Assessment	Debt Service	Annual Assessment	Estimated Interest	Tax on Interest	Annual Expenditure	Reserve Contingency	Ending Balance
													0%	
1/1/2018	3.42%	3,380,000	9,253,061	36.53%	65,000	0	0	0	1,965,000	9,643	0	(4,644,551)	-	710,092
1/1/2019	3.31%	710,092	6,863,361	10.35%	65,000	0	0	0	2,030,000	5,966	0	(1,137,960)	-	1,608,099
1/1/2020	3.20%	1,608,099	7,702,734	20.88%	65,000	0	0	0	2,095,000	3,714	0	(2,500,376)	-	1,206,437
1/1/2021	3.10%	1,206,437	7,249,999	16.64%	65,000	0	0	0	2,160,000	4,624	0	(791,262)	-	2,579,799
1/1/2022	3.01%	2,579,799	8,516,375	30.29%	65,000	0	0	0	2,225,000	9,208	0	(1,583,232)	-	3,230,775
1/1/2023	2.92%	3,230,775	9,023,139	35.81%	65,000	0	0	0	2,290,000	13,928	0	(1,090,145)	-	4,444,559
1/1/2024	2.84%	4,444,559	10,068,127	44.14%	65,000	0	0	0	2,355,000	27,951	0	(2,073,326)	-	4,754,183
1/1/2025	2.76%	4,754,183	10,193,555	46.64%	65,000	0	0	0	2,420,000	21,638	0	(1,077,150)	-	6,118,671
1/1/2026	2.69%	6,118,671	11,360,830	53.86%	65,000	0	0	0	2,485,000	24,790	0	(2,344,840)	-	6,283,621
1/1/2027	2.62%	6,283,621	11,333,500	55.44%	65,000	0	0	0	2,550,000	27,501	0	(1,707,471)	-	7,153,650
1/1/2028	2.55%	7,153,650	12,006,984	59.58%	65,000	0	0	0	2,615,000	28,807	0	(2,760,421)	-	7,037,037
1/1/2029	0.00%	7,037,037	11,713,047	60.08%	0	0	0	0	2,615,000	33,714	0	(877,893)	-	8,807,859
1/1/2030	0.00%	8,807,859	13,330,377	66.07%	0	0	0	0	2,615,000	36,764	0	(2,867,938)	-	8,591,684
1/1/2031	0.00%	8,591,684	13,059,518	65.79%	0	0	0	0	2,615,000	39,886	0	(1,427,140)	-	9,819,429
1/1/2032	0.00%	9,819,429	14,265,706	68.83%	0	0	0	0	2,615,000	41,111	0	(3,111,578)	-	9,363,963
1/1/2033	0.00%	9,363,963	13,837,507	67.67%	0	0	0	0	2,615,000	44,830	0	(1,055,863)	-	10,967,930
1/1/2034	0.00%	10,967,930	15,551,516	70.53%	0	0	0	0	2,615,000	59,356	0	(2,934,374)	-	10,707,912
1/1/2035	0.00%	10,707,912	15,484,563	69.15%	0	0	0	0	2,615,000	48,705	0	(2,031,054)	-	11,340,563
1/1/2036	0.00%	11,340,563	16,394,833	69.17%	0	0	0	0	2,615,000	48,213	0	(3,284,359)	-	10,719,417
1/1/2037	0.00%	10,719,417	16,154,131	66.36%	0	0	0	0	2,615,000	51,525	0	(1,083,940)	-	12,302,003
1/1/2038	5.74%	12,302,003	18,150,459	67.78%	150,000	0	0	0	2,765,000	50,530	0	(4,160,144)	-	10,957,388
1/1/2039	5.42%	10,957,388	17,212,840	63.66%	150,000	0	0	0	2,915,000	50,175	0	(1,998,107)	-	11,924,456
1/1/2040	5.15%	11,924,456	18,503,033	64.45%	150,000	0	0	0	3,065,000	48,366	0	(4,297,683)	-	10,740,138
1/1/2041	4.89%	10,740,138	17,646,274	60.86%	150,000	0	0	0	3,215,000	51,685	0	(1,150,773)	-	12,856,050
1/1/2042	4.67%	12,856,050	19,967,219	64.39%	150,000	0	0	0	3,365,000	55,644	0	(3,442,169)	-	12,834,525
1/1/2043	4.46%	12,834,525	20,108,881	63.83%	150,000	0	0	0	3,515,000	55,421	0	(3,503,152)	-	12,901,794
1/1/2044	4.27%	12,901,794	20,319,383	63.50%	150,000	0	0	0	3,665,000	55,314	0	(3,676,685)	-	12,945,423
1/1/2045	4.09%	12,945,423	20,473,243	63.23%	150,000	0	0	0	3,815,000	59,149	0	(2,457,993)	-	14,361,579
1/1/2046	3.93%	14,361,579	21,944,591	65.44%	150,000	0	0	0	3,965,000	59,976	0	(4,623,576)	-	13,762,979
1/1/2047	3.78%	13,762,979	21,402,451	64.31%	150,000	0	0	0	4,115,000	63,134	0	(2,536,134)	-	15,404,978

# Annual Expenditure Summary Report

Pine Mountain Lake

Report Year: 2018

Category	Component	Location	Quantity	Measure Basis	Expenditure
Asphalt	Parking Lot - Admin	Admin Bldg-New	1	Lot	\$20,244
Cabinets/Countertops/Millwork	Cab/Countertops/Millwork	Admin Bldg-New	1	Allowance	\$10,123
Computers/Software	Document Scanner	Admin Bldg-New	1	Each	\$3,135
Electronics	Network Server	Admin Bldg-New	1	Each	\$11,538
Furniture_Fixtures	PANELS- GRAY- ADMIN.	Admin Bldg-New	8	Each	\$5,648
Operations	Walkway Lighting	Admin Bldg-New	1	Allowance	\$1,012
		<b>Admin Bldg-New Total</b>			<b>\$51,701</b>
Roofing Component	Gutters and Fascia	Admin Bldg-Old	55		\$1,392
		<b>Admin Bldg-Old Total</b>			<b>\$1,392</b>
Asphalt	Roads Parking Lot - Campgrounds	Campground	1	Lot	\$69,373
Exterior Surfaces	Siding-Lift Station	Campground	1	Contract	\$1,513
Plumbing	Water Heater at Showers	Campground	2	Each	\$836
		<b>Campground Total</b>			<b>\$71,722</b>
Appliances	Ice Maker	CC Bar	1	Each	\$2,432
Appliances	Two Door Undercounter Ref.	CC Bar	1	Each	\$2,990
Appliances	Two Door Beverage Aire 45"	CC Bar	1	Each	\$4,054
Appliances	Glass Chiller - Superior	CC Bar	1	Each	\$2,838
Appliances	True Beer Cooler no.2	CC Bar	1	Each	\$2,301
Appliances	Walk In Bar Ref. Compressor	CC Bar	1	Each	\$1,013
Appliances	Draft Beer Box	CC Bar	1	Each	\$4,054
Cabinets/Countertops/Millwork	Remodel Country Club	CC Bar	1	Each	\$1,520,164
Computers/Software	Dell Latitude D620 Notebook Computer	CC Bar	1	Each	\$1,227
Electronics	TV Wide Screen LCD	CC Bar	1	Each	\$1,520
Electronics	Flatscreen LCD	CC Bar	2	Each	\$2,027
Electronics	Flatscreen LCD	CC Bar	2	Each	\$2,047
Furniture_Fixtures	Round Dining Tables	CC Bar	15	Each	\$6,841
Furniture_Fixtures	CHAIRS	CC Bar	56	Each	\$6,527
Furniture_Fixtures	Bar Stools	CC Bar	13	Each	\$3,294
Furniture_Fixtures	Square Dining Tables 52 In.	CC Bar	12	Each	\$3,648
Plumbing	SINKS	CC Bar	2	Each	\$4,054
Refurbishment	Ladies Restroom - Bar	CC Bar	1	Each	\$8,108
Refurbishment	Men's Restroom Refurbish	CC Bar	2	Each	\$15,404
		<b>CC Bar Total</b>			<b>\$1,594,541</b>
Appliances	Bread Warmer	CC Dining Room	1	Each	\$2,816
Cabinets/Countertops/Millwork	Millwork - Cabinets	CC Dining Room	1	Each	\$20,269
Computers/Software	Computer - Chef's Office	CC Dining Room	1	Each	\$1,014



# Annual Expenditure Summary Report

Pine Mountain Lake

Report Year: 2018

Category	Component	Location	Quantity	Measure Basis	Expenditure
Dishes/Flatware/Cookware	Flatware/Cookware	CC Dining Room	1	Each	\$5,979
Dishes/Flatware/Cookware	DISHES/FLATWARE	CC Dining Room	1	Each	\$7,601
Doors	Kitchen Doors- Swinging	CC Dining Room	1	Allowance	\$2,027
Equipment	Buffet Table Skirts	CC Dining Room	1	Allowance	\$1,768
Furniture_Fixtures	Round Dining Tables	CC Dining Room	5	Each	\$2,280
Furniture_Fixtures	Banquet Tables	CC Dining Room	15	Each	\$4,266
Furniture_Fixtures	DECK FURNITURE	CC Dining Room	1	Each	\$40,538
Furniture_Fixtures	Booth Refurbishment	CC Dining Room	3	Allowance	\$5,473
Furniture_Fixtures	Square Dining Tables 52 In.	CC Dining Room	20	Each	\$6,081
Furniture_Fixtures	Dining Room Chairs	CC Dining Room	8	Allowance	\$2,067
Furniture_Fixtures	Dining Room Chairs - 125	CC Dining Room	125	Each	\$14,568
		CC Dining Room Total			\$116,748
Appliances	Shelving- Walk-in Refrigerator	CC Kitchen	1	Each	\$2,875
Appliances	Undercounter Refrig. & Related Equip.	CC Kitchen	1	Each	\$73,413
Appliances	Broiler- Radiant-Rankin 30"	CC Kitchen	1	Each	\$3,243
Appliances	Cabinet - Heated	CC Kitchen	1	Each	\$4,560
Appliances	REFRIGERATOR - 2 DOOR	CC Kitchen	1	Each	\$5,574
Appliances	Prep Range- Gas- 6 Burner	CC Kitchen	1	Each	\$4,510
Appliances	Walk In Freezer Compressor 6x9	CC Kitchen	1	Allowance	\$2,534
Appliances	Ice Maker	CC Kitchen	1	Each	\$2,422
Appliances	OVEN- CONVECTION	CC Kitchen	1	Each	\$13,377
Appliances	Dish-Pit Tables	CC Kitchen	1	Allowance	\$6,081
Appliances	Fryer- Gas	CC Kitchen	1	Each	\$1,824
Appliances	Glass Door Refrigerator	CC Kitchen	1	Each	\$1,378
Appliances	Griddle- Gas	CC Kitchen	1	Each	\$2,074
Appliances	Fry-Heat Lamp	CC Kitchen	1	Each	\$1,267
Appliances	Heat Lamp	CC Kitchen	3	Each	\$3,800
Appliances	Walk-In Refrigerator B93-851 6' x 9'	CC Kitchen	1	Allowance	\$8,766
Appliances	Shelving- Freezer Shelves-Kitchen	CC Kitchen	1	Allowance	\$2,939
Appliances	Range- Gas- 8 Burner	CC Kitchen	1	Each	\$4,510
Appliances	Air Curtain at Prep Area Door - Dayton	CC Kitchen	1	Allowance	\$1,049
Appliances	30 Quart Floor Model Hobart Mixer	CC Kitchen	1	Each	\$4,377
Equipment	Walk In Refrig.Compressors	CC Kitchen	2	Allowance	\$12,972
Fire Equipment	Ansul Fire System at Kitchen	CC Kitchen	1	Allowance	\$4,054
Fire Equipment	Ansul Fire System at Prep Area	CC Kitchen	1	Allowance	\$2,534
Flooring	Flooring Walk-In Small Refrig	CC Kitchen	1	Allowance	\$2,534

# Annual Expenditure Summary Report

Pine Mountain Lake

Report Year: 2018

Category	Component	Location	Quantity	Measure Basis	Expenditure
Furniture Fixtures	SHELVING	CC Kitchen	1	Each	\$2,544
HVAC	Evaporative Cooler-Club	CC Kitchen	1	Each	\$1,313
Kitchen Equipment	Prep Tables	CC Kitchen	2	Each	\$5,067
Kitchen Equipment	Prep Tables 2 Compartment Sink	CC Kitchen	1	Allowance	\$1,013
		<b>CC Kitchen Total</b>			<b>\$182,604</b>
Decking	Upper Concrete Deck w/Membrane and Topping	Country Club Building	2500	Sq. Ft.	\$25,282
Doors	Doors- CC Bldg FRONT DOORS	Country Club Building	1	Each	\$14,391
Doors	Door-Kitchen	Country Club Building	1	Each	\$3,036
Electrical	Electrical R/R	Country Club Building	1	Allowance	\$5,645
Electronics	Sound System including deck speakers	Country Club Building	1	Each	\$12,840
Exterior Surfaces	FRONT ENTRY WALL EXTERIOR-CC BLDG	Country Club Building	1	Each	\$15,202
Fencing/Railing/Gates	Deck Railings	Country Club Building	223		\$11,300
Fire Equipment	Fire Alarm System Equipment-Club	Country Club Building	1	Allowance	\$7,695
Flooring	Kitchen Flooring Replacement	Country Club Building	1	Allowance	\$20,269
Flooring	FRONT ENTRY FLOOR EXTERIOR-CC BLDG	Country Club Building	1	Each	\$15,202
Flooring	Carpet Floor- Club/Bar	Country Club Building	962	Sq. Yd.	\$24,373
Flooring	Restroom Interior	Country Club Building	2	Each	\$26,350
Furniture Fixtures	Operable Partition - Club & Bar (Sound Walls)	Country Club Building	1	each	\$34,964
Operations	Lighting - Restaurant - R/R	Country Club Building	1	Allowance	\$10,134
Operations	Can Lights-Upper Deck	Country Club Building	19	Each	\$3,472
Plumbing	Plumbing R/R	Country Club Building	1	Allowance	\$5,643
Signage	Sign- Country Club Building	Country Club Building	1	Each	\$3,521
Signage	Sign- CEDAR SIGN	Country Club Building	1	Each	\$5,817
Structural	Stairs, Entry Wall and Cover @ Grill Entrance	Country Club Building	1	Contract	\$121,909
		<b>Country Club Building Total</b>			<b>\$367,043</b>
Doors	Metal Roll-Up Doors-Horse Barn	Equestrian	2	Each	\$2,940
Misc. Component	EZ Up Tent	Equestrian	1	Each	\$1,012
Pumps/Motors	Well Irrigation Pump-1 1/2 HP-Pump House no.1	Equestrian	1	Allowance	\$2,025
Sand Replacement	Sand for Paddocks	Equestrian	1	Allowance	\$2,834
		<b>Equestrian Total</b>			<b>\$8,811</b>
Asphalt	Roads Refurbishment Pgm -Shoulders and Ditches	Facilities Maintenance	1	Allowance	\$41,248
Asphalt	Parking Lot - Maintenance Facility	Facilities Maintenance	1	Lot	\$79,183
Asphalt	Roads Refurbishment- Bi-Annual	Facilities Maintenance	1	Contract	\$1,114,787
Computers/Software	Computer for Maint Secretary	Facilities Maintenance	1	Each	\$1,015
Equipment	Auger Assembly for Case Backhoe	Facilities Maintenance	1	Each	\$4,958
Equipment	Entry Gates	Facilities Maintenance	1	Allowance	\$12,654



# Annual Expenditure Summary Report

Pine Mountain Lake

Report Year: 2018

Category	Component	Location	Quantity	Measure Basis	Expenditure
Exterior Surfaces	Metal Siding-Pole Barn no.7	Facilities Maintenance	1	Contract	\$9,428
Exterior Surfaces	Metal Siding-Pole Barn no.5	Facilities Maintenance	1104	Sq. Ft.	\$9,186
Exterior Surfaces	Metal Siding-Pole Barn no.4	Facilities Maintenance	1	Contract	\$11,119
Exterior Surfaces	Metal Siding-Main Bldg	Facilities Maintenance	1	Contract	\$35,052
Gates	Gates- Entry Maintenance Allowance	Facilities Maintenance	1	Allowance	\$25,398
Heavy Equipment	Hydraulic Breaker for Case Backhoe	Facilities Maintenance	1	Each	\$17,935
Roofing Component	Metal Roof-Pole Barn no.5	Facilities Maintenance	468	Sq. Ft.	\$4,832
Vehicles	2001 Ford Ranger	Facilities Maintenance	1	Each	\$41,732
		<b>Facilities Maintenance Total</b>			<b>\$1,408,525</b>
Furniture Fixtures Exterior	Playground Equipment	Fisherman ft.s Cove	1	Each	\$61,033
		<b>Fisherman ft.s Cove Total</b>			<b>\$61,033</b>
Asphalt	Cart Path Repair Allowance	Golf Course	1	Each	\$14,695
Equipment	Golf Mechanic Equipment Lift	Golf Course	1	Each	\$7,086
Golf Course Component	Mower- Fairway- John Deere no.45	Golf Course	1	Each	\$66,806
Golf Course Component	Mower - Towable Rough	Golf Course	1	Each	\$25,666
Golf Course Component	Sprayer - Smithco	Golf Course	1	Each	\$33,319
Golf Course Component	Kawasaki Mule Utility Vehicle	Golf Course	1	Each	\$10,109
Golf Course Component	Irrigation Allowance	Golf Course	1	Allowance	\$12,071
Golf Course Component	Safety Netting no.10 F- no.11 T- Snk	Golf Course	1	Allowance	\$28,344
Pumps/Motors	Pump Controls	Golf Course	1	Allowance	\$40,492
		<b>Golf Course Total</b>			<b>\$238,588</b>
Computers/Software	Computer Server	Golf Pro Shop	1	Each	\$11,554
Equipment	Bag Storage	Golf Pro Shop	1	Each	\$14,207
Equipment	Cardiac Monitor	Golf Pro Shop	1	Each	\$1,324
Exterior Surfaces	Driving Range Mat 4x4 Qty 13	Golf Pro Shop	13	Each	\$6,125
Golf Course Component	BALL DISPENSER- TEE KING	Golf Pro Shop	1	Each	\$5,016
		<b>Golf Pro Shop Total</b>			<b>\$38,226</b>
Dam Components	Cylinder/Bolt Repair	Lake and Dam	1	Allowance	\$129,574
Dam Components	Spillway-Repair Concrete	Lake and Dam	1	Allowance	\$5,061
Lake Components	Silt Containment	Lake and Dam	1	Allowance	\$15,184
		<b>Lake and Dam Total</b>			<b>\$149,820</b>
Asphalt	Parking Lot - Lake Lodge	Lake Lodge	1	Lot	\$32,179
Lake Components	Swimming Platform	Lake Lodge	1	Each	\$3,860
Lake Components	Buoy Cable/Buoys/Cable	Lake Lodge	1	Allowance	\$13,160
		<b>Lake Lodge Total</b>			<b>\$49,199</b>

## Annual Expenditure Summary Report

Pine Mountain Lake

**Report Year: 2018**

Category	Component	Location	Quantity	Measure Basis	Expenditure
Boats/Equipment	Boats- 12 ft. Klamath with 4 HP Engines Qty 4	Marina	4	Each	\$22,215
Boats/Equipment	Double Kayaks	Marina	8	Each	\$8,118
Boats/Equipment	Pedal Boats	Marina	4	Each	\$47,397
		<b>Marina Total</b>			<b>\$77,730</b>
Vehicles	2012 Chevrolet Colorado 4x4	Safety & Main Entrance	1	Each	\$35,470
		<b>Safety &amp; Main Entrance Total</b>			<b>\$35,470</b>
Operations	Street Signs	Site/Postal Units	283	Each	\$54,597
Operations	Signs-Traffic Directions	Site/Postal Units	378	Each	\$21,046
		<b>Site/Postal Units Total</b>			<b>\$75,643</b>
Exterior Surfaces	Pool Deck- Complete Resurface	Swim Center	5448	Sq. Ft.	\$50,611
Misc. Component	Bathroom Partitions	Swim Center	1	Allowance	\$3,037
		<b>Swim Center Total</b>			<b>\$53,648</b>
Asphalt	Parking Lot - Tennis Courts 1-4	Tennis Courts	1	Lot	\$30,272
Fencing/Railing/Gates	Chain Link Division Fence 6 ft. High RC3and4	Tennis Courts	120		\$6,074
Flooring	Vinyl Flooring-Restrooms	Tennis Courts	561	Sq. Ft.	\$2,581
Furniture Fixtures Exterior	BLEACHERS	Tennis Courts	1	Each	\$1,211
Operations	Chain Link Gates RC3and4	Tennis Courts	2	Each	\$1,012
Structural	Shade/Canopy System	Tennis Courts	1	Each	\$8,795
		<b>Tennis Courts Total</b>			<b>\$49,945</b>
Windows	Windows R/R	Various Locations	1	Allowance	\$12,161
		<b>Various Locations Total</b>			<b>\$12,161</b>
		<b>Grand Total</b>			<b>\$4,644,551</b>

# What is the impact on the assessment?

## ▶ True or False:

- Reserve Funding directly impacts the amount of your annual assessment
- True. Reserve funding becomes part of the annual assessment due from all property owners.

## ▶ True or False:

- Reserve Spending directly impacts the amount of your annual assessment
- False – While there is an indirect impact, the level of Reserve Spending does not have a direct impact on the amount of the annual assessment

# Arguments Against Higher Reserve Balances

- ▶ “Why should I pay for something in the future that I probably won’t use?”
  - Reserve funds actually pay for the current usage that is received and must be replaced in the future.
- ▶ “If we build up a large Reserve fund a future Board might decide to use it for a pet project or something outside of the Reserve.”
  - Current and future Boards have a fiduciary responsibility to maintain the proper level of Reserves in order to insure that the major repairs and replacements are paid for.

# Arguments Against Higher Reserve Balances

- ▶ “The Reserve study is flawed and does not really reflect the required future costs to repair or replace the major components of the Association.”
  - While it is true that the study contains a degree of variability it does provide a basis for funding future needs. Some items will cost less and others will cost more. In addition the timing of these expenses is always subject to change depending on the condition and usage of the asset. It is far better to have the funds available then to require a Special Assessment or inter-fund borrowing.

# Arguments Against Higher Reserve Balances

- ▶ “The projected value of the Reserve fund in 20 or 30 years is way to high. How can we justify that much money being set aside.”
  - As with any long term projection the future balance of the Reserve fund is subject to constant change as conditions change and requirements vary. In addition with PMLA now over 40 years old the level of required funding to maintain our infrastructure will only increase as the facilities continue to age.



# Comments / Questions

