



## **NEPENTHE ASSOCIATION (PRIVATE STREET RESERVE)**

### **RESERVE STUDY**

*Update w/ Site Visit Review*



Final

Published - November 20, 2009

Prepared for the 2010 Fiscal Year

### **BROWNING RESERVE GROUP**

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*Final*

# ***NEPENTHE ASSOCIATION (PRIVATE STREET***

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# ***NEPENTHE ASSOCIATION (PRIVATE STREET)***

## **Homeowner Distribution Materials**

*The following Reserve Study sections should be provided to each Homeowner.*

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## Reserve Study

*Update w/ Site Visit Review*  
*Prepared for the 2010 Fiscal Year*

### Nepenthe Association (Private Street Reserve)

A Reserve Study was conducted of Nepenthe Association (Private Street Reserve) (the "**Association**"). An **Update With Site-Visit Review** is a reserve study update in which the following tasks are performed:

- development of a reserve component inventory (verification only, not quantification);
- condition assessment based upon on-site visual observation;
- life and valuation estimates;
- fund status;
- and a funding plan.

Nepenthe Association (Private Street Reserve) is a Planned Development with a total of 284 Lots.

#### Physical Inspection

Browning Reserve Group ("**BRG**") conducted a physical inspection of the Association. The inspection encompassed those major components that the Association is required to maintain. For this study components are determined to be major components if:

1. As of the date of the study, they have a remaining useful life of less than 30 years, and a value greater than \$1,000.
2. Such additional components, if any, determined by the Board of Directors.

During the inspection, BRG utilized the services of our own construction cost estimator. In addition, independent contractors were retained to render opinions on selected components as indicated in Section VI, Included Component Listing.

Supplemental information to the physical inspection may have been obtained from the following sources:

1. Project plans where available.
2. Maintenance records of the reserve components where available.
3. Association board members, management and staff.

#### Summary of Reserves

For the first year of the Reserve Study, the reserve contribution is based upon the existing budget unless otherwise noted in "*Section III, Reserve Funding Plan.*" In addition BRG relied on the Association to provide an accurate Beginning Reserve Balance.

**The status of the Association's reserves, as reflected in the following Reserve Study, is as follows:**

1. **The Expenditure Forecast of the following Reserve Study identifies the major components which the Association is obligated to repair, replace, restore or maintain, as determined in accordance with the criteria specified above, and specifies for each such component:**
  - a. **Its current estimated replacement cost;**
  - b. **Its estimated useful life; and**
  - c. **Its estimated remaining useful life.**
2. **It is estimated that the total cash reserves necessary to repair, replace, restore or maintain such major components (in the aggregate) during and at the end of their first remaining useful life is \$217,500.**
  - **[For purposes of this calculation, "necessary" is defined as the Fully Funded Balance (FFB) (Component Current Cost X Effective Age / Useful Life, including a provision for interest and inflation in future years.)]**
3. **The current amount of accumulated cash reserves actually set aside to repair, replace, restore, or maintain such major components as of the fiscal year ending December 31, 2010 is estimated to be \$43,421, constituting 20.0% of the total expenditures anticipated for all such major components through their first end of useful life replacement.**
4. **Based upon the schedule of annual reserve contributions necessary to defray the cost of repairing, replacing, restoring or maintaining such major components in the years such expenditures are estimated to be required, it is estimated that annual reserve contributions in the initial amount of \$11,411 [*\$3.35 per Lot per month (average)*] for the fiscal year ending December 31, 2010 (the first full fiscal year following first distribution of this report) will be necessary in order to meet all such reserve expenditures when they are projected to come due.**

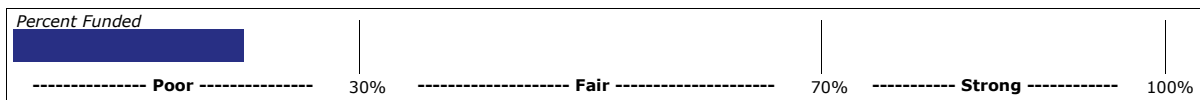
**Funding Assessment**

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

**Percent Funded Status**

Based on paragraphs 1 - 3 above, the Association is 20.0% funded. The following scale can be used as a measure to determine the association's financial picture whereas the lower the percentage, the higher the likelihood of the Association requiring a special assessment, or other large increases to the reserve contribution in the future.



## Methodology

The above recommended reserve contribution for the next fiscal year (and future fiscal years as outlined in *Section III, Reserve Fund Balance Forecast*) was developed using the cash flow method. This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

## Funding Goals

The funding goal employed for Nepenthe Association (Private Street Reserve) is

**Threshold Funding:** Establishing a Reserve funding goal of keeping the Reserve balance above a specified dollar or Percent Funded amount. Depending on the threshold, this may be more or less conservative than "Fully Funding."

## Limitations

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. The Reserve Study is not an engineering report. The costs outlined in the study are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report. It should be noted no destructive testing was performed.

## Statutory Disclosures

### Compliance

The Reserve Study was conducted pursuant to *Sections 1365 and 1365.5(d)* of the California Civil Code.

### Open Meeting

California *Civil Code Section 1365.5* says (in part):

The (Reserve Funding) plan shall be adopted by the board of directors at an open meeting before the membership of the association as described in *Section 1363.05*. If the board of directors determines that an assessment increase is necessary to fund the reserve funding plan, any increase shall be approved in a separate action of the board that is consistent with the procedure described in *Section 1366*.

## Supplemental Disclosures

### General:

BRG has no other involvement(s) with the Association which could result in actual or perceived conflicts of interest.

### Personnel Credentials:

BRG is a licensed general building contractor in California and the owner, Robert W. Browning, holds the Reserve Specialist designation from the Community Associations Institute.

**Completeness:**

BRG has found no material issues which, if not disclosed, would cause a distortion of the Association's situation.

**Reliance on Client Data:**

Information provided by the official representative of the Association regarding financial, physical, quantity, or historical issues will be deemed reliable by BRG.

**Scope:**

This Reserve Study is a reflection of information provided to BRG and assembled for the Association's use, not for the purpose of performing an audit, quality/forensic analysis, health and safety inspection, or background checks of historical records.

**Reserve Balance:**

The actual beginning reserve fund balance in this Reserve Study is based upon information provided and was not audited.

**Reserve Projects:**

Information provided about reserve projects will be considered reliable. Any on-site inspection should not be considered a project audit, quality inspection, or health and safety review.

**Component Quantities:**

The Association warrants the previously developed component quantities are accurate and reliable.



*Browning Reserve Group*



# Nepenthe Association (Private Street Reserve)

## Section II

Final

### 30 Year Expense Forecast - Detailed

Prepared for the 2010 Fiscal Year

Reserve Component	Current		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	Replacement Cost	Life Useful / Remaining															
<b>01000 - Paving</b>																	
100 - Asphalt: Sealing {64,975 Sq. Ft. Elmhurst}	9,097	5 3				9,796					11,083						12,540
102 - Asphalt: Sealing {71,000 Sq. Ft. Dunbarton}	9,940	5 3				10,704					12,111						13,702
200 - Asphalt: Repairs: On-going {Elmhurst On-going}	10,875	5 8									13,250						14,992
202 - Asphalt: Repairs: On-going {71,000 Sq. Ft. Dunbarton (5%)}	11,884	5 8									14,479						16,382
210 - Asphalt: Repairs: On-going {135,975 Sq. Ft. Yearly until OL is compl. (0.0%)}[se:2]	0	20 1															
310 - Asphalt: Overlay: Petromat {64,975 Sq. Ft. Elmhurst Circle- Deferred '09 1 Yr}	100,711	25 2			105,810												
320 - Asphalt: Overlay: Petromat {71,000 Sq. Ft. Dunbarton Circle}	110,050	25 3				118,512											
900 - Asphalt: Repairs: Major {2009 Work by JP Paving}[nr:1]	31,295	1 0	31,295														
<b>Total 01000 - Paving</b>	<b>283,852</b>		<b>31,295</b>	<b>105,810</b>	<b>139,012</b>						<b>50,924</b>					<b>57,615</b>	
<b>Total Expenditures Inflated @ 2.50%</b>			<b>31,295</b>	<b>0</b>	<b>105,810</b>	<b>139,012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50,924</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57,615</b>	<b>0</b>
<b>Total Current Replacement Cost</b>	<b>283,852</b>																

## 30 Year Expense Forecast - Detailed

Final

Prepared for the 2010 Fiscal Year

Reserve Component	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>01000 - Paving</b>															
100 - Asphalt: Sealing {64,975 Sq. Ft. Elmhurst}				14,187					16,052						18,161
102 - Asphalt: Sealing {71,000 Sq. Ft. Dunbarton}				15,503					17,540						19,845
200 - Asphalt: Repairs: On-going {Elmhurst On-going}				16,962					19,190						21,712
202 - Asphalt: Repairs: On-going {71,000 Sq. Ft. Dunbarton (5%)}				18,534					20,970						23,726
210 - Asphalt: Repairs: On-going {135,975 Sq. Ft. Yearly until OL is compl. (0.0%)}[se:2]															
310 - Asphalt: Overlay: Petromat {64,975 Sq. Ft. Elmhurst Circle- Deferred '09 1 Yr}													196,165		
320 - Asphalt: Overlay: Petromat {71,000 Sq. Ft. Dunbarton Circle}														219,714	
900 - Asphalt: Repairs: Major {2009 Work by JP Paving}[nr:1]															
<b>Total 01000 - Paving</b>				65,186					73,752				196,165	303,158	
<b>Total Expenditures Inflated @ 2.50%</b>	0	0	0	65,186	0	0	0	0	73,752	0	0	0	196,165	303,158	0



# Nepenthe Association (Private Street Reserve)

## Section III

Final

### 30 Year Reserve Funding Plan

Cash Flow Method

Prepared for the 2010 Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Beginning Balance</b>	19,596	31,090	43,421 <sup>1</sup>	180,027	56,517	71,305	87,132	104,057	122,143	89,895
<b>Inflated Expenditures @ 2.5%</b>	31,295	0	105,810	139,012	0	0	0	0	50,924	0
<b>Reserve Contribution</b>	10,868	11,411	11,982	12,581	13,210	13,871	14,565	15,293	16,058	16,861
<i>Lots/month @ 284</i>	3.19	3.35	3.52	3.69	3.88	4.07	4.27	4.49	4.71	4.95
<i>Percentage Increase</i>		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	31,295	0	227,676	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	626	920	2,759	2,920	1,578	1,956	2,360	2,793	2,618	2,458
<b>Ending Balance</b>	31,090	43,421	180,027	56,517	71,305	87,132	104,057	122,143	89,895	109,214

1) This is a contribution from the General Reserve Fund in 2009 and 2011. Due to the negative ending balance in 2010, the Elmhurst Overlay project as recommended by BRG in the first draft is being deferred by BRG because of work done by association in 2009.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Beginning Balance</b>	109,214	129,870	151,938	175,498	142,300	167,646	194,715	223,604	254,416	221,260
<b>Inflated Expenditures @ 2.5%</b>	0	0	0	57,615	0	0	0	0	65,186	0
<b>Reserve Contribution</b>	17,704	18,589	19,518	20,494	21,519	22,595	23,725	24,911	26,157	27,465
<i>Lots/month @ 284</i>	5.19	5.45	5.73	6.01	6.31	6.63	6.96	7.31	7.68	8.06
<i>Percentage Increase</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	2,952	3,479	4,042	3,923	3,827	4,474	5,164	5,901	5,873	5,875
<b>Ending Balance</b>	129,870	151,938	175,498	142,300	167,646	194,715	223,604	254,416	221,260	254,599

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>Beginning Balance</b>	254,599	290,163	328,075	368,469	336,807	380,719	427,503	477,319	331,720	76,205
<b>Inflated Expenditures @ 2.5%</b>	0	0	0	73,752	0	0	0	196,165	303,158	0
<b>Reserve Contribution</b>	28,838	30,280	31,794	33,384	35,053	36,806	38,646	40,578	42,607	44,737
<i>Lots/month @ 284</i>	8.46	8.88	9.33	9.80	10.29	10.80	11.34	11.91	12.50	13.13
<i>Percentage Increase</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	6,725	7,633	8,599	8,707	8,858	9,978	11,171	9,988	5,036	2,464
<b>Ending Balance</b>	290,163	328,075	368,469	336,807	380,719	427,503	477,319	331,720	76,205	123,406



# Nepenthe Association (Private Street Reserve)

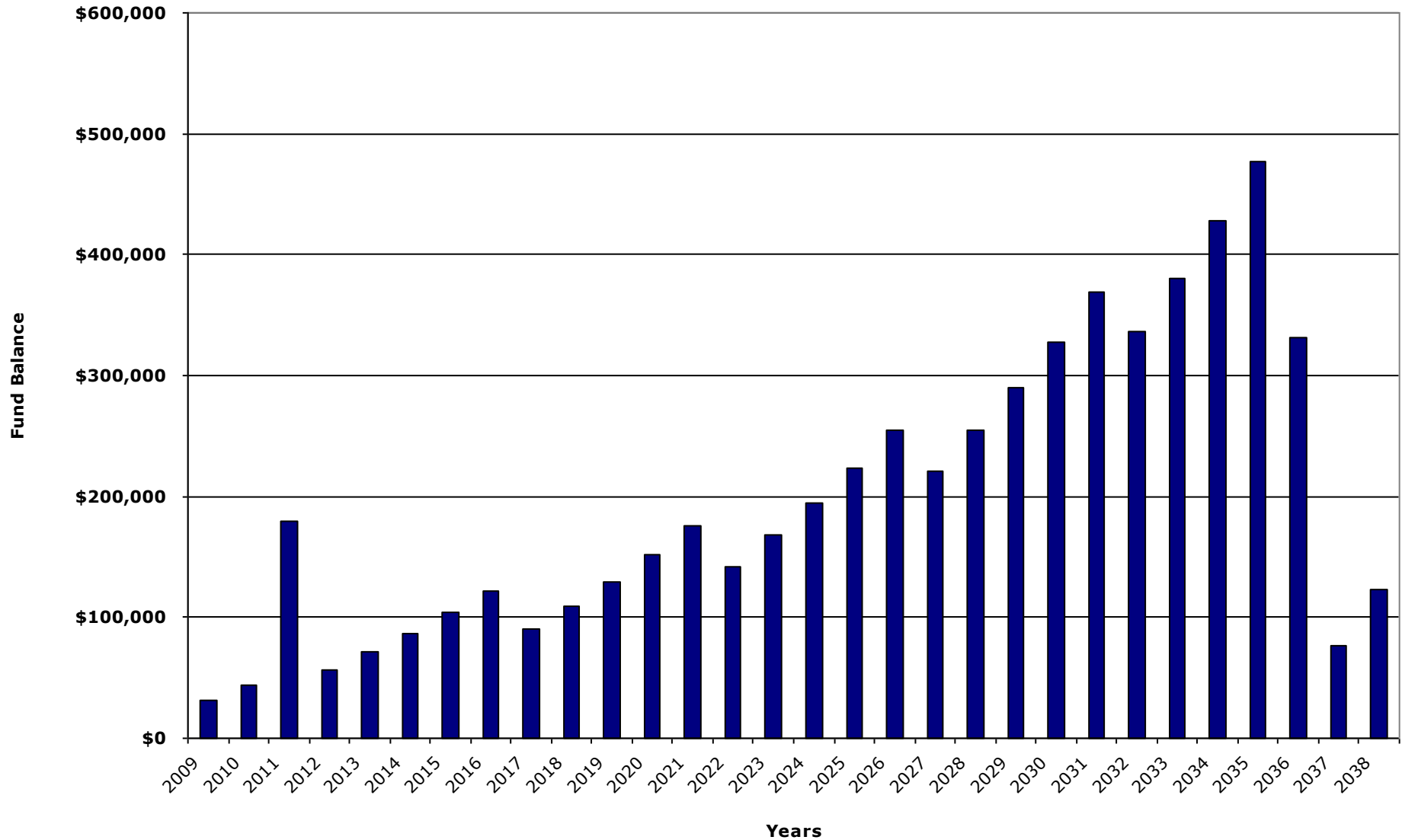
**Section III-a**

*Final*

## **30 Year Reserve Funding Plan**

*Cash Flow Method - Ending Balances*

*Prepared for the 2010 Fiscal Year*





# Nepenthe Association (Private Street Reserve)

## Section IV

### 30 Year Reserve Funding Plan Including Fully Funded Balance and % Funded

Final

Prepared for the 2010 Fiscal Year

Year	Beginning Balance	Fully Funded Balance	Percent Funded	Inflated Expenditures @ 2.50%	Reserve Contribution	Special Assessments & Other Contributions	Interest	Ending Balance
2009	19,596	230,937	13.5%	31,295	10,868	31,295	626	31,090
2010	31,090	217,500	20.0%	0	11,411	0	920	43,421
2011	43,421	236,222	76.2%	105,810	11,982	227,676	2,759	180,027
2012	180,027	147,435	38.3%	139,012	12,581	0	2,920	56,517
2013	56,517	22,979	310.3%	0	13,210	0	1,578	71,305
2014	71,305	42,549	204.8%	0	13,871	0	1,956	87,132
2015	87,132	63,084	165.0%	0	14,565	0	2,360	104,057
2016	104,057	84,618	144.3%	0	15,293	0	2,793	122,143
2017	122,143	107,190	83.9%	50,924	16,058	0	2,618	89,895
2018	89,895	78,641	138.9%	0	16,861	0	2,458	109,214
2019	109,214	102,099	127.2%	0	17,704	0	2,952	129,870
2020	129,870	126,681	119.9%	0	18,589	0	3,479	151,938
2021	151,938	152,428	115.1%	0	19,518	0	4,042	175,498
2022	175,498	179,383	79.3%	57,615	20,494	0	3,923	142,300
2023	142,300	148,535	112.9%	0	21,519	0	3,827	167,646
2024	167,646	176,565	110.3%	0	22,595	0	4,474	194,715
2025	194,715	205,903	108.6%	0	23,725	0	5,164	223,604
2026	223,604	236,598	107.5%	0	24,911	0	5,901	254,416
2027	254,416	268,699	82.3%	65,186	26,157	0	5,873	221,260
2028	221,260	235,441	108.1%	0	27,465	0	5,875	254,599
2029	254,599	268,838	107.9%	0	28,838	0	6,725	290,163
2030	290,163	303,759	108.0%	0	30,280	0	7,633	328,075
2031	328,075	340,257	108.3%	0	31,794	0	8,599	368,469
2032	368,469	378,390	89.0%	73,752	33,384	0	8,707	336,807
2033	336,807	342,621	111.1%	0	35,053	0	8,858	380,719
2034	380,719	382,314	111.8%	0	36,806	0	9,978	427,503
2035	427,503	423,777	112.6%	0	38,646	0	11,171	477,319
2036	477,319	467,074	71.0%	196,165	40,578	0	9,988	331,720
2037	331,720	311,201	24.5%	303,158	42,607	0	5,036	76,205
2038	76,205	42,602	289.7%	0	44,737	0	2,464	123,406



# Nepenthe Association (Private Street Reserve)

## Section V

Final

Prepared for the 2010 Fiscal Year

### Reserve Fund Balance Forecast Component Method

Reserve Component	Current Repl. Cost	Useful Life	Remaining Life	Estimated Future Replacement Costs	Per Year	2009 Fully Funded Balance	2010 Fully Funded Balance	% Per Year Straight Line	2010 Line Item Contribution based on Cash Flow Method
<b>01000 - Paving</b>									
100 - Asphalt: Sealing {64,975 Sq. Ft. Elmhurst}	9,097	5	3	9,796	1,959	3,639	5,594	4.13%	471
102 - Asphalt: Sealing {71,000 Sq. Ft. Dunbarton}	9,940	5	3	10,704	2,141	3,976	6,113	4.51%	515
200 - Asphalt: Repairs: On-going {Elmhurst On-going}	10,875	5	8	13,250	1,472	1,208	1,393	3.10%	354
202 - Asphalt: Repairs: On-going {71,000 Sq. Ft. Dunbarton (5%)}	11,884	5	8	14,479	1,609	1,320	1,523	3.39%	387
210 - Asphalt: Repairs: On-going {135,975 Sq. Ft. Yearly until OL is compl. (0.0%)}[se:2]	0	20	1	0	0	0	0	0.00%	0
310 - Asphalt: Overlay: Petromat {64,975 Sq. Ft. Elmhurst Circle-Deferred '09 1 Yr}	100,711	25	2	105,810	4,232	92,654	99,100	8.92%	1,018
320 - Asphalt: Overlay: Petromat {71,000 Sq. Ft. Dunbarton Circle}	110,050	25	3	118,512	4,740	96,844	103,777	9.99%	1,140
900 - Asphalt: Repairs: Major {2009 Work by JP Paving}[nr:1]	31,295	1	0	31,295	31,295	31,295	0	65.96%	7,526
Sub-total [01000 - Paving]	283,852			303,846	47,449	230,937	217,500	100.00%	11,411
<b>Totals</b>	<b>283,852</b>			<b>303,846</b>	<b>47,449</b>	<b>230,937</b>	<b>217,500</b>	<b>100.00%</b>	<b>11,411</b>
						[A]	[B]		
						[EndBal]	[EndBal]		
						[A]	[B]		
<b>Percent Funded</b>						<b>13.46%</b>	<b>19.96%</b>		

**Component Listing**  
*Included Components*

*Prepared for the 2010 Fiscal Year*

**01000 - Paving**

100 - Asphalt: Sealing	Useful Life 5	Remaining Life 3
64,975 Sq. Ft. Elmhurst	Quantity 64,975	Unit of Measure Square Feet
	Cost /SqFt \$0.140	
	% Included 100.00%	Total Cost/Study \$9,097
Summary	Replacement Year 2012	Future Cost \$9,796

This is to apply an asphalt emulsion product such as Reed & Grahm's Overkote. Includes preparation of asphaltic surface prior to application. According to Terry Rock of Blackrock Paving, this street has deteriorated greatly since our last inspection with him in 2006. This is to seal coat two years after the overlay is completed and this is in the same year as the 2008 study indicated. This might be a little long, however should be much less expensive if done with the Dunbarton work.



Costing provided by Blackrock Paving, Inc.

**Component Listing**  
**Included Components**

**01000 - Paving**

102 - Asphalt: Sealing	Useful Life 5	Remaining Life 3
71,000 Sq. Ft. Dunbarton	Quantity 71,000	Unit of Measure Square Feet
	Cost /SqFt \$0.140	
	% Included 100.00%	Total Cost/Study \$9,940
Summary	Replacement Year 2012	Future Cost \$10,704

This is to apply an asphalt emulsion product. Includes preparation of asphaltic surface prior to application.

As opposed to Elmhurst, this drive is still in serviceable condition and no material change from the last study in 2008.



Costing provided by Blackrock Paving, Inc.

200 - Asphalt: Repairs: On-going	Useful Life 5	Remaining Life 8
64,975 Sq. Ft. Elmhurst On-going (5%)	Quantity 64,975	Unit of Measure Square Feet
	Cost /SqFt \$3.35	Qty * \$/SqFt \$217,504
	% Included 5.00%	Total Cost/Study \$10,875
Summary	Replacement Year 2017	Future Cost \$13,250

This is for misc. repairs including crackfill, skin patching and minor dig out & fill. This matches up with the first seal cycle after the overlay is completed.

The remaining life has been reduced by 2 years since the 2008 study.



Costing provided by Blackrock Paving, Inc.

**Component Listing**  
**Included Components**

**01000 - Paving**

202 - Asphalt: Repairs: On-going	Useful Life 5	Remaining Life 8
71,000 Sq. Ft. Dunbarton (5%)	Quantity 71,000	Unit of Measure Square Feet
	Cost /SqFt \$3.35	Qty * \$/SqFt \$237,672
	% Included 5.00%	Total Cost/Study \$11,884
Summary	Replacement Year 2017	Future Cost \$14,479

This is for misc. repairs including crackfill, skin patching and minor dig out & fill.  
 No material change from the 2008 study except the R/L is now matched with the first seal cycle after the Overlay.



Costing provided by Blackrock Paving, Inc.

310 - Asphalt: Overlay: Petromat	Useful Life 25	Remaining Life 2
64,975 Sq. Ft. Elmhurst Circle- Deferred '09 1 Yr	Quantity 64,975	Unit of Measure Square Feet
	Cost /SqFt \$1.55	
	% Included 100.00%	Total Cost/Study \$100,711
Summary	Replacement Year 2011	Future Cost \$105,810

This is to apply a Petromat overlay on top of the existing asphaltic surface along with 1-1/2" of new hot asphalt.

Per note in seal component, R/L reduced by two years in 2009 per BRG & Blackrock Paving. Cost mildly increased due to utility rings needing to be raised and this is more time consuming than originally thought.

The association did major work at this location and Dunbarton in 2009. BRG recommends deferring this work that was scheduled for 2010 to 2011 based on this new work being done.



Costing provided by Blackrock Paving, Inc.

**Component Listing**  
**Included Components**

**01000 - Paving**

320 - Asphalt: Overlay: Petromat	Useful Life 25	Remaining Life 3	
71,000 Sq. Ft. Dunbarton Circle	Quantity 71,000	Unit of Measure Square Feet	
	Cost /SqFt \$1.55		
	% Included 100.00%	Total Cost/Study \$110,050	
Summary	Replacement Year 2012	Future Cost \$118,512	

This is to apply a Petromat overlay on top of the existing asphaltic surface along with 1-1/2" of new hot asphalt. No material change other than below note from 2008 study. Cost mildly increased due to utility rings needing to be raised and this is more time consuming then originally thought.



Costing provided by Blackrock Paving, Inc.

900 - Asphalt: Repairs: Major	Useful Life 1	Remaining Life 0	Treatment [nr:1]
2009 Work by JP Paving	Quantity 1	Unit of Measure Lump Sum	
	Cost /LS \$31,295		
	% Included 100.00%	Total Cost/Study \$31,295	
Summary	Replacement Year 2009	Future Cost \$31,295	

This is for major excavation, recompaction and installation of new hot asphalt to selected areas in 2009 to prolong the life of the asphalt.



# Nepenthe Association (Private Street Reserve)

## Section VII

Final

### Component Tabular Listing

#### Included Components

Prepared for the 2010 Fiscal Year

Component	Current Replacement Cost	Useful Life	Remaining Life	Quantity	Unit of Measure	Location
<b>01000 - Paving</b>						
100 - Asphalt: Sealing	\$9,097	5	3	64,975	Square Feet	Elmhurst
102 - Asphalt: Sealing	\$9,940	5	3	71,000	Square Feet	Dunbarton
200 - Asphalt: Repairs: On-going	\$10,875	5	8	64,975	Square Feet	Elmhurst On-going
202 - Asphalt: Repairs: On-going	\$11,884	5	8	71,000	Square Feet	Dunbarton
210 - Asphalt: Repairs: On-going	\$0	20	1	135,975	Square Feet	Yearly until OL is compl.
310 - Asphalt: Overlay: Petromat	\$100,711	25	2	64,975	Square Feet	Elmhurst Circle- Deferred '09 1 Yr
320 - Asphalt: Overlay: Petromat	\$110,050	25	3	71,000	Square Feet	Dunbarton Circle
900 - Asphalt: Repairs: Major	\$31,295	1	0	1	Lump Sum	2009 Work by JP Paving



BROWNING RESERVE GROUP

November 20, 2009

## Nepenthe Association (Private Street Reserve)

Final

### California Homeowner Summary

This is a summary of the Reserve Study that has been performed for Nepenthe Association (Private Street Reserve), (the "Association"). This study was done in compliance with California *Civil Code Section 1365 and 1365.5* and is being provided to you, as a member of the Association, as required under these statutes. A full copy is available (through the Association) for review by members of the Association.

The intention of the Reserve Study is to forecast the Association's ability to repair or replace major components as they wear out in future years. This is done utilizing the "Cash Flow Method." This is a method of developing a reserve funding plan where the contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund.

Browning Reserve Group prepared this Update w/ Site Visit Review for the January 1, 2010 - December 31, 2010 fiscal year.

Nepenthe Association (Private Street Reserve) is a Planned Development with a total of 284 Lots.

At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 2.5% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 2.5% per year.

The Reserve Study is not an engineering report. The costs outlined in the study are for budgetary and planning purposes only. Actual bid costs would depend upon the defined scope of work at the time repairs are made. Also, any latent defects are excluded from this report. It should be noted that no destructive testing was performed.

### Funding Assessment

Based on the 30 year cash flow projection, the Association's reserves appear adequately funded as the reserve fund ending balances remain positive throughout the replacement of all major components during the next 30 years.

California statute imposes no reserve funding level requirements nor does it address funding level adequacy, and although one or more of the reserve fund percentages expressed in this report may be less than one hundred percent, those percentages do not necessarily indicate that the Association's reserves are inadequately funded.

## California Homeowner Summary

Prepared for the 2010 Fiscal Year

Nepenthe Association (Private Street Reserve)

Reserve Component	Current Replacement Cost	Useful Life	Remaining Life	2009 Fully Funded Balance	2010 Fully Funded Balance	2010 Line Item Contribution based on Cash Flow Method
<b>01000 - Paving</b>	<b>283,852</b>	<b>1-25</b>	<b>0-8</b>	<b>230,937</b>	<b>217,500</b>	<b>11,411</b>
Totals	<u><b>\$283,852</b></u>			<u><b>\$230,937</b></u>	<u><b>\$217,500</b></u>	<u><b>\$11,411</b></u>
Estimated Ending Balance				<b>\$31,090</b>	<b>\$43,421</b>	<b>\$3.35</b>
Percent Funded				<b>13.5%</b>	<b>20.0%</b>	/Lot/month @ 284



# Nepenthe Association (Private Street Reserve)

Final

November 20, 2009

## California Assessment and Reserve Funding Disclosure For the Fiscal Year Ending 2010

(1) The current regular assessment per ownership interest is \$4.00 per month for the fiscal year beginning January 1, 2010.

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 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:

Date assessment will be due:	Amount per ownership interest per month or year (if assessments are variable, see note immediately below):	Purpose of the assessment:
N/A	\$0.00	N/A
Total:	\$0.00	

*Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on page 1 of the attached 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  No

*This disclosure has been prepared by Browning Reserve Group and has been reviewed and approved by the association's board of directors based upon the best information available to the association at the time of its preparation. The accuracy of this information over the next 30 years will be dependent upon circumstances which are impossible to predict with specificity, and will require future action to adjust assessments over the period in accordance with the current projections and future developments.*

(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 that have not yet been approved by the board or the members

Approximate date assessment will be due:	Amount per ownership interest per month or year:
N/A	N/A

(5) All major components are included in the reserve study and are included in its calculations. See next page §1365(a)(3)(A), for any major component exclusions.

(6) Based on the method of calculation in paragraph (4) of the subdivision (b) of section 1365.2.5, the estimated amount required in the reserve fund at the end of the current fiscal year is \$230,937, based in whole or in part on the last reserve study or update prepared by Browning Reserve Group as of October, 2009. The projected reserve fund cash balance at the end of the current fiscal year is \$31,090 resulting in reserves being 13.5% percent funded at this date. Civil code section 1365.2.5(b)(4) does not require the board to fund reserves in accordance with this calculation.

*An alternate and generally accepted method of calculation has been utilized to determine future reserve contribution amounts. The reserve contribution for the next fiscal year has been determined using the Cash Flow method of calculation (see section III, Reserve Fund Balance Forecast). This is a method of developing a reserve funding plan where the contributions to the reserve fund are designated to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.*

## California Assessment and Reserve Funding Disclosure For the Fiscal Year Ending 2010

(7) Based on the method of calculation in paragraph (4) of subdivision (b) of section 1365.2.5 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is presented in column (b) 'Fully Funded Balance' in the table immediately below; and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is presented in column (c) 'Reserve Ending Balance'; leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective years.

Fiscal Year (a)	Fully Funded Balance (b)	Reserve Ending Balance (c)	Percent Funded (d)
2010	\$217,500	\$43,421	20.0%
2011	\$236,222	\$180,027	76.2%
2012	\$147,435	\$56,517	38.3%
2013	\$22,979	\$71,305	310.3%
2014	\$42,549	\$87,132	204.8%

If the reserve funding plan approved by the association is implemented, the projected fund cash balance in each of those years will be the amounts presented in column (c) 'Reserve Ending Balance' in the table immediately above, leaving the reserve at percent funding as presented in column (d) 'Percent Funded' in each of the respective 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.

### Additional Disclosures

**§1365(a)(2)(D)** The current deficiency in reserve funding as of December 31, 2010 is \$613 per ownership interest (average).

*This is calculated as the current estimate of the amount of cash reserves necessary as of the end of the fiscal year for which the study is prepared, less, the amount of accumulated cash reserves actually (Projected to be) set aside to repair, replace, restore, or maintain the major components.*

Deficiency = 
$$\frac{2010 \text{ Fully Funded Balance} - 2010 \text{ Reserve Ending Balance}}{\text{Ownership Interest Quantity}}$$

**§1365(a)(3)(A)** The current board of directors of the association has not deferred or determined to not undertake repairs or replacements over the next 30 years.

Major Component:	Justificaiton for Deferral:
N/A	N/A

**§1365(a)(3)(B)** The board of directors as of the date of the study does not anticipate the levy of a special assessment for the repair, replacement, or restoration of the major components.



# Nepenthe Association (Private Street Reserve)

## Section III

Final

### 30 Year Reserve Funding Plan

Cash Flow Method

Prepared for the 2010 Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Beginning Balance</b>	19,596	31,090	43,421 <sup>1</sup>	180,027	56,517	71,305	87,132	104,057	122,143	89,895
<b>Inflated Expenditures @ 2.5%</b>	31,295	0	105,810	139,012	0	0	0	0	50,924	0
<b>Reserve Contribution</b>	10,868	11,411	11,982	12,581	13,210	13,871	14,565	15,293	16,058	16,861
<i>Lots/month @ 284</i>	3.19	3.35	3.52	3.69	3.88	4.07	4.27	4.49	4.71	4.95
<i>Percentage Increase</i>		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	31,295	0	227,676	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	626	920	2,759	2,920	1,578	1,956	2,360	2,793	2,618	2,458
<b>Ending Balance</b>	31,090	43,421	180,027	56,517	71,305	87,132	104,057	122,143	89,895	109,214

1) This is a contribution from the General Reserve Fund in 2009 and 2011. Due to the negative ending balance in 2010, the Elmhurst Overlay project as recommended by BRG in the first draft is being deferred by BRG because of work done by association in 2009.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
<b>Beginning Balance</b>	109,214	129,870	151,938	175,498	142,300	167,646	194,715	223,604	254,416	221,260
<b>Inflated Expenditures @ 2.5%</b>	0	0	0	57,615	0	0	0	0	65,186	0
<b>Reserve Contribution</b>	17,704	18,589	19,518	20,494	21,519	22,595	23,725	24,911	26,157	27,465
<i>Lots/month @ 284</i>	5.19	5.45	5.73	6.01	6.31	6.63	6.96	7.31	7.68	8.06
<i>Percentage Increase</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	2,952	3,479	4,042	3,923	3,827	4,474	5,164	5,901	5,873	5,875
<b>Ending Balance</b>	129,870	151,938	175,498	142,300	167,646	194,715	223,604	254,416	221,260	254,599

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
<b>Beginning Balance</b>	254,599	290,163	328,075	368,469	336,807	380,719	427,503	477,319	331,720	76,205
<b>Inflated Expenditures @ 2.5%</b>	0	0	0	73,752	0	0	0	196,165	303,158	0
<b>Reserve Contribution</b>	28,838	30,280	31,794	33,384	35,053	36,806	38,646	40,578	42,607	44,737
<i>Lots/month @ 284</i>	8.46	8.88	9.33	9.80	10.29	10.80	11.34	11.91	12.50	13.13
<i>Percentage Increase</i>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>Special Assessments / Other</b>	0	0	0	0	0	0	0	0	0	0
<b>Interest Pre Tax @ 2.50%</b>	6,725	7,633	8,599	8,707	8,858	9,978	11,171	9,988	5,036	2,464
<b>Ending Balance</b>	290,163	328,075	368,469	336,807	380,719	427,503	477,319	331,720	76,205	123,406