



AN EXCERPT OF THE
2017 RESERVE STUDY EXECUTIVE SUMMARY

May 25, 2017

Projected Starting Reserve Balance 1/1/2018	\$3,567,726
Projected Fully Funded Reserve Balance 1/1/2018	\$9,945,196
Percent Fully Funded	37%
2018 Reserve Contribution Based on Funding Model	\$871,127

At the request of the Anthem Country Club Community Association Board of Directors, FDReserve Studies, LLC has prepared an update of the reserve study dated October 20, 2015 for purposes of updating the pavement costs and gate operator costs and useful life.

The pavement cost and scheduling factored in the 2017 Reserve Study Update through 2030 are based on the Frank Civil Consulting pavement maintenance plan. The defined pavement maintenance and replacement activities in the plan are scheduled through the year 2030. Activities beyond 2030 are projected from the pavement maintenance plan's program of seal coating on 4 year intervals established in the plan prior to 2030. It should be noted that the pavement maintenance plan calls for removing and replacing (R&R) pavement on a 28-30 year useful life.

The Frank Civil Consulting pavement maintenance plan does not include R&R for the most recently constructed communities. Based on the 28-30 useful life, R&R for those communities would occur sometime in the years 2030 and 2045. Cost for that R&R will have significant impact future costs and on the full funding requirement.

The pavement costs included in the Frank Civil Consulting plan are based on 2016 costs. The future costs included in this study incorporate an inflation factor of 3%.

The consultant has no other involvement with the association that could be considered a conflict of interest. To our knowledge, there are no material issues which have not been disclosed that would cause a distortion of the association's reserve fund.

Important Information

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

While relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older, find many components reaching the end of their effective useful lives.

When a major repair or replacement is required in a community, an association must have funds available to address the expenditure.

The only logical means that the Board of Directors has to ensure its ability to maintain the assets for which it is obligated, is by **assessing an adequate level of reserves** as part of the regular membership assessment, thereby distributing the cost of the replacements uniformly over the entire membership.

The community is not only comprised of present members, but also future members. Any decision by the Board of Directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits, would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

Your Reserve Study Report is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your reserve study serves a variety of useful purposes:

- **Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.**
- **A reserve analysis study is required by your accountant during the preparation of the association's annual audit.**
- The reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.

- Your Report is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- **Your Report is a tool that can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated.**
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and that each estimated useful life will approximate that of the norm per industry standards and/or manufacturer's specifications. In some cases, estimates may have been used on assets, which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated on an annual basis due to fluctuating interest rates, inflationary changes, and the unpredictable nature of the lives of many of the assets under consideration.

This reserve analysis is prepared under the supervision of William A. Schlimgen PE, a registered professional engineer in Arizona with more than 10 years of experience in preparation of reserve studies and more than 40 years of engineering management, design, inspection and construction management experience.