

Sunrise Canyon Reserve Funding Strategy Summary

May 8, 2022

Sunrise Canyon HOA contracted with Reserve Data Analysis to perform a baseline reserve study for the community at the first of the year. RDA conducted a site inspection in February, we received their report March 4th. The report itemizes the HOAs 46 unique common property assets with their life expectancy and anticipated repair or replacement cost over the next thirty years. Our current capital reserve fund balance is approximately \$82,000. The HOA has 58 units.

The following spreadsheet lists Sunrise Canyon HOAs 46 unique common property assets with their life expectancy and anticipated repair or replacement cost as detailed in the reserve analysis. As reserve funds are typically placed in conservative investments, this spreadsheet conservatively neglects to consider investment income. Items highlighted in light orange have been deleted from the RDA projection at the Board's discretion. Those items include:

- Deleted concrete repairs in 2025 – Existing concrete is in good shape, next cycle for repairs left in 2028.
- Deleted asphalt repairs in 2031 – Kept funding for repairs in 2027 incase isolated areas require repair soon after replacement. Next repair cycle in 2035.
- Deleted cabana painting in 2029 – Anticipating painting every 10 years rather than every 5 years.
- Deleted 2031 wrought iron and chain link fence replacement.
- Deleted neighborhood entrance lighting in 2023.
- Deleted spa tile replacement in 2025.
- Deleted 2025 replacement of cabana bathroom cabinets, tile, partition and plumbing fixtures.
- Deleted 2029 tennis court windscreen replacement.
- Deleted 2030 traffic sign replacement.
- Deleted 2022 territory landscaping and tree maintenance.

Street replacement is by far our largest single expenditure anticipated to occur every twenty-five years. Our streets require replacement having well exceeded their life expectancy serving the community for thirty-six years. The replacement of all our asphalt pavement in 2023 is anticipated to cost \$200,000. But as you can also see in the RDA report the other 45 assets do require approximately \$920,000 of funding for repair/replacement over the next twenty-five years.

The Board is looking to fund our immediate reserve fund shortfall for the street replacement and to provide for a threshold reserve fund balance of roughly \$40,000 increasing to \$70,000 at the end of the attached ten-year projection.

The Board has proposed four sources of funding for the reserve:

1. To address our immediate street replacement funding needs, implement a special assessment of \$2,200 per household.
2. Continue funding the reserve with annual contributions from the annual operating budget (funded by annual HOA dues).
3. Implement a capital improvement transfer fee of 1 percent. This fee would be assessed whenever a unit is sold. Payment of the fee would be negotiated by the buyer and seller as part of their closing costs. The HOA has averaged four unit sales per year over the last twenty years. The model assumes four \$500k unit sales per year.
4. Implement a buyer Transfer fee of \$400 on all home sales.

Additionally, the Board will raise annual dues by \$200 per year beginning July 1st of this year with the anticipation of a 3% annual increase of dues thereafter. Bi-annual dues payments will increase from \$650 to \$750.

Future Boards can adjust the annual dues contributions and the Capital Improvement fee percentage to manage the reserve balance as they periodically refresh the reserve analysis. The Board is recommending a refreshment of the reserve analysis in four years to make any necessary adjustments to estimated costs or asset life spans. This funding scenario provides for an infusion of cash to meet our immediate needs and flexible management of future annual contributions to give us a good probability of reserve funding success.

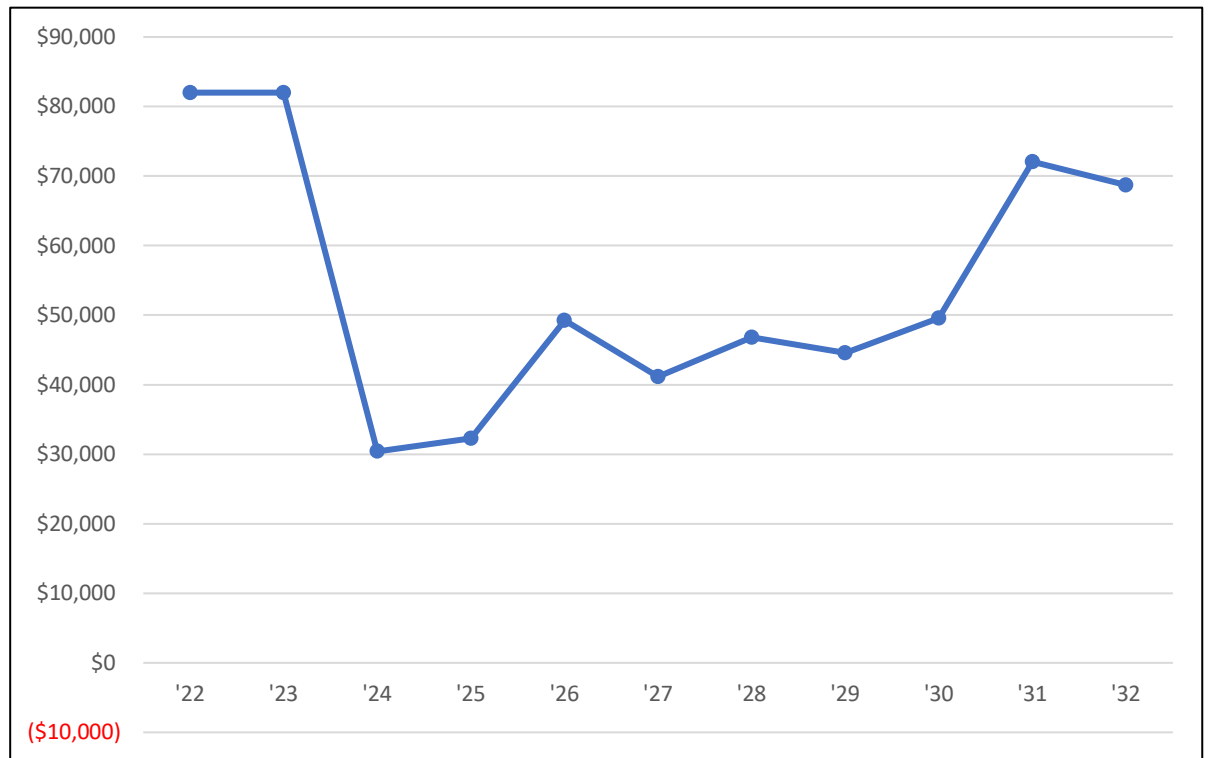
Sunrise Canyon Reserve Projection

Three Source Funding

Fall 2022 Assessment per Unit: \$2,200
 Capital Improvement Transfer Fee of 1%
 Annual Dues Contribution to the Reserve Fund

Threshold Reserve Balance Target \$40k

Increasing toward \$70k threshold toward end of the 10 Year forecast



	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32
BEGINNING RESERVE BALANCE	82,000	82,000	30,400	32,262	49,220	41,178	46,809	44,590	49,568	72,033	68,701
Special Assessment	0	127,600	0	0	0	0	0	0	0	0	0
Annual Dues Contribution to Reserve	0	10,000	10,000	10,000	10,000	15,000	15,000	15,000	15,000	15,000	15,000
Capital Improvement Fee (1%/unit)	0	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Transfer Fee (\$400/unit)	0	800	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Expenditures (detailed below)	0	200,000	29,738	14,643	39,641	30,969	38,819	31,622	14,135	39,932	27,047
ENDING RESERVE BALANCE	82,000	30,400	32,262	49,220	41,178	46,809	44,590	49,568	72,033	68,701	78,254

EXPENDITURE DETAIL

Description	Asset ID	Placed in Service	Useful Life	Adjust +/-	Remain Life	'22	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32
Concrete - Repairs	1050	1/2018	5	0	1			5,150			5,970					
Streets - Asphalt Overlay	1001	2/1986	24	13	1										17,711	
Streets - Asphalt Repairs	1002	6/2019	4	0	1					15,737						
Streets - Asphalt Replace	1013	2/1986	30	7	1	200,000										
Streets - Asphalt Slurry Sealing	1003	6/2019	4	0	1		18,140				20,417					22,979
Roofs - Cabana, Flat	1026	2/2010	18	0	6						3,216					
Roofs - Cabana, Tile	1025	2/1986	50	0	14											
Roofs - Ramada, Metal	1027	2/2017	25	0	20											
Paint - Cabana, Exterior	1031	2/2021	10	0	9									2,768		
Paint - Cabana, Interior	1030	2/2019	10	0	7							1,244				
Paint - Wrought Iron	1037	6/2019	5	0	2		1,598					1,852				
Fencing - Chain Link	1041	2/1986	30	15	9										20,230	
Fencing - Wrought Iron	1036	2/1986	25	20	9										13,419	
Walls - Block, Repairs	1016	2/1986	35	10	9										7,077	
Lighting - Cabana, Interior	1043	2/2010	25	0	13											
Lighting - Entry	1017	1/2011	12	0	1	1,545										
Lighting - Exterior	1045	2/2010	20	0	8									5,309		
Lighting - Pagoda	1044	2/2015	12	0	5					3,640						
Lighting - Tennis Court	1042	2/1986	25	17	6						6,828					
Pool - Filter	1004	1/2018	10	0	6						2,388					
Pool - Heater	1005	10/2019	10	0	7							5,780				
Pool - Pump & Motor, Replace	1006	1/2015	10	0	3			2,185								
Pool - Replastering & Tile	1007	1/2008	12	5	3				27,318							
Pool Area - Chemical Systems	1012	1/2016	10	0	4				3,264							
Pool Area - Expansion Joints	1022	4/2020	10	0	8								3,759			
Pool Area - Furniture, Concrete	1024	4/2015	20	0	13											
Pool Area - Furniture, Replace	1023	4/2019	7	0	4				6,308							
Pool Area - Re-Coating	1020	4/2020	6	0	4				2,751							3,285
Spa - Filter	1008	1/2013	10	2	3			1,530								
Spa - Heater	1009	3/2020	10	0	8								5,067			
Spa - Pebbletec & Tile	1011	1/2010	10	5	3			5,463								
Spa - Pump & Motor, Replace	1010	1/2021	10	0	9									2,218		
Cabana - Cabinets/Counter	1034	2/1986	25	14	3			8,414								
Cabana - Ceramic Tile	1029	2/1986	30	9	3			33,299								
Cabana - Ceramic Tile, Shower	1028	2/2005	30	0	13											
Cabana - Doors	1038	2/1986	25	20	9									1,403		
Cabana - Partitions	1033	2/1986	25	14	3			2,588								
Cabana - Plumbing Fixtures	1032	2/1986	25	14	3			4,469								
Cabana - Water Heater	1035	4/2020	12	0	10											784
Tennis Courts - Replace	1039	2/2017	6	0	1							12,299				
Tennis Courts - Windscreen	1040	2/2017	6	0	1							1,229				
Mailboxes - Pedestal Sets	1015	1/2019	16	0	13								4,433			
Signs - Monument	1019	1/2000	30	0	8											
Signs - Traffic	1018	1/2015	20	0	13											
Landscape - Territory Street Scope						8,000	10,000									
Landscape - Tree Maintenance	1046	1/2021	2	0	1	10,300		10,927		11,593		12,299		13,048		