

RESERVE STUDY SUMMARY

for the

Pacific Point

HOMEOWNERS ASSOCIATION

Date Prepared: 07/13/05 *for Fiscal Year 2005*

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Reserve Study Summary

This report documents the results of a reserve study performed by John D. Beatty & Company for the Pacific Point Homeowners Association in Pacifica, 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 1365 and 1365.5. The intent of this legislation is to insure that associations maintain 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, 2005 through January 1, 2015 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.

This study was limited to a visual inspection of the property and as such did not disturb the major components. Therefore, all common areas for which there is no access without defacement are specifically omitted. However, if sufficient historical data were available that would allow a reasonable projection of future expenditures for any unobservable components e.g., plumbing or electrical wiring, those components could be included in this report.

Since no destructive testing was undertaken, this study does not purport to address any latent and/or patent defects, nor does it address any life expectancies that are abnormally short due to either improper design or installation, or to subsequent improper maintenance. It is assumed that all components are to be reasonably maintained for the remainder of their life expectancy.

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 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 page 6 of this report in order to meet projected expenditures and keep pace with inflation. For fiscal year 2005 an increase of 0.0% is recommended in the reserve contribution, however it is recommended that the Association implement a special assessment in the amount of \$294,119 in fiscal year 2005 and an additional special assessment of \$392,000 in fiscal year 2006. These findings are based upon the following:

1. Projected reserve fund balance as of January 1, 2005.....\$60,000
2. Reserve contribution for fiscal year 2004\$164,863
3. Reserve contribution for fiscal year 2005\$164,863
4. Special Assessment for fiscal year 2005\$294,119
5. Special Assessment for fiscal year 2006\$392,000
6. Assumed annual inflation rate..... 3.0%
7. 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 while relying on special assessments in both fiscal years 2005 and 2006, which will require votes of the membership. However, the recommended increase in the regular assessment will not 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:

Accumulated Cash Reserves (Numerator)

Projected reserve fund balance as of January 1, 2005.....\$60,000

Accrued Liability (Denominator)

**Estimate of the amount of cash necessary to repair, replace, restore
or maintain the association's major components as of January 1, 2005\$1,089,406**

**Percent Funded.....

6%

This Reserve Study was reviewed and approved by the Board of Directors for the Pacific Point Homeowners Association.

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	2005 2005	2006 2006	2007 2007	2008 2008	2009 2009	2010 2010	2011 2011	2012 2012	2013 2013	2014 2014
BUILDING EXTERIORS:															
1 - Plywood Siding & Trim Paint		59,837	5	2			61,632					71,448			
2 - Plywood Siding & Trim Repair	20%	47,689	5	2			49,120					56,944			
3 - Staircase Repairs		20,600	5	1		20,600					23,881				
4 - Stucco Siding Paint		144,155	10	2			148,480								
5 - Stucco Siding Repair	5%	42,597	10	2			43,875								
6 - Unit Deck Stacks Rebuild		219,493	20	20											
7 - Unit Deck Stacks Rebuild		219,493	20	1		155,812	63,681								
8 - Unit Deck Joist Repairs		28,922	5	1		28,922					33,529				
9 - Water Intrusion Contingency		79,825	20	1		26,609	26,608	26,608							
10 - Wing Wall Repairs		49,440	3	1		49,440			54,024			59,034			64,508
11 - Wood Bridgeway Repairs		30,900	10	1		30,900									
BUILDING INTERIORS - CLUBHOUSE:															
12 - Concealed Decay Contingency		21,000	15	1		21,000									
13 - Walls & Ceilings Paint		3,754	7	2			3,866							4,755	
CLUBHOUSE DECK SYSTEM:															
14 - Deck Railings Repair		4,297	15	15											
15 - Deck Structure Rebuild		29,000	25	25											
FENCING & WALLS:															
16 - Chain Link Repairs - Tennis Court	20%	1,680	15	5						1,891					
17 - Retaining Walls Repair	25%	2,387	5	3				2,532					2,936		
18 - Wood Gates Paint & Repair		2,864	5	2			2,950					3,420			
19 - Wrought Iron Paint		1,650	5	2			1,699					1,970			
20 - Wrought Iron Repair	10%	3,590	10	6							4,162				
FLOOR COVERINGS:															
21 - Recreation Room Carpet Replace		2,507	7	1		2,507							3,084		
22 - Wood & Tile Floor Refinish		3,021	7	1		3,021							3,715		
FURNISHINGS & APPLIANCES:															
23 - Recreation Room Items		2,652	10	1		2,652									
LANDSCAPING:															
24 - Irrigation Timer Replace		1,167	5	3				1,238					1,435		
25 - Irrigation Valves		1,326	2	1		1,326		1,407		1,493		1,583		1,680	
26 - Major Tree Maintenance		5,305	3	1		5,305			5,796			6,334			6,921
LIGHT FIXTURES:															
27 - Garage Lights Replace		3,437	20	5						3,869					
28 - Building Lights Interior		424	25	10											554
29 - Exit Lights Replace		191	25	5						215					
30 - Ground Lights Replace		3,151	20	5						3,546					

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	2005 2005	2006 2006	2007 2007	2008 2008	2009 2009	2010 2010	2011 2011	2012 2012	2013 2013	2014 2014
LIGHT FIXTURES - CONTINUED:															
31 - Pole Lights - Fixture Replace		6,684	20	5						7,523					
32 - Unit Entry Lights Replace		9,877	20	5						11,117					
33 - Unit Patio & Deck Lights Replace		5,644	20	5						6,353					
34 - Walkway Lights Replace		5,952	20	5						6,699					
MECHANICAL SYSTEMS - GARAGE DOORS:															
35 - Garage Doors Replace - Doubles		40,314	20	5						45,374					
36 - Garage Doors Replace - Singles		1,008	20	5						1,134					
MECHANICAL SYSTEMS-HVAC:															
37 - Forced Air Furnace Replace		1,591	20	10											2,076
MECHANICAL SYSTEMS-WATER:															
38 - Circulation Pumps Replace		1,500	10	3				1,591							
39 - Boilers Replace		12,000	15	8								14,758			
40 - Circulation Pumps Replace		3,000	10	4					3,278						
41 - Boilers Replace		24,000	15	9										30,402	
42 - Circulation Pumps Replace		7,500	10	5						8,441					
43 - Boilers Replace		60,000	15	10											78,286
44 - Water Valve Replacements (2)		3,183	30	1		3,183									
45 - Water Valve Replacements (2)		3,183	30	2			3,278								
46 - Water Valve Replacements (2)		3,183	30	3				3,377							
47 - Water Valve Replacements (2)		3,183	30	4					3,478						
48 - Water Valve Replacements (1)		1,591	30	5						1,791					
PAVED SURFACES:															
49 - Asphalt Major Repair	33%	89,752	25	12											
50 - Asphalt Minor Repair	20%	27,197	10	7								32,475			
51 - Asphalt Sealcoat & Stripe		10,905	5	2				11,232				13,021			
52 - Concrete Walkway Repairs		1,591	5	2				1,639				1,900			
53 - Tennis Court Colorcoat		8,784	7	2				9,048						11,127	
54 - Tennis Court Resurfacing		17,208	21	9										21,799	
RECREATION FACILITIES:															
55 - Tennis Court Net Replace		451	5	3				478					555		
56 - Tot Lot Fixtures		4,244	20	5						4,776					
ROOFING SYSTEM:															
BUILDING #1 - 5015															
57 - Built-Up Roofing Replace		36,075	20	12											
58 - Composition Shingles Replace		6,807	25	17											
BUILDING #2 - 5011															
59 - Built-Up Roofing Replace		36,075	20	12											
60 - Composition Shingles Replace		6,807	25	17											

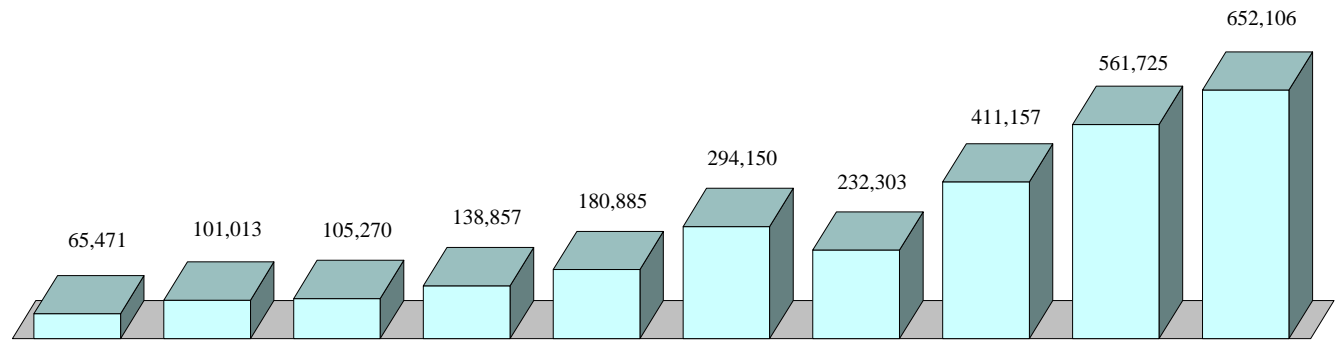
Projected Expenditures

Assumed Annual Inflation Rate..... 3.0%

RESERVE COMPONENTS	Repair %	Current Repair/Replace Cost	Estimated Usfl Life	Estimated Rmng Life	Fiscal Year Jan 1 Dec 31	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
						2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BUILDING #3 - 5009															
61 - Built-Up Roofing Replace		36,075	20	12											
62 - Composition Shingles Replace		6,807	25	17											
BUILDING #4 - 5007															
63 - Built-Up Roofing Replace		36,075	20	12											
64 - Composition Shingles Replace		6,807	25	17											
BUILDING #5 - 5005															
65 - Built-Up Roofing Replace		36,075	20	12											
66 - Composition Shingles Replace		6,807	25	17											
BUILDING #6 - 5017															
67 - Built-Up Roofing Replace		36,075	20	12											
68 - Composition Shingles Replace		6,807	25	17											
BUILDING #7 - 5001															
69 - Built-Up Roofing Replace		36,075	20	12											
70 - Composition Shingles Replace		6,807	25	17											
BUILDING #8 - 5003															
71 - Built-Up Roofing Replace		53,043	20	3				56,274							
72 - Composition Shingles Replace		6,608	25	1		6,608									
ROOFING SYSTEM - ALL BUILDINGS:															
ROOFING SYSTEM:															
73 - Chimney Caps Replace		20,188	20	1		20,188									
74 - Chimney Caps Replace		20,188	20	2			20,794								
75 - Gutters & Downspouts Replace		2,575	2	1		2,575		2,732		2,898		3,075		3,262	
76 - Spark Arrestors Replace		9,085	25	1		9,085									
77 - Spark Arrestors Replace		9,085	25	2			9,357								
ROOFING SYSTEM - GARAGES:															
78 - Composition Shingles Replace		51,936	25	12											
MISCELLANEOUS:															
79 - Mailboxes Replace		10,397	10	5						11,702					
CONSTRUCTION LOAN:															
80 - Amortization Payment Schedule		173,782	1	1		48,070	48,070	48,070	48,070						
UNSCHEDULED.....	5%					16,305	16,794	17,298	17,817	18,351	18,902	19,469	20,053	20,655	21,274
TOTAL EXPENDITURES		2,046,939				454,108	522,123	161,605	132,464	137,173	80,474	270,673	46,536	93,680	173,620

Funding Plan

Projected Cash Balance



Fiscal Year		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Jan 1		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Dec 31		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
BEGINNING BALANCE		60,000	65,471	101,013	105,270	138,857	180,885	294,150	232,303	411,157	561,725
EXPENDITURES (inflated \$)	3.0%	454,108	522,123	161,605	132,464	137,173	80,474	270,673	46,536	93,680	173,620
RESERVE CONTRIBUTION		164,836	164,836	164,836	164,836	177,611	191,376	206,207	222,188	239,408	257,962
Per Unit Per Month (98 units)		140.17	140.17	140.17	140.17	151.03	162.73	175.35	188.94	203.58	219.36
Percentage Increase to Reserves		0.0	0.0	0.0	0.0	7.8	7.8	7.8	7.8	7.8	7.8
Percentage Increase to Total Assessment		0.0	0.0	0.0	0.0	2.5	2.7	2.8	2.9	3.1	3.2
SPECIAL ASSESSMENTS		294,119	392,000	0	0	0	0	0	0	0	0
INTEREST	1.0%	624	828	1,026	1,215	1,591	2,363	2,619	3,201	4,840	6,039
ENDING BALANCE		65,471	101,013	105,270	138,857	180,885	294,150	232,303	411,157	561,725	652,106