

CIELO RANCH HOMEOWNERS ASSOCIATION
CAPITAL RESERVE FUND STUDY
EXECUTIVE SUMMARY – AUGUST 2008
~PROPOSED GATED COMMUNITY~

The CIELO RANCH HOMEOWNERS ASSOCIATION requested that Criterium–Dotson Engineers prepare an additional separated evaluation for the property that would include everything in the initial Reserve Fund Study and cost accrued to install entry access gates and systems and maintenance, repairs or replacements of concrete streets that would be the responsibility of the Homeowners Association if the property was converted to a private community. Studies of this nature are important to ensure a community has sufficient funds for long-term, periodic capital expenditure requirements. Anticipating large expenditures over an extended period of time through a structured analysis and scheduling process assists the Association in meeting financial requirements without increasing the service fees above permitted maximums, borrowing the funds, or levying special financial assessments to the home owners.

This report is structured to analyze components of the community for which the Association is responsible and to assess a useful expected life and useful remaining life for those components. The anticipated scheduled repair or replacement of the component and the anticipated expense for the activity are then analyzed in conjunction with the current capital reserves funding program for the community. Funding program recommendations are made with the objective of limiting substantial cash excesses while minimizing financial burdens that can result from significant cash inadequacies.

This report is intended to be used as a tool to determine reserve fund allocation requirements for the community, to manage future Association obligations, and to inform the community of future financial needs in general.

This investigation was performed in August, 2008 by Tim Freeman and David Dotson, P.E. of Criterium–Dotson Engineers on behalf of the CIELO RANCH HOMEOWNERS ASSOCIATION.

The facilities are, in general, in good condition. There are, of course, a few immediate needs and also anticipated capital expenditures to be expected over the next twenty years. Those items that will require attention are discussed in detail in the full report and can be found in their appropriate sections.

Based on our review of the facility assets, conditions and finances along with costs associated with converting the property to a private community, the current contribution level for capital reserves is NOT adequate to meet short-term or long-term needs of the community and the reserves would be dramatically under-funded.

This report forecasts obligations for the community twenty years into the future. It should be noted that events may occur that could have an effect on the underlying component or system useful life assumptions used in this study. Likewise, inevitable market fluctuations can have an impact on component or system replacement and repair costs. As a result, a study such as this should be updated from time to time, usually on a three to five year cycle, in order to reflect the most accurate needs and obligations of the community.

Please note that the reserve fund study does not include typical annual maintenance items. Our assumption is that you already have an annual operating budget that provides for these typical, repetitive items. This includes miscellaneous repairs, lawn and grounds maintenance, pool operation, routine minor painting, etc. We have focused on those significant, non-annual items where careful financial planning is important.

Finally, please note that the estimates we have developed are based on 2008 dollars. Our reserve fund study does adjust for an estimated annual inflation and a given return on investment assuming that the indicated fund balances are maintained.

Thank you for the opportunity to be of service.

CRITERIUM-DOTSON ENGINEERS