

RESERVE ANALYSIS REPORT
BEVERLY OAKS HOMEOWNERS' ASSOCIATION, INC.
SEPTEMBER 2010



BEVERLY OAKS HOMEOWNERS ASSOCIATION INC
BUSINESS OFFICES
2927 WINTERBERRY DRIVE
CARROLLTON, TX 75007

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This report was prepared by the volunteer board members for budgeting purposes and to better understand the reserve requirements. After reviewing this data, the Board recommends that a reserve study be commissioned in with a engineering firm and with the goal of finding ways to reduce costs.

EXECUTIVE SUMMARY

THE BEVERLY OAKS HOMEOWNERS' ASSOCIATION INC.

Subject of Analysis

The subject of this analysis is a Homeowners Association of 96 townhouses located in Irving, Texas, a suburban Dallas setting.

The Association provides and maintains the infrastructure which includes roads to access the townhouses, pipes to bring in water, sewer services, fire lanes and hydrants for emergencies. Infrastructure also includes commercial/residential screening walls, traffic control devices, and centralized mail stations.

The amenities including a meeting center and the association also maintains exterior street lamps located on each of the living lots.

Exterior siding repair and painting of the townhouses is not a capital expense - this work is conducted and expensed annually. Irrigation repairs is also conducted and expensed annually.

Replacement and Repair Projection Summary

	Age	Useful Life	Replacement Cost		Percent of Total	
			Now	At the time of replacement*		
Roads	27	51	\$243,384	\$438,330	30%	
Water Mains	27	51	\$100,000	\$180,098	12%	
Sewer Mains	27	51	\$100,000	\$180,098	12%	
Replacing Meters	27	68	\$6,500	\$17,453	1%	
Storm Water	27	53	\$60,000	\$112,702	8%	
Exit Walls	27	60	\$125,000	\$275,469	19%	
Garage Roof	27	32	\$2,100	\$8,000	1%	
Garage Doors	27	37	\$3,000	\$8,000	1%	
Garage Interior	27	35	\$5,000	\$8,000	1%	
Yard Lamps	27	28	\$22,080	\$24,112	2%	
Mailboxes	27	40	\$10,500	\$14,121	1%	
Treadle	20	20	\$3,900	\$8,000	1%	
Treadle Lamp	20	30	\$750	\$8,000	1%	
Entry Brick Wall	20	40	\$20,000	\$52,391	4%	
Electronic Gate	20	20				
West Wall	27	60	\$60,000	\$132,225	9%	\$1,467,001

The estimated cost at time of replacement is based on the 2010 costs plus 2.5% inflation annually.

EXECUTIVE SUMMARY

THE BEVERLY OAKS HOMEOWNERS' ASSOCIATION INC.

Fund Reserve Balance Summary

Fully Funded Reserve Balance for Dec 31, 2011 (The amount that should be reserved by 2011)	\$407,352
Actual Amount Reserved – Estimated Balance 12/31/10	\$8,340
Under Funding of the Reserve	\$399,012
<i>Percent Funded (100% is optimal)</i>	2.0%

Statement from the Board

The failure to accumulate reserves over the last 27 years has created a significant risk for the property owners.

This analysis suggests that members should have paid ~\$13.00 per month into the reserve starting in 1983. This would have created a reserve of slightly over \$400,000 today.

The current reserve is under \$10,000.

This report is the first attempt quantify how much money will be needed to maintain the community infrastructure and look at ways to fund the reserves.

The three things that are most notable in this preliminary analysis are that (1) the current reserves are inadequate, (2) fifty –two percent of the future costs will be associated with the roadway and underlying water and sewer lines (3) the community will need to collect an average of \$29.00 per month (\$348 per year) per household to make up for the shortfall.

Given the financial significance of the obligations, the Board is recommending that an engineering firm be retained in 2011 to conduct a formal Reserve Study and explore cost savings.

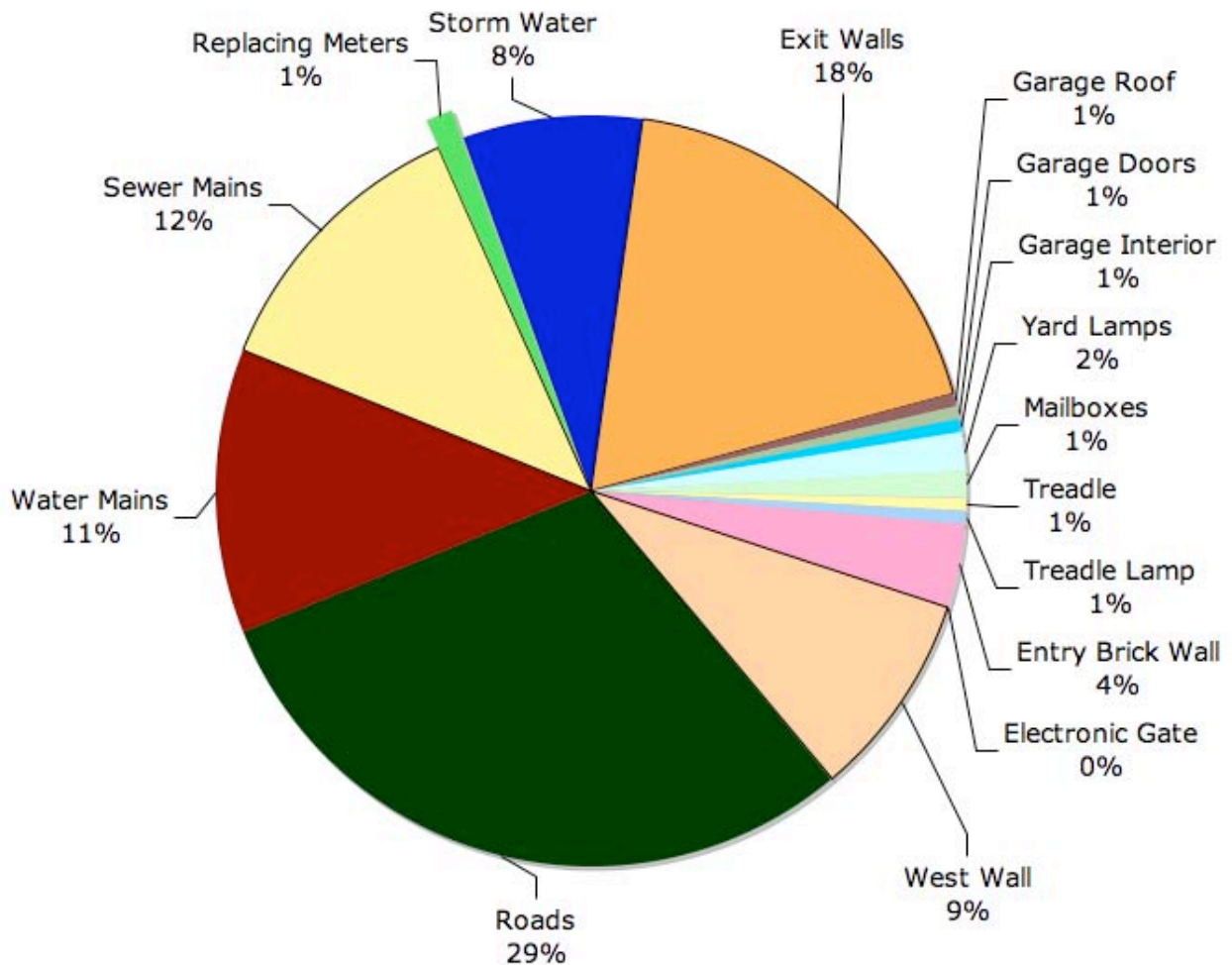
This document is the just the first step in the process. We offer this analysis as working document to facilitate discussions with the owners.

~ The 2010 Board of Directors [Robert Bauer, Randy Ranew, Brenda Madison, Rodney Lehman, Laurie Waldrum]

THE PLANNED CAPITAL SPENDING IN THIS REPORT TOTALS \$1,450,000. THIS FIGURE WAS DETERMINED USING THE 2009 REPLACEMENT ESTIMATES OF \$762,000 WITH INFLATION ADDED AT 2.5% A YEAR.

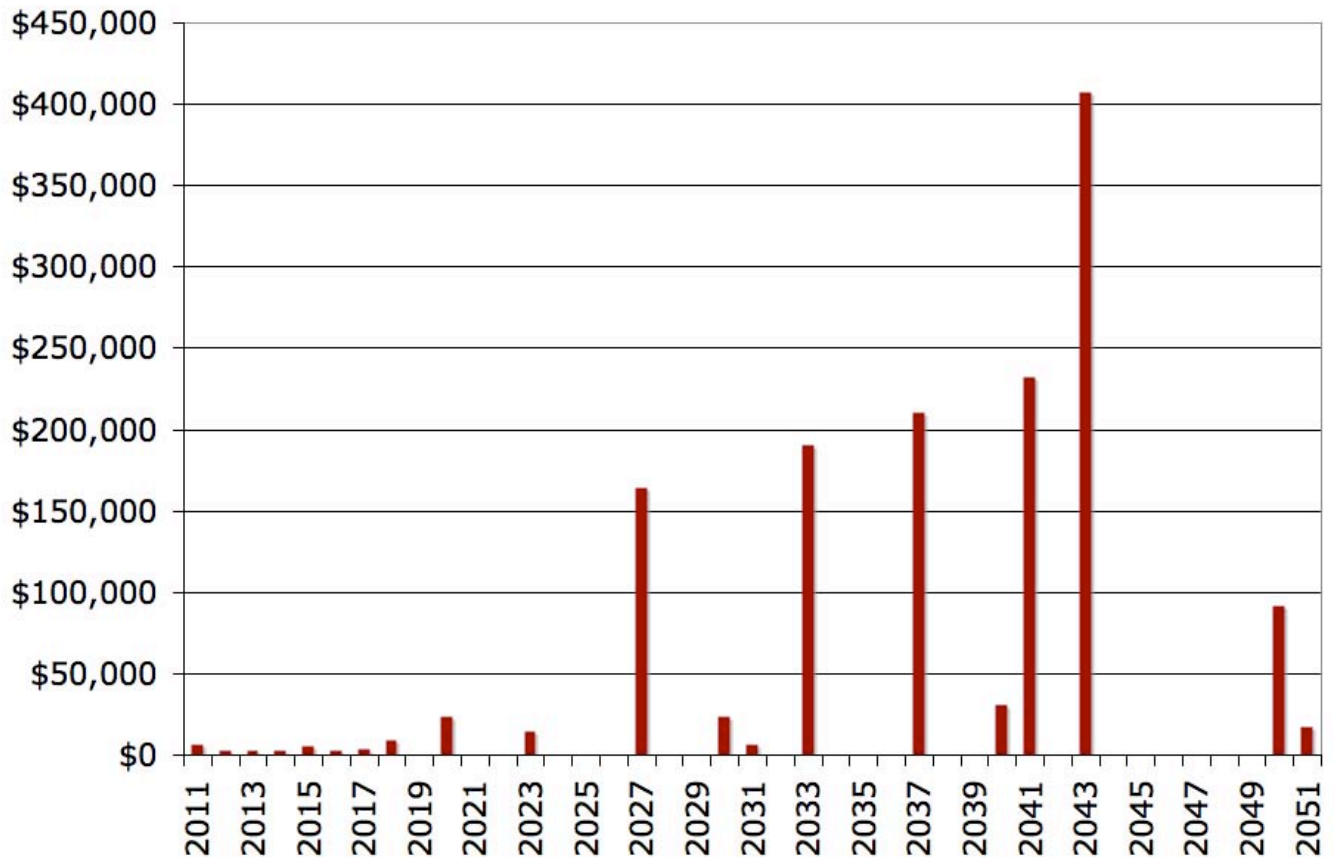
ALL REPAIRS WERE "REPLACEMENT WITH LIKE MATERIAL." ALTERNATE MATERIALS WILL BE EXPLORED IN THE ENGINEERING REPORT.

Planned Capital Spending



THE MAJORITY OF EXPENDITURES ARE OCCURRING BETWEEN THE YEARS 2027 AND 2043.

Spending Plan



SPENDING DETAIL

TREADLE – REPLACEMENT OF THE 12 FT OF TRAFFIC SPIKES LOCATED ADJACENT TO HIGHWAY 183. TWO REPLACEMENT CYCLES. IN ADDITION, THE TREADLES WILL NEED ROUTINE CLEANING AND REPAIR TO INSURE A FULL LIFE CYCLE. THE CURRENT LOCATION IS PRONE TO COLLECTION OF SEDIMENT

2011: \$3,900
2031: \$6,391

EXTERIOR LAMP POSTS - REPLACE 96 EXTERIOR LAMP POSTS AND HEADS LOCATED ON INDIVIDUAL LOTS

2011: \$2,760
2012: \$2,829
2013: \$2,900
2014: \$2,972
2015: \$3,047
2016: \$3,123
2017: \$3,201
2018: \$3,281

GARAGE ROOF REPLACEMENT - 2023 WILSHIRE DRIVE, 800 SQUARE FEET WITH A 12/12 PITCH IN RUN; 12 SQUARES (36 BUNDLES OF SHINGLES), 12 ROLLS OF ROLL ROOFING, 3 ROLLS OF 15 LB FELT, 6 ROLLS OF 30 LB FELT.

2015: \$2,318

GARAGE INTERIOR WALL – REPLACEMENT AND REPAIR OF INTERNAL DRYWALL IN 800 SQUARE FOOT GARAGE LOCATED AT 2023 WILSHIRE DRIVE, IRVING

2018: \$5,943

GARAGE DOORS - 2023 WILSHIRE DRIVE; REPLACE ONE 16 FT ROLLUP AND TWO 8 FT SWING UP DOORS.

2020: \$3,747

WARNING LIGHT - LOCATED ADJACENT TO HIGHWAY 183. TWO REPLACEMENT CYCLES

2020: \$937

MAILBOXES - 11 MULTIFAMILY CLUSTER MAIL BOX CUBES

2023: \$14,121

STORM DRAIN – REPAIR OF SURFACE WATER RUNOFF PROBLEMS CORRECTIONS AND MAINTENANCE OF 2,000 LINEAR FT OF SEWER LINES RUNNING NORTH TO SOUTH ACROSS THE PROPERTY. REPLACEMENT COST OF THE SEWER IS ESTIMATED TO BE \$200,000. CURRENTLY IT IS NOT BELIEVED THAT A FULL REPLACEMENT WILL BE NEEDED IN THE NEXT 40 YEARS, BUT REPAIRS WILL BE REQUIRED. AN ENGINEERING ANALYSIS SHOULD BE CONDUCTED TO REFINE THIS ESTIMATE.

2020: \$18,733

2030: \$23,980

2040: \$30,696

2050: \$39,294

ROADWAY - DEMOLITION, REMOVAL AND REPLACEMENT OF 64,000 SQUARE FT (3,000 LINEAR FT) OF CONCRETE ROADWAY AND CURB HAS BEEN QUOTED AT \$486,767. CURRENTLY IT IS BELIEVED THAT THE ROADWAY CAN BE REPAIRED WITH AN OVERLAY (E.G., CONCRETE, ASPHALT, OTHER) AND WITH SELECT DEMOLITION, REMOVAL AND REPLACEMENT. AN ENGINEERING ANALYSIS SHOULD BE CONDUCTED TO REFINE THIS ESTIMATE.

2027: \$90,326

2033: \$104,751

2037: \$115,625

2041: \$127,628

WATER LINES, VALVES, FIRE HYDRANTS - DEMOLITION, REMOVAL AND REPLACEMENT OF 6,500 LINEAR FT OF 6" HIGH PRESSURE ASBESTOS CONCRETE WATER LINE AND VALVES LOCATED BENEATH THE ROADWAY INCLUDING THE EXIT ALLEY AT THE SAME TIME THAT THE STREET IS REMOVED IS ESTIMATED TO COST \$325,000. CURRENTLY IT IS NOT BELIEVED THAT A FULL REMOVAL OF THE STREET WILL BE NECESSARY, AND AS SUCH, THE

WATER LINES WILL BE CARED FOR ON A REPAIR BASIS. AN ENGINEERING ANALYSIS SHOULD BE CONDUCTED TO REFINE THIS ESTIMATE.

**2027: \$37,113
2033: \$43,039
2037: \$47,507
2041: \$52,439**

SANITARY SEWER LINES - DEMOLITION, REMOVAL AND REPLACEMENT OF 6,500 LINEAR FT OF SEWER LINE LOCATED BENEATH THE ROADWAY INCLUDING THE EXIT ALLEY (EXCLUDING THOSE ON THE INDIVIDUAL LOTS) AT THE SAME TIME THAT THE STREET IS REMOVED IS ESTIMATED TO COST \$325,000. CURRENTLY IT IS NOT BELIEVED THAT A FULL REMOVAL OF THE STREET WILL BE NECESSARY, AND AS SUCH, THE SEWER LINES WILL BE CARED FOR ON A REPAIR BASIS. AN ENGINEERING ANALYSIS SHOULD BE CONDUCTED TO REFINE THIS ESTIMATE.

**2027: \$37,113
2033: \$43,039
2037: \$47,507
2041: \$52,439**

RESIDENTIAL/COMMERCIAL SCREENING WALL - DEMOLITION, REMOVAL AND REPLACEMENT OF 6,750 SQUARE FT OF 6' CONCRETE WALL ON THE EAST AND WEST SIDE OF THE BRENTWOOD EXIT ALLEY (1126 LINEAR FEET)

2043: \$275,469

RESIDENTIAL/COMMERCIAL SCREENING WALL - DEMOLITION, REMOVAL AND REPLACEMENT OF 3,600 SQUARE FT OF 6' CONCRETE WALL ON THE EAST AND WEST SIDE OF THE BRENTWOOD EXIT ALLEY (600 LINEAR FEET)

2043: \$132,225

ENTRY BRICK WALL – REPAIRS OF 1000 SQUARE FT OF 10' DECORATIVE BRICK WALL WITH PLANTERS AND LOT ADJACENT TO 1500 – 1501 BRENTWOOD DRIVE (92 LINEAR FT).

2050: \$52,391

METER BOXES – REPLACEMENT OF 100 CONCRETE METER BOXES.

2051: \$17,453

IRRIGATION

REPAIRS AND IMPROVEMENTS TO BE EXPENSED ANNUALLY

EXTERIOR SIDING AND PAINT

REPAIRS TO BE EXPENSED ANNUALLY

ELECTRIC ENTRY GATE

NO UPKEEP PLANNED

SPEED BUMPS

NO UPKEEP PLANNED