

Reserve Study Funding Plan

THE GAYLE
516 East Thomas Street
Seattle, WA

Number of Units: 14

March 3, 2010



Prepared By

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

THE GAYLE

Based on funding requirements for the future repair and/or replacement of common area components, the Fully Funded or, "Ideal Balance", of the Reserve Fund for the beginning of year 2010 is \$126,059. The actual starting balance is estimated to be \$56,000, which is 44% of the ideal. Balcony and landing railing repair, exterior wood window frame and trim painting, and window replacement allowance are scheduled for year 2010, at a cost of approximately \$26,500.

RECOMMENDATION:

Maintain an annual contribution of \$19,000. This will result in an average percent funded over the thirty year study of 64.5%. The recommended increase will provide for a fair and stable contribution, insure that adequate funds are available as needed, and reduce the risk of special assessments.

2009 CONTRIBUTION

<u>\$113.10</u>	Average Monthly per Unit (based on 14 units)
<u>\$1,357.14</u>	Average Annual per Unit (based on 14 units)
<u>\$1,583.33</u>	Association Monthly
<u>\$19,000.00</u>	Association Annual

RECOMMENDED 2010 CONTRIBUTION

<u>\$113.10</u>	Average Monthly per Unit (based on 14 units)
<u>\$1,357.14</u>	Average Annual per Unit (based on 14 units)
<u>\$1,583.33</u>	Association Monthly
<u>\$19,000.00</u>	Association Annual

INTRODUCTION

DESCRIPTION OF PROPERTY

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COMPONENT LIST

INTRODUCTION

There are three levels of Reserve Funding Analysis and Plans available:

LEVEL 1: FULL RESERVE STUDY FUNDING ANALYSIS & PLAN

A Reserve Study in which the following five Reserve Study tasks are performed:

- Component Inventory
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

LEVEL 2: UPDATE WITH VISUAL SITE INSPECTION

A Reserve Study update in which the following five Reserve Study tasks are performed:

- Component Inventory (verification only, no quantification)
- Condition Assessment (based on visual site observations)
- Life and Valuation Estimates
- Funding Status
- Funding Plan

LEVEL 3: UPDATE WITH NO VISUAL SITE INSPECTION

A Reserve Study update with no site visual observations in which the following three Reserve Study tasks are performed:

- Life and Valuation Estimates
- Funding Status
- Funding Plan

This **LEVEL 1: FULL RESERVE STUDY FUNDING ANALYSIS & PLAN** was conducted at the request of the Board of Directors for the Gayle Homeowners Association. The Association's Board of Directors has a legal and fiduciary responsibility to maintain the community in a good state of repair and to protect the Association from financial hardship. A long range-plan should be initiated to provide adequate funding for maintenance repairs and/or replacements of common area components. This reserve analysis will help the Association:

- Comply with Article 3 of RCW 64.34.
- Ensure adequate funds are available for future major repair and replacements.
- Maintain the community in a good state of repair.
- Reduce special assessments or borrowing.
- Protect property value and enhance your ability to obtain loans or sell.
- Establish a fair contribution for current and future owners.

- Comply with the American Institute of Certified Public Accountants (AICPA) disclosure requirements for reserves.

GENERAL DESCRIPTION OF PROPERTY

The following description is general in nature. A detailed description of the property is not included as a part of this report. The Gayle is a small common interest development that was originally built as an apartment building in 1912 and converted to a condominium in 1978. The property is located at 516 East Thomas Street, Seattle, Washington. A single, four-story building houses a total of fourteen individual residences. Exterior finishes include brick cladding, wood framed windows, and torch down asphalt composition roof.

METHODOLOGY

This Reserve Study was prepared with the assistance of a Reserve Study Professional. In preparation for this Reserve Study, a review was made of:

- 2009 financial information provided by Board of Directors
- Site Inspection
- Additional Information provided by the Board

The actual and projected Reserve Balance totals presented in the study are based upon information provided and was not audited.

An onsite visit was scheduled to visually inspect all common area components. The consultant's inspection was limited to components that are normally visible without destructive or intrusive means of inspection or testing, or concealed mechanical, electrical, structural, or other components. Each common area component was identified. An inventory was made of all components the association has an obligation to maintain. Any components with a remaining useful life of over thirty years, or a replacement cost of less than \$300.00, were not included in the study.

The Useful Life, Remaining Useful Life, and Current Replacement Cost of each component appropriate for reserve funding were established using information entered into a Commercial Cost & Useful Life Database. The data is based upon the actual repair and replacement costs to similar residential and commercial properties. Costs of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. Wherever possible, actual quotes from local contractors were used as a comparison.

In addition, the following information was compiled. The information was used to assist in developing the parameters for Reserve Study calculations:

- Thirty year analysis to be covered in the study.
- A Reserve Component list, including quantities and estimates for Useful Life of each Reserve Component, Remaining Useful Life of each Reserve Component, and Current Repair and Replacement Cost for each Component.
- The association's Current Reserve Balance.
- Current rate of investment on Reserve Fund.

- The Percentage of the Fully Funded Balance that the Reserve Account is funded.
- Special Assessments already implemented or planned.
- Tax rate applied to interest or dividends earned on the invested reserve funds.
- Interest and Inflation assumptions.
- Current Reserve Account Contribution Rate.
- Recommended Reserve Account Contribution Rate the association can reasonably adopt.
- Projected Reserve Account Balance for thirty years and a funding plan to pay for projected costs from those reserves without reliance on future unplanned Special Assessments.
- Date of Fiscal Year End (FYE).

The year 2010 Starting Reserve Balance was calculated using current balance, current monthly contribution, and any remaining year 2009 expenditures. This information was provided by the Board of Directors.

$$\text{Current Balance} + \text{Remaining Monthly Contributions} = \text{Year 2010 Starting Balance}$$

Current rate of investment on reserve fund is based on information provided by the community association manager for the current interest received on invested reserves.

Current and projected inflation rates for construction costs were based on average inflation rates over the past twenty year period.

This information, including data from the component inventory, was then entered into a Reserve Study Funding Plan computer program. The program calculates the necessary monthly and annual reserve contribution, projected annual expenditures for repair and replacement of identified components, percent funded, and reserve account balances for the analysis period.

All applicable spreadsheets, expenditure graph, and funding charts were developed. In addition, Supplementary Information on Future Major Repairs and Replacement, (AICPA) accountant's summary report was prepared.

ASSUMPTION & CONSIDERATIONS

Assumptions were made based on the following information used to develop the parameters for the Reserve Study calculations:

Number of analysis years to be covered in the study:	30
Number of Units:	14
Estimated Year 2010 Starting Reserve Balance:	\$56,000
Current rate of investment on reserve fund:	0%
Tax rate applied to interest or dividends earned on the invested funds:	0%
Current and projected inflation rate for construction costs:	3%
Contribution increase the Association can reasonably adopt:	

No relationship exists between David Bach & Associates, LLC and the client which could result in a conflict of interest.

Every reasonable effort has been made to insure that the data obtained in this report is based on accurate information. The nature of this study requires assumptions be made about future events which may or may not occur as predicted. The study must be viewed in light of circumstances existing at the actual time of the study. In addition, the cost of repairing or replacing components can vary greatly depending on current labor costs, material costs, and the conditions of the component. This Reserve Study Funding Plan is a **budgeting tool to be used for general planning purposes only**. As the component nears the end of its useful life, estimates from qualified contractors should be obtained.

In conclusion, this study should be regarded as a guideline for developing sound business decisions to insure that adequate funds will be accumulated in anticipation of major repair and/or replacement projects. It is recommended that you review your reserve plan on an annual basis and make adjustments as necessary.

DISCLOSURE PER ARTICLE 3 OF RCW 64.34:

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair, or replacement of a reserve component.

David Bach & Associates, LLC has earned the Community Association Institute's **Reserve Specialist Designation**, the only national credential for community association reserve study providers. The **RS** designation is awarded to experienced, qualified professionals who help condominium, co-operative, and homeowner associations plan for long-term repair and replacement of major components. The Reserve Specialist Designation Review Board recognizes David Bach's professionalism and dedication to the highest standard of reserve study preparation. **RS** designees must adhere to CAI's Professional Reserve Specialist Code of Ethics. David Bach is also an Honored Member in good standing with the Association of Professional Reserve Analysts.

RESERVE STUDY TERMS

ACCUMULATED RESERVE BALANCE:	The anticipated reserve balance on the first day of the fiscal year for which the report has been prepared.
ALLOCATION (Net Monthly)	The sum of the monthly contribution and interest contribution figures.
ANNUAL CONTRIBUTION INCREASE:	The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the item is replaced.
CASH FLOW FUNDING PLAN SUMMARY:	An alternative funding method (vs. the one proposed from the funding plan computation). In general, it examines and projects the reserving needs (ie., contributions and expenditures) over many years, combining funds from all components, in order to establish a stable annual contribution. The advantage of performing a cash flow analysis is that it allows you to customize your funding plan and it usually generates a lower starting contribution. However, you must monitor your reserve balance as it may drop to a very low level. Your risk of being under funded generally increases when using this type of funding computation.
CONTRIBUTION RATE:	The amount contributed to the reserve account so that the association will have cash reserves to pay major maintenance, repair, or replacement costs without the need of a special assessment.
CURRENT RESERVE FUNDS:	The amount currently held in reserve for repair and replacement of components, with funds being allocated to projects with the shortest remaining useful life first.
EFFECTIVE AGE:	The difference between useful life and remaining useful life.
EXPENDITURES:	Disbursement of reserve funds for repair or replacement of reserve study identified components.
FISCAL YEAR ENDING (FYE):	The Budgetary year for which the report is prepared. For Associations with fiscal years ending December 31 st , the monthly contribution figures indicated are for the

twelve-month period beginning 1/1/XX and ending 12/31/XX.

FULLY FUNDED BALANCE:

The value of the deteriorated portion of all the reserve components. The fully funded balance for each reserve component is calculated by multiplying the current replacement cost of that reserve component by its effective age, then dividing the result by that reserve component's useful life. The sum total of all reserve components' fully funded balance is the association's fully funded balance.

IDEAL BALANCE:

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is the benchmark against which the standard or cash flow calculations can be compared. The formula for the ideal balance is:

$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also calculated into the basic formula.

INFLATION:

Cost factors are adjusted for inflation at the rate defined in the Funding Plan Summary, compounded annually.

MONTHLY CONTRIBUTION:

The assessment for reserves required by the association each month.

PERCENT FUNDED:

This ratio tells you how your reserve fund compares to the ideal balance. For example, if the ideal balance is \$1,000 and your reserve fund has \$500, you are 50% funded.

REMAINING USEFUL LIFE:

The estimated time, in years, that a reserve component can be expected to continue to serve its intended function.

REPLACEMENT COST:

The current cost of replacing, repairing, or restoring a reserve component to its original functional condition.

RESERVE COMPONENTS:

Common elements whose cost of maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget.

RESERVE STUDY PROFESSIONAL:

An independent person suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study in accordance with Article 3 of RCW 64.34.

STARTING BALANCE FUNDS DISTRIBUTION: A listing of how the starting balance is distributed to each reserve item. The first year's contribution for each item is listed.

STRAIGHT LINE CALCULATIONS & FUNDING MODEL: The most conservative method for Reserve Funding. It assures that the association will achieve and maintain an ideal level of reserves for the analysis period.

TAXES LIABILITY:

The estimated percentage of interest income which will be set-aside for taxes.

USEFUL LIFE:

The estimated time, in years, that a reserve component can be expected to serve its intended function.

Worksheet

March 3, 2010

Sorted Alphabetically

THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Item Cost Built	Year Useful Life	Life Adj	Year Life	One Replace Left Time?
Balcony/Landing/Railing Allowance	75	0	1 Allowance	13,000,000	100	13,000 1995	15	0	2010	0 no
Boiler	80	0	1 Allowance	7,500,000	100	7,500 1978	35	0	2013	3 no
Electrical Service & Wiring Allowance	80	0	1 Allowance	30,000,000	100	30,000 1918	99	1	2018	8 no
Fire Extinguisher Cabinets	70	0	1 Allowance	800,000	100	800 1998	20	0	2018	8 no
Flooring - Hallway Carpet	70	0	100 Square Yard	42,000	100	4,200 2003	8	0	2011	1 no
Flooring - Stair Carpet	70	0	35 Square Yard	43,000	100	1,505 2003	8	0	2011	1 no
Lighting - Emergency Backup & Exit	50	0	1 Allowance	1,200,000	100	1,200 2000	30	0	2030	20 no
Lighting - Exterior Fixtures	50	0	1 Allowance	500,000	100	500 1998	22	0	2020	10 no
Lighting - Interior Common Fixtures	50	0	1 Allowance	1,350,000	100	1,350 2000	25	0	2025	15 no
Mailboxes - Apartment Style, Wall Units	100	0	1 Allowance	750,000	100	750 1998	25	0	2023	13 no
Paint - Exterior Entryway & Stairway	30	0	1 Allowance	2,300,000	100	2,300 2009	7	0	2016	6 no
Paint - Exterior Wood Window Frames/Trim	30	0	1 Allowance	8,500,000	100	8,500 2003	7	0	2010	0 no
Paint - Exterior, Concrete Wall	30	0	1 Allowance	1,600,000	100	1,600 2004	10	0	2014	4 no
Paint - Interior Common Areas	30	0	1 Allowance	9,000,000	100	9,000 2009	7	0	2016	6 no
Plumbing - Hot Water Tank	80	0	1 Allowance	2,800,000	100	2,800 2001	16	0	2017	7 no
Plumbing - Piping Retrofit Allowance	80	0	1 Allowance	2,500,000	100	2,500 2007	4	0	2011	1 no
Professional Reserve Study	5	0	1 Total	1,685,000	100	1,685 2009	3	0	2012	2 no
Roofing Replacement	20	0	1 Allowance	15,400,000	100	15,400 2008	18	0	2026	16 no
Security - Intercom System Remote Station	70	0	1 Allowance	1,200,000	100	1,200 1997	16	0	2013	3 no
Skylights	100	0	1 Allowance	450,000	100	450 2000	15	0	2015	5 no
Tuck Point & Refurbish Brick Wall	75	0	1 Allowance	50,000,000	100	50,000 1978	30	3	2011	1 no
Window Replacement Allowance	70	0	1 Allowance	5,000,000	100	5,000 2006	4	0	2010	0 no

Total 22 items

ANNUAL EXPENDITURES

EXPENDITURES GRAPH

Annual Expenditures

March 3, 2010

THE GAYLE

Year	Amount	Item Description
2010	13,000	Balcony/Landing/Railing Allowance
	8,500	Paint - Exterior Wood Window Frames/Trim
	5,000	Window Replacement Allowance
	<u>26,500</u>	
2011	4,326	Flooring - Hallway Carpet
	1,550	Flooring - Stair Carpet
	2,575	Plumbing - Piping Retrofit Allowance
	51,500	Tuck Point & Refurbish Brick Wall
	<u>59,951</u>	
2012	1,788	Professional Reserve Study
	<u>1,788</u>	
2013	8,195	Boiler
	1,311	Security - Intercom System Remote Station
	<u>9,507</u>	
2014	1,801	Paint - Exterior, Concrete Wall
	5,628	Window Replacement Allowance
	<u>7,428</u>	
2015	1,953	Professional Reserve Study
	2,898	Plumbing - Piping Retrofit Allowance
	522	Skylights
	<u>5,373</u>	
2016	2,746	Paint - Exterior Entryway & Stairway
	10,746	Paint - Interior Common Areas
	<u>13,493</u>	

Annual Expenditures

March 3, 2010

THE GAYLE

Year	Amount	Item Description
2017	10,454	Paint - Exterior Wood Window Frames/Trim
	3,444	Plumbing - Hot Water Tank
	<u>13,898</u>	
2018	2,135	Professional Reserve Study
	1,013	Fire Extinguisher Cabinets
	6,334	Window Replacement Allowance
	38,003	Electrical Service & Wiring Allowance
	<u>47,485</u>	
2019	5,480	Flooring - Hallway Carpet
	1,964	Flooring - Stair Carpet
	3,262	Plumbing - Piping Retrofit Allowance
	<u>10,706</u>	
2020	672	Lighting - Exterior Fixtures
	<u>672</u>	
2021	2,332	Professional Reserve Study
	<u>2,332</u>	
2022	7,129	Window Replacement Allowance
	<u>7,129</u>	
2023	1,101	Mailboxes - Apartment Style, Wall Units
	3,378	Paint - Exterior Entryway & Stairway
	13,217	Paint - Interior Common Areas
	3,671	Plumbing - Piping Retrofit Allowance
	<u>21,367</u>	
2024	2,549	Professional Reserve Study
	2,420	Paint - Exterior, Concrete Wall

Annual Expenditures

March 3, 2010

THE GAYLE

Year	Amount	Item Description
	12,857	Paint - Exterior Wood Window Frames/Trim
	<u>17,826</u>	
2025	20,254	Balcony/Landing/Railing Allowance
	2,103	Lighting - Interior Common Fixtures
	<u>22,357</u>	
2026	24,712	Roofing Replacement
	8,024	Window Replacement Allowance
	<u>32,736</u>	
2027	2,785	Professional Reserve Study
	6,942	Flooring - Hallway Carpet
	2,488	Flooring - Stair Carpet
	4,132	Plumbing - Piping Retrofit Allowance
	<u>16,347</u>	
2029	2,104	Security - Intercom System Remote Station
	<u>2,104</u>	
2030	3,043	Professional Reserve Study
	2,167	Lighting - Emergency Backup & Exit
	4,154	Paint - Exterior Entryway & Stairway
	16,255	Paint - Interior Common Areas
	813	Skylights
	9,031	Window Replacement Allowance
	<u>35,463</u>	
2031	15,813	Paint - Exterior Wood Window Frames/Trim
	4,651	Plumbing - Piping Retrofit Allowance
	<u>20,463</u>	

Annual Expenditures

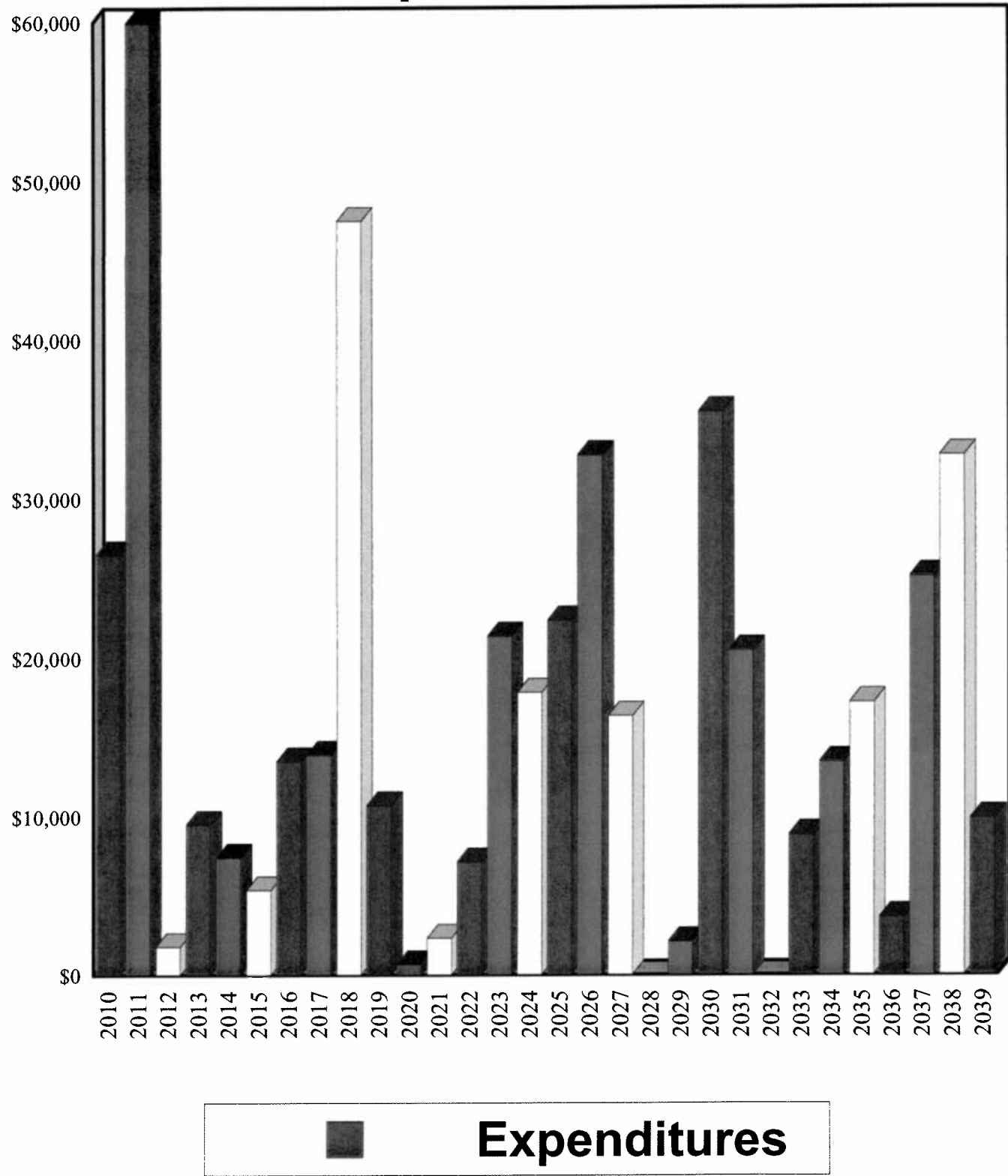
March 3, 2010

THE GAYLE

Year	Amount	Item Description
2033	3,325	Professional Reserve Study
	5,526	Plumbing - Hot Water Tank
	<u>8,852</u>	
2034	3,252	Paint - Exterior, Concrete Wall
	10,164	Window Replacement Allowance
	<u>13,416</u>	
2035	8,794	Flooring - Hallway Carpet
	3,151	Flooring - Stair Carpet
	5,234	Plumbing - Piping Retrofit Allowance
	<u>17,179</u>	
2036	3,634	Professional Reserve Study
	<u>3,634</u>	
2037	5,109	Paint - Exterior Entryway & Stairway
	19,992	Paint - Interior Common Areas
	<u>25,101</u>	
2038	1,830	Fire Extinguisher Cabinets
	19,447	Paint - Exterior Wood Window Frames/Trim
	11,440	Window Replacement Allowance
	<u>32,717</u>	
2039	3,971	Professional Reserve Study
	5,891	Plumbing - Piping Retrofit Allowance
	<u>9,862</u>	

Total: 485,686

Expenditures



FUNDING PLAN SUMMARY (CASH FLOW)

STARTING FUND BALANCE DISTRIBUTION

AICPA REPORT

GRAPH – IDEAL VS. CASH FLOW BALANCES

Funding Plan Summary (Cash Flow)

March 3, 2010

THE GAYLE

Year	Percent Funded	Unadjusted Ideal Balance	Inflation Adjusted Ideal Bal	Contrib Increase Rate	Starting Balance	Annual Contribution	Interest Income	Tax Liability	Inflation Adjusted Expenditures	Unadjusted Expenditures
2010	44%	126,059	126,059	0.00%	56,000	19,000	0	0	(26,500)	(26,500)
2011	43%	109,915	113,213	0.00%	48,500	19,000	0	0	(59,951)	(58,205)
2012	11%	62,219	66,008	0.00%	7,549	19,000	0	0	(1,788)	(1,685)
2013	32%	71,042	77,629	0.00%	24,761	19,000	0	0	(9,507)	(8,700)
2014	42%	72,850	81,994	0.00%	34,255	19,000	0	0	(7,428)	(6,600)
2015	51%	76,758	88,984	0.00%	45,826	19,000	0	0	(5,373)	(4,635)
2016	60%	82,632	98,667	0.00%	59,453	19,000	0	0	(13,493)	(11,300)
2017	65%	81,840	100,653	0.00%	64,960	19,000	0	0	(13,898)	(11,300)
2018	68%	81,048	102,670	0.00%	70,063	19,000	0	0	(47,485)	(37,485)
2019	59%	54,075	70,555	0.00%	41,578	19,000	0	0	(10,706)	(8,205)
2020	66%	56,381	75,771	0.00%	49,872	19,000	0	0	(672)	(500)
2021	74%	66,392	91,902	0.00%	68,200	19,000	0	0	(2,332)	(1,685)
2022	79%	75,218	107,244	0.00%	84,868	19,000	0	0	(7,129)	(5,000)
2023	82%	80,730	118,554	0.00%	96,739	19,000	0	0	(21,367)	(14,550)
2024	81%	76,691	116,002	0.00%	94,372	19,000	0	0	(17,826)	(11,785)
2025	81%	75,417	117,498	0.00%	95,546	19,000	0	0	(22,357)	(14,350)
2026	80%	71,579	114,863	0.00%	92,189	19,000	0	0	(32,736)	(20,400)
2027	77%	61,690	101,964	0.00%	78,453	19,000	0	0	(16,347)	(9,890)
2028	76%	62,311	106,081	0.00%	81,106	19,000	0	0	0	0
2029	78%	72,823	127,695	0.00%	100,106	19,000	0	0	(2,104)	(1,200)
2030	79%	82,134	148,343	0.00%	117,002	19,000	0	0	(35,463)	(19,635)
2031	74%	73,010	135,820	0.00%	100,539	19,000	0	0	(20,463)	(11,000)
2032	71%	72,521	138,958	0.00%	99,076	19,000	0	0	0	0
2033	72%	83,033	163,872	0.00%	118,076	19,000	0	0	(8,852)	(4,485)
2034	71%	89,059	181,039	0.00%	128,224	19,000	0	0	(13,416)	(6,600)
2035	69%	92,970	194,659	0.00%	133,808	19,000	0	0	(17,179)	(8,205)
2036	66%	95,277	205,473	0.00%	135,628	19,000	0	0	(3,634)	(1,685)
2037	65%	104,103	231,243	0.00%	150,995	19,000	0	0	(25,101)	(11,300)
2038	61%	103,314	236,375	0.00%	144,894	19,000	0	0	(32,717)	(14,300)
2039	56%	99,525	234,538	0.00%	131,177	19,000	0	0	(9,862)	(4,185)
Total						570,000	0	0	(485,686)	(335,370)
Average					85,127	19,000	0	0	(16,190)	(11,179)
Maximum			236,375		150,995		0	0	(59,951)	(58,205)
Minimum			66,008		7,549		0	0	0	0

0.00% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

2010 Contributions

113.10 Monthly Per Unit

1,357.14 Annually Per Unit

1,583.33 Association Monthly

Starting Balance Funds Distribution (Cash Flow)

Sorted by Group

March 3, 2010

THE GAYLE

<u>Item Description</u>	<u>Useful Life</u>	<u>Year</u>	<u>Total</u>	<u>Ideal</u>	<u>Actual</u>	<u>2010</u>
	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>
<u>5 - Reserve Study</u>						
Professional Reserve Study	3	2	2012	1,685	562	0 367
SubTotal	1 items			1,685	562	0 367
<u>20 - Roofs</u>						
Roofing Replacement	18	16	2026	15,400	1,711	0 419
SubTotal	1 items			15,400	1,711	0 419
<u>30 - Painting</u>						
Paint - Exterior, Concrete Wall	10	4	2014	1,600	960	0 174
Paint - Exterior Entryway & Stairway	7	6	2016	2,300	329	0 167
Paint - Exterior Wood Window Frames/Trim	7	0	2010	8,500	8,500	8,500 529
Paint - Interior Common Areas	7	6	2016	9,000	1,286	0 653
SubTotal	4 items			21,400	11,074	8,500 1,523
<u>50 - Lights</u>						
Lighting - Exterior Fixtures	22	10	2020	500	273	0 22
Lighting - Interior Common Fixtures	25	15	2025	1,350	540	0 39
Lighting - Emergency Backup & Exit	30	20	2030	1,200	400	0 26
SubTotal	3 items			3,050	1,213	0 87
<u>70 - Buildings - Interior</u>						
Fire Extinguisher Cabinets	20	8	2018	800	480	0 44
Flooring - Hallway Carpet	8	1	2011	4,200	3,675	3,675 229
Flooring - Stair Carpet	8	1	2011	1,505	1,317	1,317 82
Security - Intercom System Remote Station	16	3	2013	1,200	975	0 174
Window Replacement Allowance	4	0	2010	5,000	5,000	5,000 544
SubTotal	5 items			12,705	11,447	9,992 1,073
<u>75 - Buildings - Exterior</u>						
Balcony/Landing/Railing Allowance	15	0	2010	13,000	13,000	13,000 377
Tuck Point & Refurbish Brick Wall	30	1	2011	50,000	48,485	22,633 11,920
SubTotal	2 items			63,000	61,485	35,633 12,297
<u>80 - Equipment</u>						
Boiler	35	3	2013	7,500	6,857	0 1,089

Starting Balance Funds Distribution (Cash Flow)

Sorted by Group

March 3, 2010

THE GAYLE

	Useful Life	Year	Total	Ideal	Actual	2010	
<u>Item Description</u>	<u>Life Left</u>	<u>Replace</u>	<u>Item Cost</u>	<u>Balance</u>	<u>Balance</u>	<u>Contribution</u>	
Plumbing - Piping Retrofit Allowance	4	1	2011	2,500	1,875	1,875	272
Plumbing - Hot Water Tank	16	7	2017	2,800	1,575	0	174
Electrical Service & Wiring Allowance	99	8	2018	30,000	27,600	0	1,633
SubTotal	4 items			42,800	37,907	1,875	3,169

100 - Grounds

Mailboxes - Apartment Style, Wall Units	25	13	2023	750	360	0	25
Skylights	15	5	2015	450	300	0	39
SubTotal	2 items			1,200	660	0	64

Total	22 items			161,240	126,059	56,000	19,000
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0.00% Investment Rate

0.00% Tax Rate

3.00% Inflation Rate

Ideally Funded - 44%

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

March 3, 2010

THE GAYLE

	Remaining Estimated Useful <u>Lives (Years)</u>	Current Estimated Replacement <u>Costs</u>	FY10 Funding <u>Requirement</u>	Components of Fund Balance <u>End of FY09</u>
<u>Components</u>				
Reserve Study	2 to 2	1,685	367	0
Roofs	16 to 16	15,400	419	0
Painting	0 to 6	21,400	1,523	8,500
Lights	10 to 20	3,050	87	0
Buildings - Interior	0 to 8	12,705	1,073	9,992
Buildings - Exterior	0 to 1	63,000	12,297	35,633
Equipment	1 to 8	42,800	3,169	1,875
Grounds	5 to 13	1,200	64	0
Total	<i>22 items</i>	161,240	19,000	56,000

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

March 3, 2010

THE GAYLE

<u>Components</u>	<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY10 Funding Requirement</u>	<u>Components of Fund Balance End of FY09</u>
<u>5 - Reserve Study</u>				
Professional Reserve Study	2	1,685	367	0
SubTotal 1 items	2 to 2	1,685	367	0
<u>20 - Roofs</u>				
Roofing Replacement	16	15,400	419	0
SubTotal 1 items	16 to 16	15,400	419	0
<u>30 - Painting</u>				
Paint - Exterior Entryway & Stairway	6	2,300	167	0
Paint - Exterior Wood Window Frames/Trim	0	8,500	529	8,500
Paint - Exterior, Concrete Wall	4	1,600	174	0
Paint - Interior Common Areas	6	9,000	653	0
SubTotal 4 items	0 to 6	21,400	1,523	8,500
<u>50 - Lights</u>				
Lighting - Emergency Backup & Exit	20	1,200	26	0
Lighting - Exterior Fixtures	10	500	22	0
Lighting - Interior Common Fixtures	15	1,350	39	0
SubTotal 3 items	10 to 20	3,050	87	0
<u>70 - Buildings - Interior</u>				
Fire Extinguisher Cabinets	8	800	44	0
Flooring - Hallway Carpet	1	4,200	229	3,675
Flooring - Stair Carpet	1	1,505	82	1,317
Security - Intercom System Remote Station	3	1,200	174	0
Window Replacement Allowance	0	5,000	544	5,000
SubTotal 5 items	0 to 8	12,705	1,073	9,992
<u>75 - Buildings - Exterior</u>				
Balcony/Landing/Railing Allowance	0	13,000	377	13,000
Tuck Point & Refurbish Brick Wall	1	50,000	11,920	22,633

Supplementary Information on Future Major Repairs & Replacements (Cash Flow)

AICPA Report

March 3, 2010

THE GAYLE

<u>Components</u>		<u>Remaining Estimated Useful Lives (Years)</u>	<u>Current Estimated Replacement Costs</u>	<u>FY10 Funding Requirement</u>	<u>Components of Fund Balance End of FY09</u>
SubTotal	2 items	0 to 1	63,000	12,297	35,633
<u>80 - Equipment</u>					
Boiler		3	7,500	1,089	0
Electrical Service & Wiring Allowance		8	30,000	1,633	0
Plumbing - Hot Water Tank		7	2,800	174	0
Plumbing - Piping Retrofit Allowance		1	2,500	272	1,875
SubTotal	4 items	1 to 8	42,800	3,169	1,875
<u>100 - Grounds</u>					
Mailboxes - Apartment Style, Wall Units		13	750	25	0
Skylights		5	450	39	0
SubTotal	2 items	5 to 13	1,200	64	0
Total	22 items		161,240	19,000	56,000

Ideal vs. Cash Flow Balances

March 3, 2010

THE GAYLE

The basis to any reserve funding plan first starts with computing the ideal balance. The ideal balance is a benchmark against which the cash flow calculations can be compared. The formula for the ideal balance is:

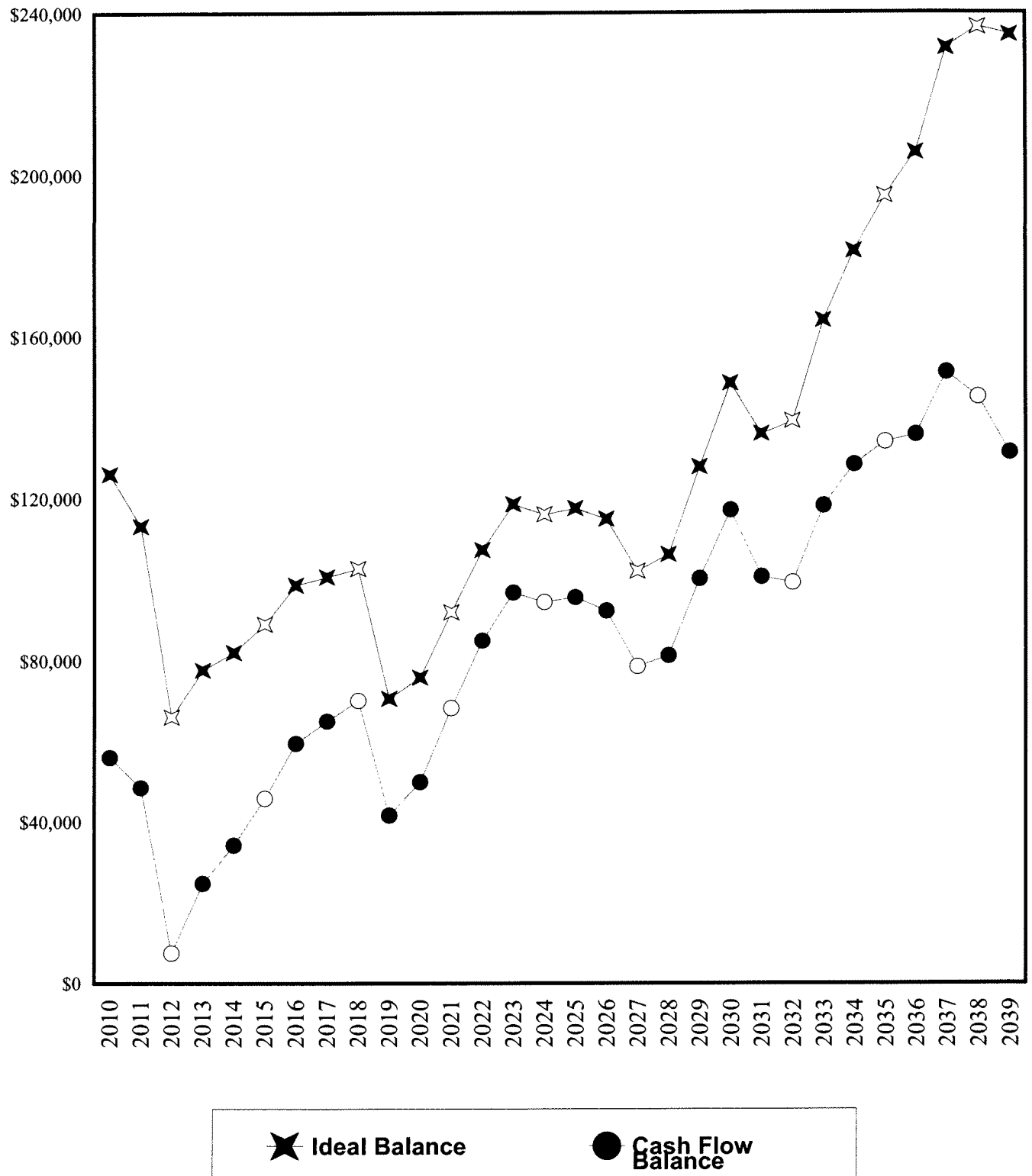
$$\text{Ideal Balance} = (\text{Current Age} / \text{Useful Life}) \times \text{Current Cost}$$

Inflation and interest are also incorporated into this formula.

The Ideal vs. Cash Flow Balances Graph on the next page shows the cash flow balance in relationship to the "Ideal" balance. The spread between the annual cash flow and the "Idea" is consistent.

This information is also presented in spread sheet form on the Funding Plan Summary page.

Ideal vs. Cash Flow Balances



COMPONENT INVENTORY
WORKSHEETS/PHOTOGRAPHS

Worksheet

March 3, 2010

Sorted by Group
THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Item Cost	Year Built	Useful Life Adj	Year Replace	One Life Left Time?
5 - Reserve Study										
Professional Reserve Study	5	0	1 Total	1,685,000	100	1,685	2009	3	0	2012 2 no
Comments: Professional Reserve Study										
An updated professional reserve study with site visit is required every three years.										

Sub-Total 1 items

20 - Roofs

Roofing Replacement	20	0	1 Allowance	15,400,000	100	15,400	2008	18	0	2026 16 no
Comments: Roofing Replacement										
Useful Life Range 10 - 20 years										
Budget to replace the roofing on an eighteen year cycle.										

Sub-Total 1 items

30 - Painting

Paint - Exterior, Concrete Wall	30	0	1 Allowance	1,600,000	100	1,600	2004	10	0	2014 4 no
Comments: Paint - Exterior, Concrete Wall										
Useful Life Range 5 - 12 years										
Budget to paint the exterior concrete on a ten year cycle.										
Paint - Exterior Entryway & Stairway	30	0	1 Allowance	2,300,000	100	2,300	2009	7	0	2016 6 no
Comments: Paint - Exterior Entryway & Stairway										
Useful Life Range 5 - 12 years										

Worksheet

March 3, 2010

Sorted by Group
THE GAYLE

<u>Item Description</u>	<u>Group</u>	<u>Sub-Group</u>	<u>Number Of Items</u>	<u>Item Type</u>	<u>Item Cost</u>	<u>%</u>	<u>Total Year Useful Life</u>	<u>Year Life</u>	<u>One</u>
					<u>Cost Built</u>		<u>Life Adj</u>	<u>Replace Left</u>	<u>Time?</u>

Budget to paint the exterior entryway and stairway on a seven year cycle.

Paint - Exterior Wood Window Frames/Trim	30	0	1	Allowance	8,500,000	100	7	0	2010	0	no
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Comments: Paint - Exterior Wood Window Frames/Trim

Allowance for necessary repairs, refurbishing, painting, caulking on a seven year cycle.

Paint - Interior Common Areas	30	0	1	Allowance	9,000,000	100	7	0	2016	6	no
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Comments: Paint - Interior Common Areas

Useful Life Range 4 - 10 years

Budget to paint the interior common areas on a seven year cycle.

Sub-Total 4 items

50 - Lights

Lighting - Exterior Fixtures	50	0	1	Allowance	500,000	100	22	0	2020	10	no
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Comments: Lighting - Exterior Fixtures

Useful Life Range 15 - 25 years

Allowance to replace exterior lighting fixtures on a twenty-two year cycle.

Lighting - Interior Common Fixtures	50	0	1	Allowance	1,350,000	100	25	0	2025	15	no
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Comments: Lighting - Interior Common Fixtures

Useful Life Range 15 - 30 years

Allowance to replace interior common area lighting fixtures on a twenty-five year cycle.

Lighting - Emergency Backup & Exit	50	0	1	Allowance	1,200,000	100	30	0	2030	20	no
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Worksheet

March 3, 2010

Sorted by Group
THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Year Useful Life	Year Life	One
						Life Adj	Replace Left	Time?
Comments: Lighting - Emergency Backup & Exit								
Useful Life Range 15 - 30+ years								
Allowance to replace emergency backup lighting fixtures and exit signage on a thirty year cycle.								

Sub-Total		3 items						
70 - Buildings - Interior								
Fire Extinguisher Cabinets	70	0	1 Allowance	800.000	100	800 1998	20 0 2018	8 no
Comments: Fire Extinguisher Cabinets								
*Useful Life Range 15 - 30+ years								
Allowance to replace fire extinguisher cabinets on a twenty year cycle.								

Flooring - Hallway Carpet	70	0	100 Square Yard	42.000	100	4,200 2003	8 0 2011	1 no
Comments: Flooring - Hallway Carpet								
Useful Life Range 5 - 12 years								
Budget to replace the hallway carpeting on an eight year cycle.								

Flooring - Stair Carpet	70	0	35 Square Yard	43.000	100	1,505 2003	8 0 2011	1 no
Comments: Flooring - Stair Carpet								
Useful Life Range 5 - 12 years								
Budget to replace the stair carpeting on an eight year cycle.								

Security - Intercom System Remote Station	70	0	1 Allowance	1,200.000	100	1,200 1997	16 0 2013	3 no
Comments: Security - Intercom System Remote Station								

Worksheet

March 3, 2010

Sorted by Group
THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Item Cost	Year Built	Useful Life	Life Adj	Year Replace	One Left Time?
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Useful Life Range 8 - 20 years

Budget to replace the intercom system remote station on a sixteen year cycle.

Window Replacement Allowance	70	0	1 Allowance	5,000,000	100	5,000	2006	4	0	2010	0 no
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Comments: Window Replacement Allowance

Windows are at the end of their useful life. Allowance to replace the windows as necessary//desired, scheduled on a four year cycle.

Sub-Total 5 items

75 - Buildings - Exterior

Balcony/Landing/Railing Allowance	75	0	1 Allowance	13,000,000	100	13,000	1995	15	0	2010	0 no
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Comments: Balcony/Landing/Railing Allowance

Allowance to repair/refurbish the balcony/landing and wood railings as necessary, scheduled on a fifteen year cycle.

Tuck Point & Refurbish Brick Wall	75	0	1 Allowance	50,000,000	100	50,000	1978	30	3	2011	1 no
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Comments: Tuck Point & Refurbish Brick Wall

Useful Life Range The typical range is 25+ years.

Budget to tuck point and refurbish the exterior brick walls on a thirty year cycle.

Sub-Total 2 items

80 - Equipment

Boiler	80	0	1 Allowance	7,500,000	100	7,500	1978	35	0	2013	3 no
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Comments: Boiler

Worksheet

March 3, 2010

Sorted by Group

THE GAYLE

Item Description	Group	Sub-Group	Number Of Items	Item Type	Item Cost	%	Item Cost Built	Total Year Useful Life	Life Adj	Year Life	One Replace Left	Time?
Useful Life Range 25 - 40 years												
Budget to replace/refurbish the boiler at thirty-five years.												
Plumbing - Piping Retrofit Allowance	80	0	1	Allowance	2,500.000	100	2,500 2007	4	0	2011	1	no
Comments: Plumbing - Piping Retrofit Allowance												
Allowance for plumbing/piping repairs and replacements as necessary, scheduled on a four year cycle.												
Plumbing - Hot Water Tank	80	0	1	Allowance	2,800.000	100	2,800 2001	16	0	2017	7	no
Comments: Plumbing - Hot Water Tank												
Useful Life Range 10 - 18 years												
Budget to replace the common hot water tank on a sixteen year cycle.												
Electrical Service & Wiring Allowance	80	0	1	Allowance	30,000.000	100	30,000 1918	99	1	2018	8	no
Comments: Electrical Service & Wiring Allowance												
Allowance for electrical service and wiring upgrades.												
Sub-Total	4 items											
100 - Grounds												
Mailboxes - Apartment Style, Wall Units	100	0	1	Allowance	750.000	100	750 1998	25	0	2023	13	no
Comments: Mailboxes - Apartment Style, Wall Units												
*Useful Life Range 14 - 30 years												
Budget to replace the mailboxes on a twenty-five year cycle.												
Skylights	100	0	1	Allowance	450.000	100	450 2000	15	0	2015	5	no

Worksheet

March 3, 2010

Sorted by Group
THE GAYLE

Item Description	Sub-Group	Number Of Items	Item Type	Item Cost	%	Total Cost	Year Useful Life	Year Life	One Replace Left	Time?
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Comments: Skylights

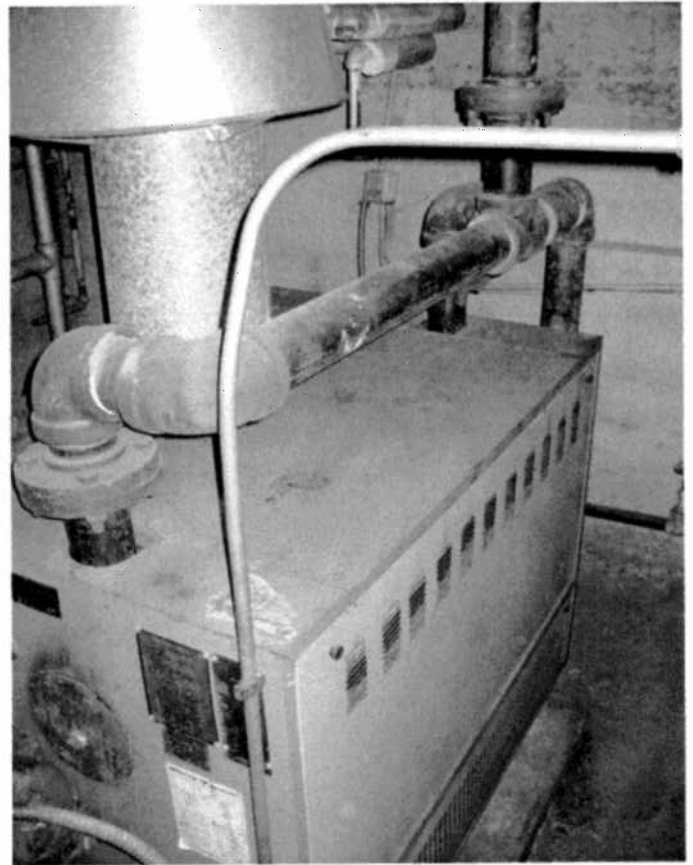
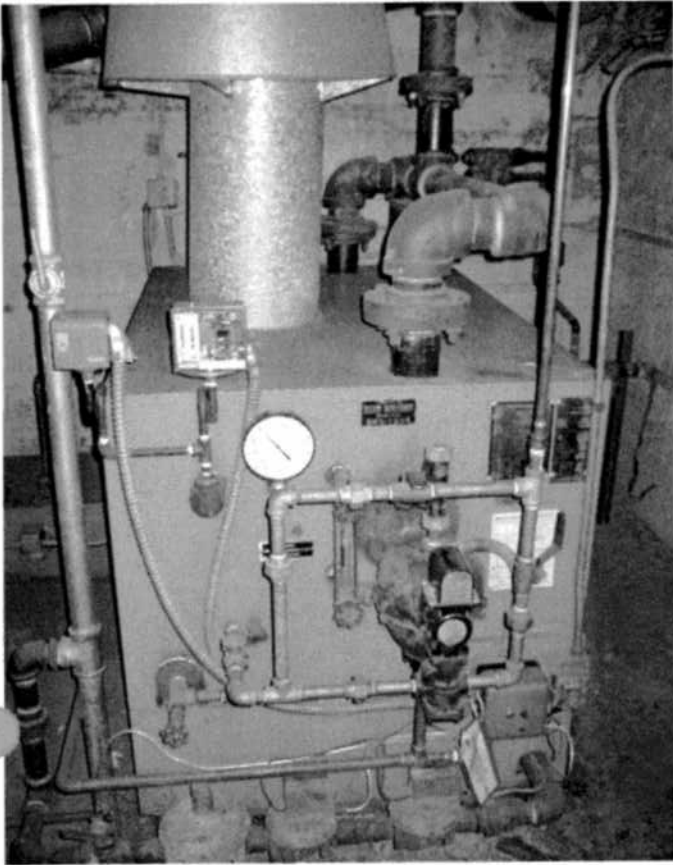
Useful Life Range 10 - 25 years

Budget to replace the skylights on a fifteen year cycle.

Sub-Total 2 items

Total 22 items

THE GAYLE COMPONENT PHOTOS



Boiler

Useful Life Range 25 - 40 years

Budget to replace/refurbish the boiler at thirty-five years.

THE GAYLE COMPONENT PHOTOS



Balcony/Landing/Railing Allowance

Allowance to repair/refurbish the balcony/landing and wood railings as necessary, scheduled on a fifteen year cycle.

THE GAYLE COMPONENT PHOTOS

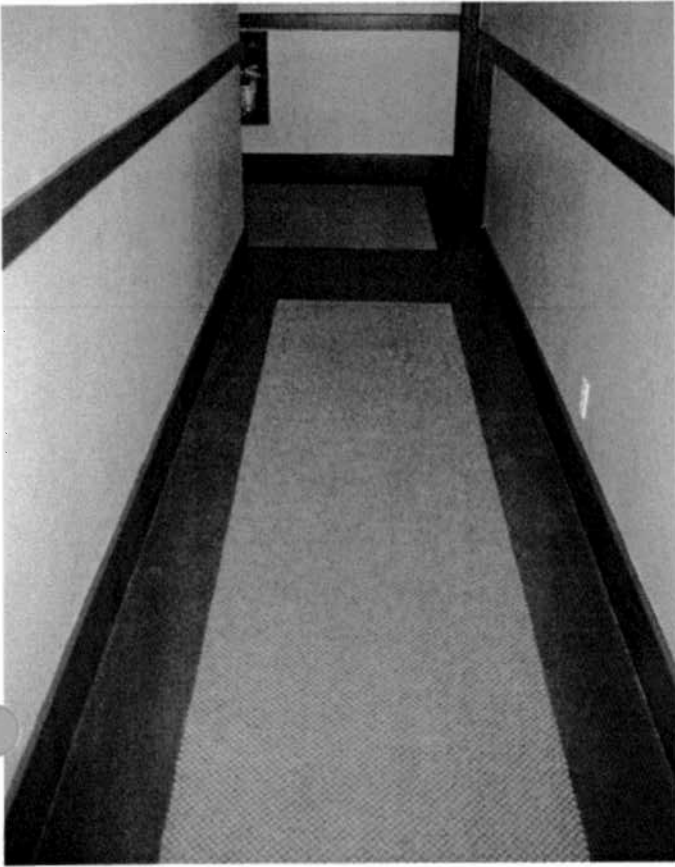


Fire Extinguisher Cabinets

*Useful Life Range 15 - 30+ years

Allowance to replace fire extinguisher cabinets on a twenty year cycle.

THE GAYLE COMPONENT PHOTOS

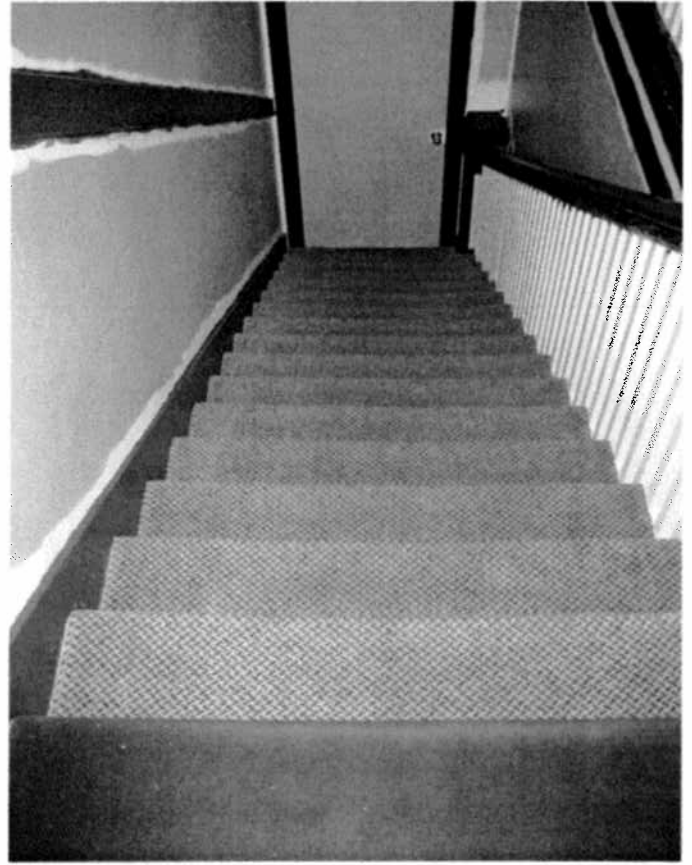


Flooring - Hallway Carpet

Useful Life Range 5 - 12 years

Budget to replace the wallway carpeting on an eight year cycle.

THE GAYLE COMPONENT PHOTOS

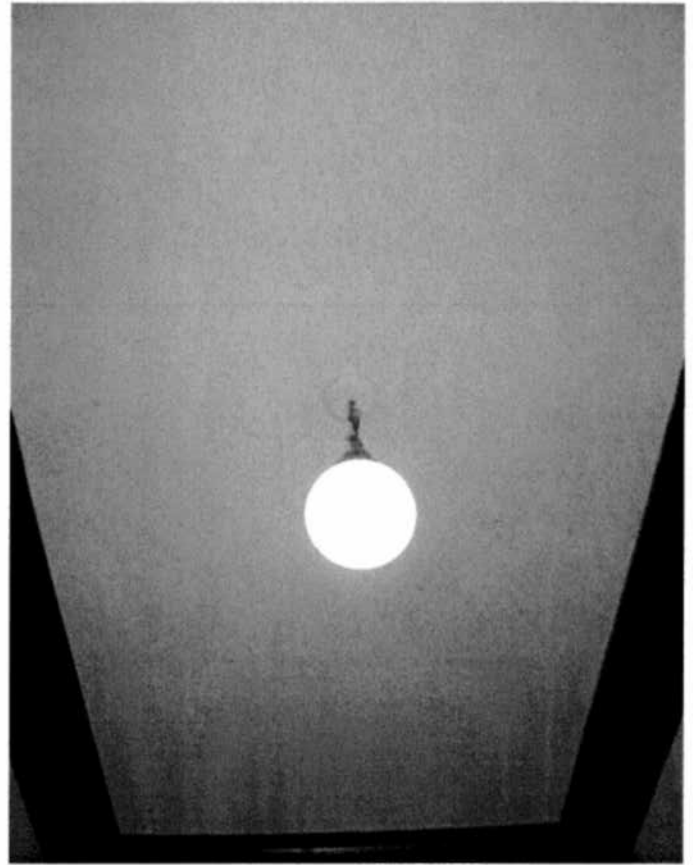


Flooring - Stair Carpet

Useful Life Range 5 - 12 years

Budget to replace the stair carpeting on an eight year cycle.

THE GAYLE COMPONENT PHOTOS

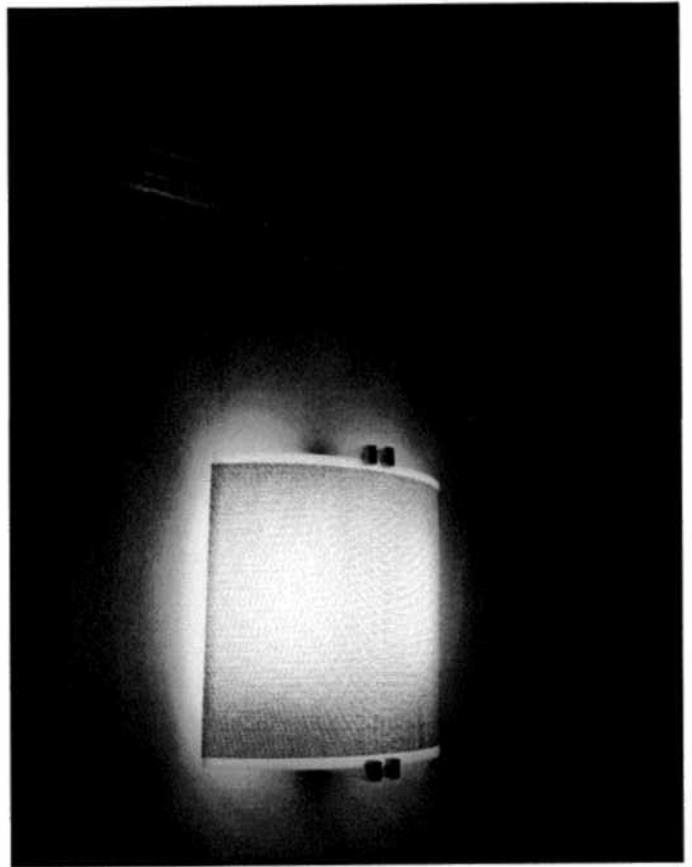


Lighting - Exterior Fixtures

Useful Life Range 15 - 25 years

Allowance to replace exterior lighting fixtures on a twenty-two year cycle.

THE GAYLE COMPONENT PHOTOS



Lighting - Interior Common Fixtures

Useful Life Range 15 - 30 years

Allowance to replace interior common area lighting fixtures on a twenty-five year cycle.

THE GAYLE COMPONENT PHOTOS



Lighting - Emergency Backup & Exit

Useful Life Range 15 - 30+ years

Allowance to replace emergency backup lighting fixtures and exit signage on a thirty year cycle.

THE GAYLE COMPONENT PHOTOS

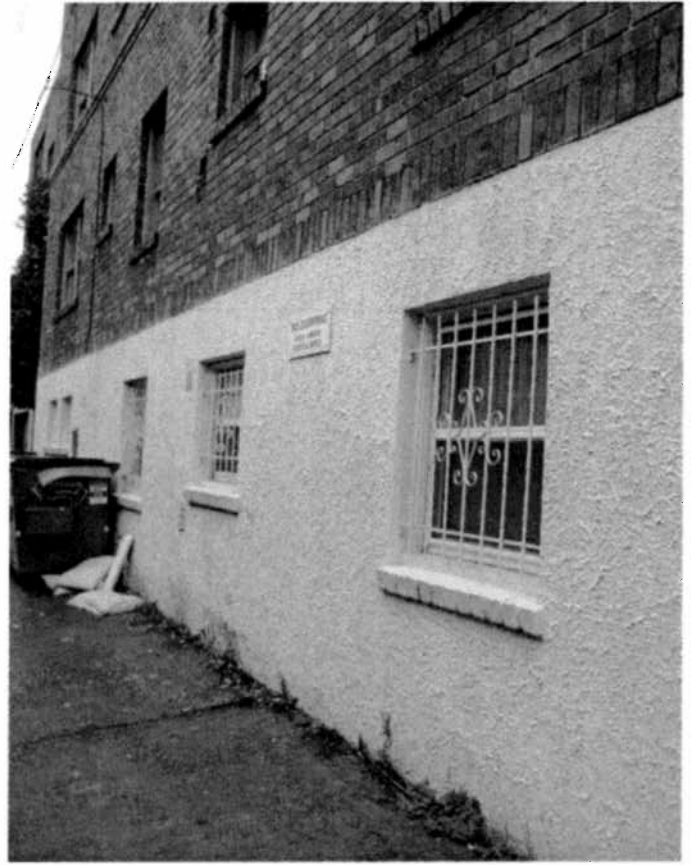


Mailboxes - Apartment Style, Wall Units

*Useful Life Range 14 - 30 years

Budget to replace the mailboxes on a twenty-five year cycle.

THE GAYLE COMPONENT PHOTOS



Paint - Exterior Entryway & Stairway

Useful Life Range 5 - 12 years

Budget to paint the exterior entryway and stairway on a seven year cycle.

THE GAYLE COMPONENT PHOTOS

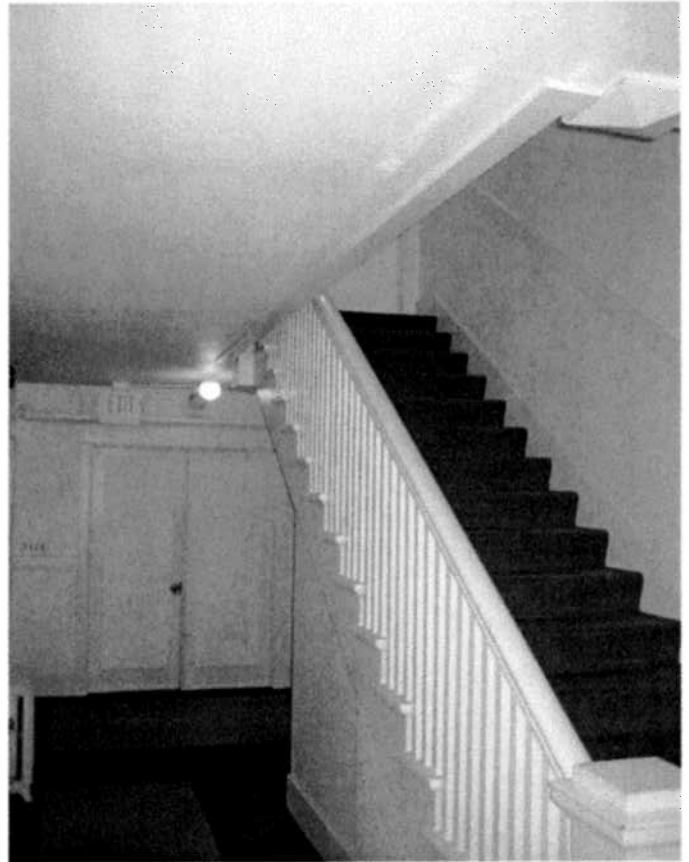


Paint - Exterior Entryway & Stairway

Useful Life Range 5 - 12 years

Budget to paint the exterior entryway and stairway on a seven year cycle.

THE GAYLE COMPONENT PHOTOS

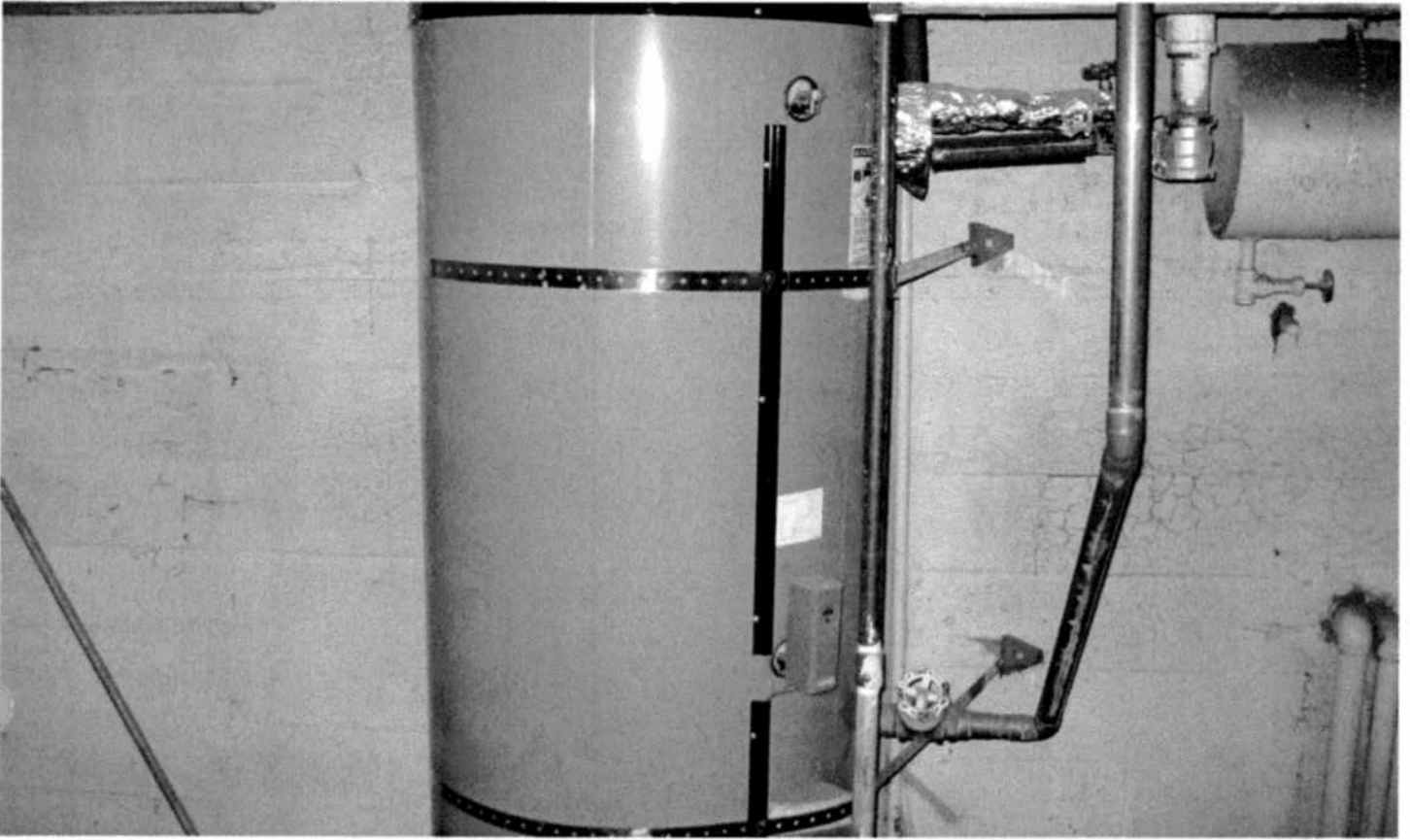


Paint - Interior Common Areas

Useful Life Range 4 - 10 years

Budget to paint the interior common areas on a seven year cycle.

THE GAYLE COMPONENT PHOTOS



Plumbing - Hot Water Tank

Useful Life Range 10 - 18 years

Budget to replace the common hot water tank on a sixteen year cycle.

THE GAYLE COMPONENT PHOTOS



Roofing Replacement

Useful Life Range 10 - 20 years

Budget to replace the roofing on an eighteen year cycle.

THE GAYLE COMPONENT PHOTOS



Security - Intercom System Remote Station

Useful Life Range 8 - 20 years

Budget to replace the intercom system remote station on a sixteen year cycle.

THE GAYLE COMPONENT PHOTOS

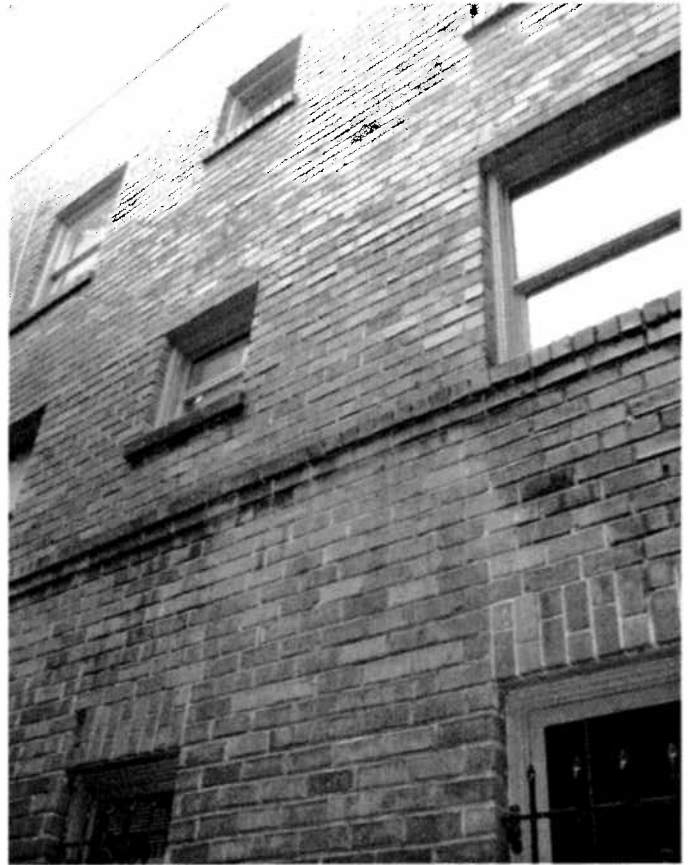


Skylights

Useful Life Range 10 - 25 years

Budget to replace the skylights on a fifteen year cycle.

THE GAYLE COMPONENT PHOTOS



Tuck Point & Refurbish Brick Wall

Useful Life Range The typical range is 25+ years.

Budget to tuck point and refurbish the exterior brick walls on a thirty year cycle.

THE GAYLE COMPONENT PHOTOS



Window Replacement Allowance

Windows are at the end of their useful life. Allowance to replace the windows as necessary/desired, scheduled on a four year cycle.