

FULL RESERVE STUDY

Winchester Country Maintenance Association, Inc.



Houston, Texas
November 26, 2019



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Winchester Country Maintenance Association, Inc.
Houston, Texas

Dear Board of Directors of Winchester Country Maintenance Association, Inc.:

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of Winchester Country Maintenance Association, Inc. in Houston, Texas and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 26, 2019.

This *Full Reserve Study* exceeds the Association of Professional Reserve Analysts (APRA) standards fulfilling the requirements of a "Level I Full Reserve Study."

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. We look forward to continuing to help Winchester Country Maintenance Association, Inc. plan for a successful future.

As part of our long-term thinking and everyday commitment to our clients, we are available to answer any questions you may have regarding this study.

Respectfully submitted on December 16, 2019 by

Reserve Advisors, LLC

Visual Inspection and Report by: Casey M. Lewis

Review by: Alan M. Ebert, RS¹, PRA², Director of Quality Assurance



¹ RS (Reserve Specialist) is the reserve provider professional designation of the Community Associations Institute (CAI) representing America's more than 300,000 condominium, cooperative and homeowners associations.

² PRA (Professional Reserve Analyst) is the professional designation of the Association of Professional Reserve Analysts. Learn more about APRA at <http://www.apra-usa.com>.



Long-term thinking. Everyday commitment.

Table of Contents

1. RESERVE STUDY EXECUTIVE SUMMARY	1.1
2. RESERVE STUDY REPORT	2.1
3. RESERVE EXPENDITURES and FUNDING PLAN.....	3.1
4. RESERVE COMPONENT DETAIL.....	4.1
Property Site Elements	4.1
Concrete Flatwork	4.1
Fence, Chain Link.....	4.2
Fences, Steel.....	4.3
Irrigation System.....	4.4
Light Poles and Fixtures	4.5
Playground Equipment	4.6
Signage, Informational.....	4.7
Signage, Monuments.....	4.8
Tennis Courts, Color Coat	4.8
Tennis Courts, Fence	4.9
Tennis Courts, Light Poles and Fixtures.....	4.10
Tennis Courts, Surface.....	4.11
Clubhouse Elements.....	4.12
Floor Coverings, Tile	4.12
Floor Coverings, Wood Laminate	4.13
Furnishings.....	4.13
HVAC Equipment	4.15
Paint Finishes, Exterior.....	4.15
Paint Finishes, Interior.....	4.16
Rest Rooms, Fixtures	4.17
Roofs, Metal	4.18
Security System.....	4.19
Windows and Doors	4.21
Pool Elements.....	4.22
Concrete Deck.....	4.22
Diving Board.....	4.23

Fences, Steel.....	4.24
Mechanical Equipment	4.25
Pool Finishes, Plaster and Tile	4.26
Shade Structures.....	4.27
Structures and Deck	4.28
Reserve Study Update	4.29
5. METHODOLOGY	5.1
6. CREDENTIALS	6.1
7. DEFINITIONS	7.1
8. PROFESSIONAL SERVICE CONDITIONS	8.1



1. RESERVE STUDY EXECUTIVE SUMMARY

Client: Winchester Country Maintenance Association, Inc. (Winchester Country)

Location: Houston, Texas

Reference: 040055

Property Basics: Winchester Country Maintenance Association, Inc. is a homeowners association which is responsible for the common elements shared by 1,588 single family homes. The community was built in 1980. The community contains a clubhouse and pool.

Reserve Components Identified: 36 Reserve Components.

Inspection Date: November 26, 2019.

Funding Goal: The Funding Goal of this Reserve Study is to maintain reserves above an adequate, not excessive threshold during one or more years of significant expenditures. Our recommended Funding Plan recognizes these threshold funding years in 2040 and 2046 due to replacement of pool structure and clubhouse roof, respectively.

Cash Flow Method: We use the Cash Flow Method to compute the Reserve Funding Plan. This method offsets future variable Reserve Expenditures with existing and future stable levels of reserve funding. Our application of this method also considers:

- Current and future local costs of replacement
- 2.2% anticipated annual rate of return on invested reserves
- 2.9% future Inflation Rate for estimating Future Replacement Costs

Sources for Local Costs of Replacement: Our proprietary database, historical costs and published sources, i.e., R.S. Means, Incorporated.

Cash Status of Reserve Fund:

- \$1,100,234 as of September 30, 2019
- 2019 budgeted Reserve Contributions of \$25,000
- 2020 budgeted Reserve Contributions of \$26,568
- A potential deficit in reserves might occur by 2040 based upon continuation of the most recent annual reserve contribution of \$26,568 and the identified Reserve Expenditures.

Project Prioritization: We note anticipated Reserve Expenditures for the next 30 years in the **Reserve Expenditures** tables and include a **Five-Year Outlook** table following the **Reserve Funding Plan** in Section 3. We recommend the Association prioritize the following projects in the next five years based on the conditions identified:

- Replacement of the pool deck textured coating to maintain a safe pedestrian surface
- Accelerated replacement of the pool plaster to repair cracks and maintain the pool structure

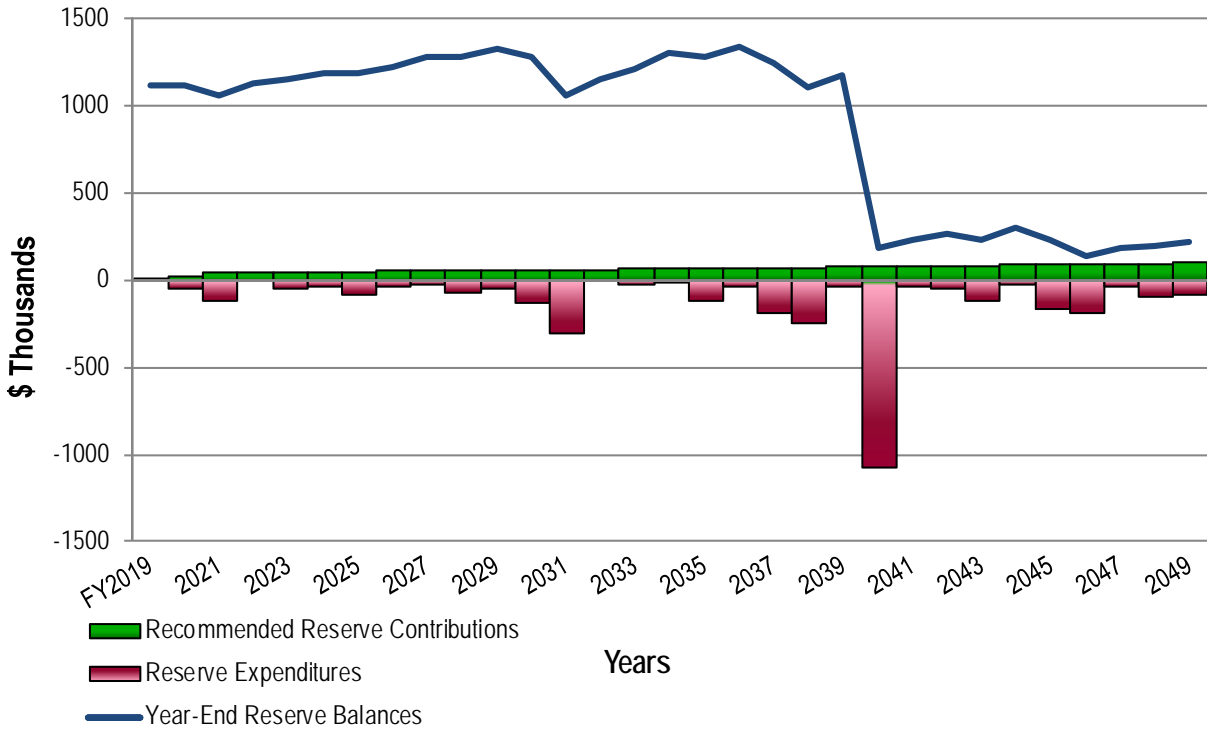
Recommended Reserve Funding: We recommend the following in order to achieve a stable and equitable Funding Plan:

- Increase to \$45,000 in 2021
- Inflationary increases through 2049, the limit of this study's Cash Flow Analysis
- Initial recommended adjustment in Reserve Contributions of \$18,432 represents an average monthly increase of \$0.97 per homeowner and about a three percent (2.7%) adjustment in the 2020 total Operating Budget of \$676,870.



Winchester Country
Recommended Reserve Funding Table and Graph

Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)	Year	Reserve Contributions (\$)	Reserve Balances (\$)
2020	26,568	1,114,598	2030	58,100	1,279,391	2040	77,300	186,330
2021	45,000	1,061,241	2031	59,800	1,062,189	2041	79,500	229,277
2022	46,300	1,131,398	2032	61,500	1,147,734	2042	81,800	263,089
2023	47,600	1,154,653	2033	63,300	1,215,861	2043	84,200	229,189
2024	49,000	1,190,989	2034	65,100	1,300,199	2044	86,600	296,165
2025	50,400	1,189,125	2035	67,000	1,278,050	2045	89,100	228,979
2026	51,900	1,227,867	2036	68,900	1,337,363	2046	91,700	133,036
2027	53,400	1,279,894	2037	70,900	1,251,049	2047	94,400	190,207
2028	54,900	1,285,849	2038	73,000	1,106,695	2048	97,100	199,061
2029	56,500	1,326,210	2039	75,100	1,174,196	2049	99,900	225,332





2. RESERVE STUDY REPORT

At the direction of the Board that recognizes the need for proper reserve planning, we have conducted a *Full Reserve Study* of

Winchester Country Maintenance Association, Inc.

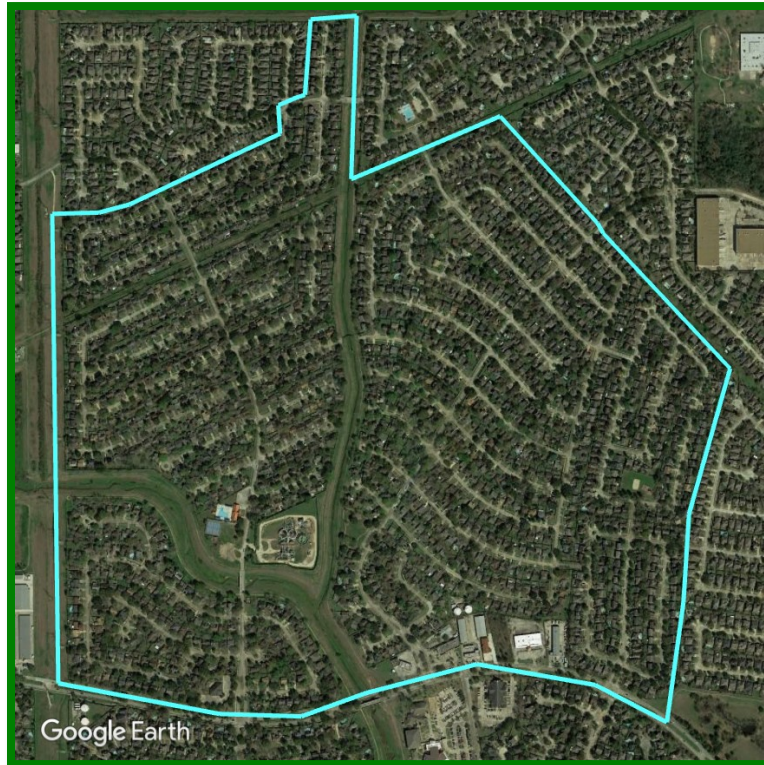
Houston, Texas

and submit our findings in this report. The effective date of this study is the date of our visual, noninvasive inspection, November 26, 2019.

We present our findings and recommendations in the following report sections and spreadsheets:

- **Identification of Property** - Segregates all property into several areas of responsibility for repair or replacement
- **Reserve Expenditures** - Identifies reserve components and related quantities, useful lives, remaining useful lives and future reserve expenditures during the next 30 years
- **Reserve Funding Plan** - Presents the recommended Reserve Contributions and year-end Reserve Balances for the next 30 years
- **Five-Year Outlook** - Identifies reserve components and anticipated reserve expenditures during the first five years
- **Reserve Component Detail** - Describes the reserve components, includes photographic documentation of the condition of various property elements, describes our recommendations for repairs or replacement, and includes detailed solutions and procedures for replacements for the benefit of current and future board members
- **Methodology** - Lists the national standards, methods and procedures used to develop the Reserve Study
- **Definitions** - Contains definitions of terms used in the Reserve Study, consistent with national standards
- **Professional Service Conditions** - Describes Assumptions and Professional Service Conditions
- **Credentials and Resources**

IDENTIFICATION OF PROPERTY



Our investigation includes Reserve Components or property elements as set forth in your Declaration. The Expenditure tables in Section 3 list the elements contained in this study. Our analysis begins by segregating the property elements into several areas of responsibility for repair and replacement.

Our process of identification helps assure that future boards and the management team understand whether reserves, the operating budget or Homeowners fund certain replacements and assists in preparation of the annual budget. We derive these segregated classes of property from our review of the information provided by the Association and through conversations with Management and the Board. These classes of property include:

- Reserve Components
- Long-Lived Property Elements
- Operating Budget Funded Repairs and Replacements
- Property Maintained by Homeowners
- Property Maintained by Others

We advise the Board conduct an annual review of these classes of property to confirm its policy concerning the manner of funding, i.e., from reserves or the operating budget. The Reserve Study identifies Reserve Components as set forth in your Declaration or which were identified as part of your request for proposed services. Reserve Components are defined by CAI as property elements with:

- Winchester Country responsibility
- Limited useful life expectancies
- Predictable remaining useful life expectancies
- Replacement cost above a minimum threshold

Long-Lived Property Elements may not have predictable Remaining Useful Lives or their replacement may occur beyond the 30-year scope of the study. The operating budget should fund infrequent repairs. Funding untimely or unexpected replacements from reserves will necessitate increases to Reserve Contributions. Periodic updates of this Reserve Study will help determine the merits of adjusting the Reserve Funding Plan. We identify the following Long-Lived Property Elements as excluded from reserve funding at this time.

- Electrical Systems, Common
- Foundations, Common
- Structural Frames, Common

The operating budget provides money for the repair and replacement of certain Reserve Components. The Association may develop independent criteria for use of operating and reserve funds. For purposes of calculating appropriate Reserve Contributions, we identify the following list of Operating Budget Funded Repairs and Replacements:

- General Maintenance to the Common Elements
- Expenditures less than \$4,000 (These relatively minor expenditures have a limited effect on the recommended Reserve Contributions.)
- Drinking Fountains
- Irrigation System, Controls and Maintenance
- Landscape
- Light Fixtures, Clubhouse
- Masonry Repairs, Clubhouse
- Paint Finishes, Touch Up
- Pool Furniture
- Shade Structures, Interim Canopy Replacements
- Skylights, Interim Replacements
- Storage Buildings
- Volleyball Court
- Walking Trail, Gravel, Round Up Lane Park
- Other Repairs normally funded through the Operating Budget

Certain items have been designated as the responsibility of the homeowners to repair or replace at their cost. Property Maintained by Homeowners, including items billed back to Homeowners, relates to unit:

- Homes and Lots



Certain items have been designated as the responsibility of others to repair or replace. Property Maintained by Others relates to:

- Light Poles and Fixtures, Streets (Utility Company)
- Mailbox Stations (United States Postal Service)
- Perimeter Walls (Municipal Utility District)
- Street System (Harris County)
- Walking Trails along Bayou (Municipal Utility District)
- Water Treatment Plant (Municipal Utility District)

3. RESERVE EXPENDITURES and FUNDING PLAN

The tables following this introduction present:

Reserve Expenditures

- Line item numbers
- Total quantities
- Quantities replaced per phase (in a single year)
- Reserve component inventory
- Estimated first year of event (i.e., replacement, application, etc.)
- Life analysis showing
 - useful life
 - remaining useful life
- 2019 local cost of replacement
 - Per unit
 - Per phase
 - Replacement of total quantity
- Total future costs of replacement anticipated during the next 30 years
- Schedule of estimated future costs for each reserve component including inflation

Reserve Funding Plan

- Reserves at the beginning of each year
- Total recommended reserve contributions
- Estimated interest earned from invested reserves
- Anticipated expenditures by year
- Anticipated reserves at year end
- Predicted reserves based on current funding level

Five-Year Outlook

- Line item numbers
- Reserve component inventory of only the expenditures anticipated to occur within the first five years
- Schedule of estimated future costs for each reserve component anticipated to occur within the first five years

The purpose of a Reserve Study is to provide an opinion of reasonable annual Reserve Contributions. Prediction of exact timing and costs of minor Reserve Expenditures typically will not significantly affect the 30-year cash flow analysis. Adjustments to the times and/or costs of expenditures may not always result in an adjustment in the recommended Reserve Contributions.

Financial statements prepared by your association, by you or others might rely in part on information contained in this section. For your convenience, we have provided an electronic data file containing the tables of ***Reserve Expenditures*** and ***Reserve Funding Plan***.

RESERVE EXPENDITURES

**Winchester Country
Maintenance Association, Inc.**
Houston, Texas

Explanatory Notes:

- 1) **2.9%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029	11 2030	12 2031	13 2032	14 2033	15 2034		
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)																		
Property Site Elements																													
4.180	36,200	2,715	Square Feet	Concrete Flatwork, Partial	2028	to 65	9 to 30+	11.00	29,865	398,200	217,773																	38,628	
4.220	290	290	Linear Feet	Fence, Chain Link	2037	to 25	18	19.00	5,510	5,510	9,218																		
4.240	620	620	Linear Feet	Fences, Steel, Paint Finishes	2021	6 to 8	2	7.00	4,340	4,340	30,060		4,595																
4.245	620	620	Linear Feet	Fences, Steel, Replacement	2029	to 35	10	54.00	33,480	33,480	44,559																44,559		
4.420	7	1	Allowance	Irrigation System, Phased	2023	to 40+	4 to 28	18,300.00	18,300	128,100	207,726				20,517					23,002							25,789		
4.560	4	4	Each	Light Poles and Fixtures	2024	to 25	5	1,700.00	6,800	6,800	23,876					7,845													
4.660	1	1	Allowance	Playground Equipment, Rio Grande Drive	2035	15 to 20	16	46,800.00	46,800	46,800	73,942																		
4.661	1	1	Allowance	Playground Equipment, Round Up Lane	2038	15 to 20	19	96,300.00	96,300	96,300	165,775																		
4.662	1	1	Allowance	Playground Equipment, Sand Pass Lane	2037	15 to 20	18	98,200.00	98,200	98,200	164,281																		
4.800	4	4	Each	Signage, Informational, Replacement	2030	15 to 20	11	1,300.00	5,200	5,200	18,057																7,122		
4.810	1	1	Allowance	Signage, Monuments, Renovation	2025	15 to 20	6	5,000.00	5,000	5,000	16,450							5,936											
4.830	12,900	12,900	Square Feet	Tennis Courts, Color Coat	2021	4 to 6	2	1.00	12,900	12,900	102,498			13,659						15,758									
4.840	460	460	Linear Feet	Tennis Courts, Fence	2021	to 25	2	34.00	15,640	15,640	50,402			16,560															
4.850	4	4	Each	Tennis Courts, Light Poles and Fixtures	2026	to 35	7	2,600.00	10,400	10,400	12,704									12,704									
4.860	12,900	12,900	Square Feet	Tennis Courts, Surface Replacement	2031	40 to 50	12	10.00	129,000	129,000	181,792																181,792		
Clubhouse Elements																													
5.240	190	190	Square Yards	Floor Coverings, Tile	2028	to 30	9	84.00	15,960	15,960	20,643																	20,643	
5.305	100	100	Square Yards	Floor Coverings, Wood Laminate	2042	18 to 25	23	83.00	8,300	8,300	16,019																		
5.400	2	1	Allowance	Furnishings, Phased	2023	to 20	4 to 14	14,000.00	14,000	28,000	64,389				15,696													20,890	
5.450	3	1	Each	HVAC Equipment, Phased	2023	12 to 18	4 to 8	4,500.00	4,500	13,500	40,676				5,045		5,342		5,656										
5.506	1	1	Allowance	Paint Finishes, Exterior	2024	8 to 10	5	5,300.00	5,300	5,300	25,083					6,114												8,138	
5.510	7,900	7,900	Square Feet	Paint Finishes, Interior	2025	8 to 12	6	0.60	4,740	4,740	23,083							5,627											
5.530	1	1	Allowance	Rest Rooms, Fixtures	2028	to 25	9	13,600.00	13,600	13,600	17,590																17,590		
5.600	60	60	Squares	Roofs, Metal	2046	to 30	27	1,000.00	60,000	60,000	129,827																		
5.705	2	1	Allowance	Security System, Phased	2024	10 to 15	5 to 11	10,500.00	10,500	21,000	87,886					12,113											14,380		
5.800	300	300	Square Feet	Windows and Doors	2030	30 to 40	11	40.00	12,000	12,000	16,434																16,434		
Pool Elements																													
6.200	9,640	9,640	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2020	8 to 12	1	4.50	43,380	43,380	104,048		44,638															59,410	
6.305	1	1	Each	Diving Board	2026	10 to 15	7	9,000.00	9,000	9,000	27,874								10,994										
6.400	710	710	Linear Feet	Fence, Steel, Paint Finishes	2023	6 to 8	4	10.00	7,100	7,100	39,209				7,960												4,862		
6.401	360	360	Linear Feet	Fence, Steel, Original, Replacement	2030	to 30	11	63.00	22,680	22,680	31,061																31,061		
6.402	350	350	Linear Feet	Fence, Steel, Recently Replaced, Replacement	2049	to 30	30	63.00	22,050	22,050	51,984																		
6.600	2	1	Allowance	Mechanical Equipment, Phased	2024	to 15	5 to 12	10,500.00	10,500	21,000	67,064					12,113											14,797		
6.800	3,920	3,920	Square Feet	Pool Finishes, Plaster	2021	8 to 12	2	14.50	56,840	56,840	140,286			60,185													80,101		
6.801	740	740	Linear Feet	Pool Finishes, Tile	2021	15 to 25	2	34.50	25,530	25,530	27,032			27,032															

RESERVE EXPENDITURES

Winchester Country Maintenance Association, Inc. Houston, Texas

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$					16 2035	17 2036	18 2037	19 2038	20 2039	21 2040	22 2041	23 2042	24 2043	25 2044	26 2045	27 2046	28 2047	29 2048	30 2049	
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)																	
Property Site Elements																												
4.180	36,200	2,715	Square Feet	Concrete Flatwork, Partial	2028	to 65	9 to 30+	11.00	29,865	398,200	217,773				51,411						59,310						68,424	
4.220	290	290	Linear Feet	Fence, Chain Link	2037	to 25	18	19.00	5,510	5,510	9,218			9,218														
4.240	620	620	Linear Feet	Fences, Steel, Paint Finishes	2021	6 to 8	2	7.00	4,340	4,340	30,060	6,857								8,376							10,232	
4.245	620	620	Linear Feet	Fences, Steel, Replacement	2029	to 35	10	54.00	33,480	33,480	44,559																	
4.420	7	1	Allowance	Irrigation System, Phased	2023	to 40+	4 to 28	18,300.00	18,300	128,100	207,726	28,913				32,416					36,343				40,746			
4.560	4	4	Each	Light Poles and Fixtures	2024	to 25	5	1,700.00	6,800	6,800	23,876																16,031	
4.660	1	1	Allowance	Playground Equipment, Rio Grande Drive	2035	15 to 20	16	46,800.00	46,800	46,800	73,942	73,942																
4.661	1	1	Allowance	Playground Equipment, Round Up Lane	2038	15 to 20	19	96,300.00	96,300	96,300	165,775					165,775												
4.662	1	1	Allowance	Playground Equipment, Sand Pass Lane	2037	15 to 20	18	98,200.00	98,200	98,200	164,281				164,281													
4.800	4	4	Each	Signage, Informational, Replacement	2030	15 to 20	11	1,300.00	5,200	5,200	18,057																10,935	
4.810	1	1	Allowance	Signage, Monuments, Renovation	2025	15 to 20	6	5,000.00	5,000	5,000	16,450																10,514	
4.830	12,900	12,900	Square Feet	Tennis Courts, Color Coat	2021	4 to 6	2	1.00	12,900	12,900	102,498		20,973				24,195										27,913	
4.840	460	460	Linear Feet	Tennis Courts, Fence	2021	to 25	2	34.00	15,640	15,640	50,402																33,842	
4.850	4	4	Each	Tennis Courts, Light Poles and Fixtures	2026	to 35	7	2,600.00	10,400	10,400	12,704																	
4.860	12,900	12,900	Square Feet	Tennis Courts, Surface Replacement	2031	40 to 50	12	10.00	129,000	129,000	181,792																	
Clubhouse Elements																												
5.240	190	190	Square Yards	Floor Coverings, Tile	2028	to 30	9	84.00	15,960	15,960	20,643																	
5.305	100	100	Square Yards	Floor Coverings, Wood Laminate	2042	18 to 25	23	83.00	8,300	8,300	16,019										16,019							
5.400	2	1	Allowance	Furnishings, Phased	2023	to 20	4 to 14	14,000.00	14,000	28,000	64,389																27,803	
5.450	3	1	Each	HVAC Equipment, Phased	2023	12 to 18	4 to 8	4,500.00	4,500	13,500	40,676				7,746		8,202				8,685							
5.506	1	1	Allowance	Paint Finishes, Exterior	2024	8 to 10	5	5,300.00	5,300	5,300	25,083																10,831	
5.510	7,900	7,900	Square Feet	Paint Finishes, Interior	2025	8 to 12	6	0.60	4,740	4,740	23,083	7,489															9,967	
5.530	1	1	Allowance	Rest Rooms, Fixtures	2028	to 25	9	13,600.00	13,600	13,600	17,590																	
5.600	60	60	Squares	Roofs, Metal	2046	to 30	27	1,000.00	60,000	60,000	129,827																129,827	
5.705	2	1	Allowance	Security System, Phased	2024	10 to 15	5 to 11	10,500.00	10,500	21,000	87,886		17,071								20,265						24,057	
5.800	300	300	Square Feet	Windows and Doors	2030	30 to 40	11	40.00	12,000	12,000	16,434																	
Pool Elements																												
6.200	9,640	9,640	Square Feet	Concrete Deck, Textured Coating, Partial Replacements and Repairs	2020	8 to 12	1	4.50	43,380	43,380	104,048																	
6.305	1	1	Each	Diving Board	2026	10 to 15	7	9,000.00	9,000	9,000	27,874										16,880							
6.400	710	710	Linear Feet	Fence, Steel, Paint Finishes	2023	6 to 8	4	10.00	7,100	7,100	39,209			11,878													14,509	
6.401	360	360	Linear Feet	Fence, Steel, Original, Replacement	2030	to 30	11	63.00	22,680	22,680	31,061																	
6.402	350	350	Linear Feet	Fence, Steel, Recently Replaced, Replacement	2049	to 30	30	63.00	22,050	22,050	51,984																51,984	
6.600	2	1	Allowance	Mechanical Equipment, Phased	2024	to 15	5 to 12	10,500.00	10,500	21,000	67,064					18,075											22,079	
6.800	3,920	3,920	Square Feet	Pool Finishes, Plaster	2021	8 to 12	2	14.50	56,840	56,840	140,286																	
6.801	740	740	Linear Feet	Pool Finishes, Tile	2021	15 to 25	2	34.50	25,530	25,530	27,032																	

RESERVE EXPENDITURES

**Winchester Country
Maintenance Association, Inc.**
Houston, Texas

Explanatory Notes:

- 1) **2.9%** is the estimated Inflation Rate for estimating Future Replacement Costs.
- 2) FY2019 is Fiscal Year beginning January 1, 2019 and ending December 31, 2019.

Line Item	Total Quantity	Per Phase Quantity	Units	Reserve Component Inventory	Estimated 1st Year of Event	Life Analysis, Years		Costs, \$				RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029	11 2030	12 2031	13 2032	14 2033	15 2034	
						Useful	Remaining	Unit (2019)	Per Phase (2019)	Total (2019)	30-Year Total (Inflated)																	
6.870	1	1 Allowance		Shade Structures, Interim Repairs	2020	N/A	1	4,000.00	4,000	4,000	4,116	4,116																
6.871	4	4 Each		Shade Structures, Replacement	2025	to 20	6	12,900.00	51,600	51,600	169,760						61,255											
6.900	3,920	3,920 Square Feet		Structures and Deck, Total Replacement	2040	to 60	21	150.00	588,000	588,000	1,071,767																	
Anticipated Expenditures, By Year											\$3,494,944	0	48,754	122,031	0	49,218	38,185	78,160	39,456	28,658	76,861	44,559	133,269	302,479	0	20,890	8,138	

RESERVE FUNDING PLAN

CASH FLOW ANALYSIS
Winchester Country
Maintenance Association, Inc.

Individual Reserve Budgets & Cash Flows for the Next 30 Years

Houston, Texas	FY2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Reserves at Beginning of Year (Note 1)	1,100,234	1,112,552	1,114,598	1,061,241	1,131,398	1,154,653	1,190,989	1,189,125	1,227,867	1,279,894	1,285,849	1,326,210	1,279,391	1,062,189	1,147,734	1,215,861
Total Recommended Reserve Contributions (Note 2)	6,250	26,568	45,000	46,300	47,600	49,000	50,400	51,900	53,400	54,900	56,500	58,100	59,800	61,500	63,300	65,100
Plus Estimated Interest Earned, During Year (Note 3)	6,068	24,232	23,674	23,857	24,873	25,521	25,896	26,298	27,285	27,916	28,420	28,350	25,477	24,045	25,717	27,376
Less Anticipated Expenditures, By Year	0	(48,754)	(122,031)	0	(49,218)	(38,185)	(78,160)	(39,456)	(28,658)	(76,861)	(44,559)	(133,269)	(302,479)	0	(20,890)	(8,138)
Anticipated Reserves at Year End	<u>\$1,112,552</u>	<u>\$1,114,598</u>	<u>\$1,061,241</u>	<u>\$1,131,398</u>	<u>\$1,154,653</u>	<u>\$1,190,989</u>	<u>\$1,189,125</u>	<u>\$1,227,867</u>	<u>\$1,279,894</u>	<u>\$1,285,849</u>	<u>\$1,326,210</u>	<u>\$1,279,391</u>	<u>\$1,062,189</u>	<u>\$1,147,734</u>	<u>\$1,215,861</u>	<u>\$1,300,199</u>
Predicted Reserves based on 2020 funding level of: \$26,568	1,112,552	1,114,598	1,042,606	1,092,404	1,093,538	1,105,851	1,078,020	1,088,707	1,110,546	1,084,132	1,089,794	1,005,895	749,079	792,419	815,593	852,169

(continued)

Individual Reserve Budgets & Cash Flows for the Next 30 Years, Continued

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
Reserves at Beginning of Year	1,300,199	1,278,050	1,337,363	1,251,049	1,106,695	1,174,196	186,330	229,277	263,089	229,189	296,165	228,979	133,036	190,207	199,061
Total Recommended Reserve Contributions	67,000	68,900	70,900	73,000	75,100	77,300	79,500	81,800	84,200	86,600	89,100	91,700	94,400	97,100	99,900
Plus Estimated Interest Earned, During Year	28,052	28,457	28,163	25,653	24,817	14,803	4,522	5,357	5,356	5,716	5,714	3,939	3,517	4,235	4,618
Less Anticipated Expenditures, By Year	(117,201)	(38,044)	(185,377)	(243,007)	(32,416)	(1,079,969)	(41,075)	(53,345)	(123,456)	(25,340)	(162,000)	(191,582)	(40,746)	(92,481)	(78,247)
Anticipated Reserves at Year End	<u>\$1,278,050</u>	<u>\$1,337,363</u>	<u>\$1,251,049</u>	<u>\$1,106,695</u>	<u>\$1,174,196</u>	<u>\$186,330</u>	<u>\$229,277</u>	<u>\$263,089</u>	<u>\$229,189</u>	<u>\$296,165</u>	<u>\$228,979</u>	<u>\$133,036</u>	<u>\$190,207</u>	<u>\$199,061</u>	<u>\$225,332</u>
Predicted Reserves based on 2019 funding level of: \$26,568	779,287	784,829	641,539	436,833	440,531	(614,766)	(642,957)					(NOTE 5)	(NOTE 5)		(NOTE 4)

Explanatory Notes:

- 1) Year 2019 starting reserves are as of September 30, 2019; FY2019 starts January 1, 2019 and ends December 31, 2019.
- 2) Reserve Contributions for 2019 are the remaining budgeted 3 months; 2020 is budgeted; 2021 is the first year of recommended contributions.
- 3) 2.2% is the estimated annual rate of return on invested reserves; 2019 is a partial year of interest earned.
- 4) Accumulated year 2049 ending reserves consider the age, size, overall condition and complexity of the property.
- 5) Threshold Funding Years (reserve balance at critical point).

FIVE-YEAR OUTLOOK**Winchester Country
Maintenance Association, Inc.**

Houston, Texas

Line Item	Reserve Component Inventory	RUL = 0 FY2019	1 2020	2 2021	3 2022	4 2023	5 2024
<u>Property Site Elements</u>							
4.240	Fences, Steel, Paint Finishes			4,595			
4.420	Irrigation System, Phased					20,517	
4.560	Light Poles and Fixtures						7,845
4.830	Tennis Courts, Color Coat			13,659			
4.840	Tennis Courts, Fence			16,560			
<u>Clubhouse Elements</u>							
5.400	Furnishings, Phased					15,696	
5.450	HVAC Equipment, Phased					5,045	
5.506	Paint Finishes, Exterior						6,114
5.705	Security System, Phased						12,113
<u>Pool Elements</u>							
6.200	Concrete Deck, Textured Coating, Partial Replacements and Repairs		44,638				
6.400	Fence, Steel, Paint Finishes					7,960	
6.600	Mechanical Equipment, Phased						12,113
6.800	Pool Finishes, Plaster			60,185			
6.801	Pool Finishes, Tile			27,032			
6.870	Shade Structures, Interim Repairs		4,116				
Anticipated Expenditures, By Year		0	48,754	122,031	0	49,218	38,185

4. RESERVE COMPONENT DETAIL

The Reserve Component Detail of this *Full Reserve Study* includes enhanced solutions and procedures for select significant components. This section describes the Reserve Components, documents specific problems and condition assessments, and may include detailed solutions and procedures for necessary capital repairs and replacements for the benefit of current and future board members. We advise the Board use this information to help define the scope and procedures for repair or replacement when soliciting bids or proposals from contractors. *However, the Report in whole or part is not and should not be used as a design specification or design engineering service.*

Property Site Elements

Concrete Flatwork

Line Item: 4.180

Quantity: Approximately 36,200 square feet of common sidewalks and parking areas

Condition: Good to fair overall with no significant deterioration evident



Parking lot overview



Sidewalk overview



Parking lot overview



Parking lot overview

Useful Life: Up to 65 years although interim deterioration of areas is common

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We estimate that up to 10,860 square feet of concrete flatwork, or thirty percent (30%) of the total, will require replacement during the next 30 years.

Fence, Chain Link

Line Item: 4.220

Quantity: Approximately 290 linear feet at the dog park

History: Approximately seven years of age

Condition: Good to fair overall with no significant deterioration evident



Fence overview

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Fences, Steel

Line Items: 4.240 and 4.245

Quantity: Approximately 620 linear feet at the Round Up Lane park and the Rio Grande Drive park

History: Unknown ages

Condition: Fair overall condition with rust and finish deterioration evident



Fence overview



Rust and deterioration



Fence overview

Useful Life: Six- to eight-years for paint finishes and up to 35 years for replacement

Component Detail Notes: Steel components at grade and key structural connections are especially prone to failure if not thoroughly maintained. Secure and rust free fasteners and connections will prevent premature deterioration. Preparation of the steel before application of the paint finish is critical to maximize the useful life of the finish.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Irrigation System

Line Item: 4.420

Quantity: Approximately 100,000 square feet at the common areas

History: Original

Condition: Good overall and Management and the Board do not report any deficiencies

Useful Life: Up to 40+years

Component Detail Notes: Irrigation systems typically include the following components:

- Electronic controls (timer)
- Impact rotors
- Network of supply pipes
- Pop-up heads
- Valves

Winchester Country should anticipate interim and partial replacements of the system network supply pipes and other components as normal maintenance to maximize the useful life of the irrigation system. The Association should fund these ongoing seasonal repairs through the operating budget.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. It is unlikely for the entire system to fail in a single event. Therefore, we depict replacement in a phased manner.

Light Poles and Fixtures

Line Item: 4.560

Quantity: Four metal poles with light fixtures at the main amenity center

History: Original

Condition: Good overall



Light pole and fixture

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Playground Equipment

Line Item: 4.660

Quantity: The Association maintains the playground equipment at three locations throughout the community

History: The equipment at Rio Grande Drive was replaced in 2015, the equipment at Round Up Lane was replaced in 2018, and the equipment at Sand Pass Lane was replaced in 2017.

Condition: Good overall



Sand Pass Lane playground equipment



Round Up Lane playground equipment



Round Up Lane playground equipment



Rio Grande Drive playground equipment

Useful Life: 15- to 20-years

Component Detail Notes: Safety is the major purpose for maintaining playground equipment. We recommend an annual inspection of the playground equipment to

identify and repair as normal maintenance loose connections and fasteners or damaged elements. We suggest the Association learn more about the specific requirements of playground equipment at PlaygroundSafety.org. We recommend the use of a specialist for the design or replacement of the playground equipment environment.

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We include an allowance in the unit cost for replacement of the safety surface and border.

Signage, Informational

Line Item: 4.800

Quantity: Four informational signs at the parks and entrances

History: Unknown ages

Condition: Good to fair overall



Sign at park



Sign at entrance

Useful Life: 15- to 20-years

Component Detail Notes: The community signs contribute to the overall aesthetic appearance of the property to owners and potential buyers. Replacement of community signs is often predicated upon the desire to "update" the perceived identity of the community rather than for utilitarian concerns. Therefore, the specific time for replacement of the signs is discretionary.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Signage, Monuments

Line Item: 4.810

Quantity: Four property identification signs

History: Original and no reported history of renovations

Condition: Fair overall



Entrance monument

Useful Life: 15- to 20-years

Component Detail Notes: The signage includes the following elements:

- Light fixtures
- Masonry

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost for renovation includes repointing and repairs to the masonry and replacement of the light fixtures.

Tennis Courts, Color Coat

Line Item: 4.830

Quantity: Approximately 12,950 square feet comprising two tennis courts

History: Approximately three years of age

Condition: Good to fair overall



Tennis court overview



Tennis court overview

Useful Life: Four- to six-years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tennis Courts, Fence

Line Item: 4.840

Quantity: Approximately 460 linear feet

History: Original

Condition: Fair to poor overall with rust evident



Fence overview



Gate rust and deterioration



Fence overview

Useful Life: Up to 25 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tennis Courts, Light Poles and Fixtures

Line Item: 4.850

Quantity: Four each

History: Original

Condition: Fair overall



Light pole and fixture

Useful Life: Up to 35 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Tennis Courts, Surface

Line Item: 4.860

Quantity: Approximately 12,950 square feet comprising two tennis courts

History: Original

Condition: Good to fair overall with significant deterioration evident

Useful Life: 40- to 50- years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Clubhouse Elements



Clubhouse overview

Floor Coverings, Tile

Line Item: 5.240

Quantity: Approximately 190 square yards at the clubhouse, office, life guard room and rest rooms

History: Original to construction. The north side of the clubhouse was constructed approximately 17 years ago.

Condition: Good to fair overall



Clubhouse floor overview



Rest room with tile wall and floor coverings

Useful Life: Up to 30 years although replacement of tile is often based on discretionary redecorating prior to the tile reaching the end of its useful life.

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should fund regrouting of the tiles through the operating budget if necessary.

Floor Coverings, Wood Laminate

Line Item: 5.305

Quantity: Approximately 100 square yards at the clubhouse

History: Replaced in 2019

Condition: Good overall



Wood laminate overview

Useful Life: 18- to 25-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Furnishings

Line Item: 5.400

History: Components vary in age

Condition: Good to fair overall condition



Cabinets and kitchen appliances



Office furnishings



Folding chairs and tables

Useful Life: Vary significantly up to 20 years

Component Detail Notes: Furnishings in the clubhouse include, but are not limited to the following elements:

- Cabinets
- Chairs
- Computer
- Countertop
- Desk
- File cabinet
- Folding chairs
- Folding tables
- Refrigerator
- Stove
- Microwave

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We depict replacement in a phased manner.

HVAC Equipment

Line Item: 5.450

Quantity: Three split systems

History: Components vary in age

Condition: Reported satisfactory



Condensing units

Useful Life: 12- to 18-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We depict replacement in a phased manner.

Paint Finishes, Exterior

Line Item: 5.506

Quantity: Approximately 2,780 square feet of siding

History: Unknown age

Condition: Good to fair overall condition



Clubhouse siding

Useful Life: 8- to 10-years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We assume the following activities per event:

- Paint finish applications
- Replacement of 600 square feet, or up to twenty percent (20%), of the siding and trim (The exact amount of material in need of replacement will depend on the actual future conditions and desired appearance. We recommend replacement wherever holes, cracks and deterioration impair the ability of the material to prevent water infiltration.)
- Replacement of sealants as needed

Paint Finishes, Interior

Line Item: 5.510

Quantity: Approximately 7,900 square feet

History: Unknown age

Condition: Good to fair overall



Interior paint finishes



Interior paint finishes

Useful Life: 8- to 12- years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Rest Rooms, Fixtures

Line Item: 5.530

Quantity: Five rest rooms

History: Components vary in age

Condition: Good to fair overall



Pool rest room



Clubhouse rest room

Useful Life: Up to 25 years

Component Detail Notes: Components include:

- Toilets
- Partitions
- Sinks
- Urinal

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Roofs, Metal

Line Item: 5.600

Quantity: Approximately *squares*¹ at the clubhouse and surrounding structures

History: The roofs have been replaced in parts over the past four years

Condition: Good overall condition

¹ We quantify the roof area in squares where one square is equal to 100 square feet of surface area.



Roof overview



Roof overview



Skylight

Useful Life: Up to 30 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Our cost includes replacement of the two skylights.

Security System

Line Item: 5.705

Quantity: Winchester Country utilizes the following security system components:

- Automated card reading system (2 access points)
- Cameras (14)
- Multiplexer (1)
- Recorder (1)

History: Unknown age

Condition: Reported satisfactory



Security camera

Useful Life: 10- to 15-years

Preventative Maintenance Notes: We recommend the Association obtain and adhere to the manufacturer's recommended maintenance plan. The required preventative maintenance may vary in frequency and scope based on the unit's age, operational condition, or changes in technology. We note the following select recommended preventative maintenance activities to maximize the remaining useful life:

- Monthly:
 - Check cameras for proper focus, fields of view are unobstructed and camera and lenses are clean and dust-free
 - Check recording equipment for proper operation
 - Verify monitors are free from distortion with correct brightness and contrast
- Annually:
 - Check exposed wiring and cables for wear, proper connections and signal transmission
 - Check power connections, and if applicable, functionality of battery power supply systems

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. The Association should anticipate replacement of up to fifty percent (50%) of the security system components per event.

Windows and Doors

Line Item: 5.800

Quantity: Approximately 300 square feet

History: Original to construction

Condition: Good to fair condition



Door and windows

Useful Life: 30- to 40- years

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Pool Elements



Pool overview

Concrete Deck

Line Item: 6.200

Quantity: 9,640 square feet

History: The coating is of unknown age and the Association plans to replace the textured coating in 2020

Condition: Fair to poor condition with textured coating deterioration evident



Deck overview



Coating deterioration



Deck settlement

Useful Life: The useful life of a concrete pool deck is up to 60 years or more with timely repairs. We recommend the Association conduct inspections, partial replacements and repairs to the deck every 8- to 12-years in conjunction with coating replacements.

Component Detail Notes: We recommend the Association budget for the following:

- Selective cut out and replacements of up to ten percent (10%) of concrete
- Crack repairs as needed
- Mortar joint repairs
- Caulk replacement
- Coating replacement

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Diving Board

Line Item: 6.305

Quantity: One each

History: Unknown age

Condition: Good to fair overall condition



Diving board overview

Useful Life: 10- to 15-years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Fences, Steel

Line Items: 6.400 through 6.402

Quantity: Approximately 710 linear feet

History: The fence varies in age. Approximately 350 feet of fence was installed in 2019.

Condition: Good to fair overall condition



New fence overview



Original fence overview

Useful Life: Six- to eight-years for paint finishes and up to 30 years for replacement

Priority/Criticality: Not recommended to defer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Mechanical Equipment

Line Item: 6.600

Quantity:

- Automatic chlorinator
- Controls
- Filters
- Interconnected pipe, fittings and valves
- Pumps
- Exhaust fan

History: Components vary in age

Condition: Reported satisfactory



Mechanical equipment overview



Controller

Useful Life: Up to 15 years

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. Failure of the pool mechanical equipment as a single event is unlikely. Therefore, we include replacement of up to fifty percent (50%) of the equipment per event. We consider interim replacement of motors and minor repairs as normal maintenance.

Pool Finishes, Plaster and Tile

Line Items: 6.800 and 6.801

Quantity: 3,920 square feet of plaster based on the horizontal surface area and approximately 740 linear feet of tile

History: Resurfaced approximately eight years ago and a significant crack was repaired in 2019.

Condition: Fair overall with a crack evident at the steps



Pool overview



Step crack



Wading pool

Useful Life: 8- to 12-years for the plaster and 15- to 25-years for the tile

Component Detail Notes: Removal and replacement provides the opportunity to inspect the pool structures and to allow for partial repairs of the underlying concrete surfaces as needed. To maintain the integrity of the pool structures, we recommend the Association budget for the following:

- Removal and replacement of the plaster finishes
- Partial replacements of the scuppers and coping as needed
- Replacement of tiles as needed
- Replacement of joint sealants as needed
- Concrete structure repairs as needed

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association budget for full tile replacement every other plaster replacement event.

Shade Structures

Line Item: 6.870 and 6.871

Quantity: Four each

History: Installed in 2000 and repairs were made this year to one structure

Condition: Fair overall condition



Shade structure overview



Deteriorated canvas (Replace through operating budget)



Repaired post

Useful Life: Up to 20 years

Priority/Criticality: Per Board discretion

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3. We recommend the Association replace the shade canopies as needed funded through the operating budget.

Structures and Deck

Line Item: 6.900

Quantity: 3,920 square feet of horizontal surface area

History: Original

Conditions: Visually appear in fair condition with cracks evident. The concrete floors and walls have a plaster finish. This finish makes it difficult to thoroughly inspect the concrete structures during a noninvasive visual inspection.

Useful Life: Up to 60 years

Component Detail Notes: The need to replace a pool structure depends on the condition of the concrete structure, the condition of the embedded or concealed water circulation piping, possible long term uneven settlement of the structure, and the increasing cost of repair and maintenance. Deterioration of any one of these component systems could result in complete replacement of the pool. For example, deferral of a deteriorated piping system could result in settlement and cracks in the pool structure. This mode of failure is more common as the system ages and deterioration of the piping system goes undetected. For reserve budgeting purposes, we recommend Winchester Country plan to replace the following components:

- Concrete deck



- Pool structures
- Subsurface piping

Priority/Criticality: Defer only upon opinion of independent professional or engineer

Expenditure Detail Notes: Expenditure timing and costs are depicted in the **Reserve Expenditures** table in Section 3.

Reserve Study Update

An ongoing review by the Board and an Update of this Reserve Study are necessary to ensure an equitable funding plan since a Reserve Study is a snapshot in time. Many variables change after the study is conducted that may result in significant overfunding or underfunding the reserve account. Variables that may affect the Reserve Funding Plan include, but are not limited to:

- Deferred or accelerated capital projects based on Board discretion
- Changes in the interest rates on reserve investments
- Changes in the *local* construction inflation rate
- Additions and deletions to the Reserve Component Inventory
- The presence or absence of maintenance programs
- Unusually mild or extreme weather conditions
- Technological advancements

Periodic updates incorporate these variable changes since the last Reserve Study or Update. We recommend the Board budget for an Update to this Reserve Study in two- to three-years. Budgeting for an Update demonstrates the Board's objective to continue fulfilling its fiduciary responsibility to maintain the commonly owned property and to fund reserves appropriately.

5.METHODOLOGY

Reserves for replacement are the amounts of money required for future expenditures to repair or replace Reserve Components that wear out before the entire facility or project wears out. Reserving funds for future repair or replacement of the Reserve Components is also one of the most reliable ways of protecting the value of the property's infrastructure and marketability.

Winchester Country can fund capital repairs and replacements in any combination of the following:

1. Increases in the operating budget during years when the shortages occur
2. Loans using borrowed capital for major replacement projects
3. Level monthly reserve assessments annually adjusted upward for inflation to increase reserves to fund the expected major future expenditures
4. Special assessments

We do not advocate special assessments or loans unless near term circumstances dictate otherwise. Although loans provide a gradual method of funding a replacement, the costs are higher than if the Association were to accumulate reserves ahead of the actual replacement. Interest earnings on reserves also accumulate in this process of saving or reserving for future replacements, thereby defraying the amount of gradual reserve collections. We advocate the third method of *Level Monthly Reserve Assessments* with relatively minor annual adjustments. The method ensures that Homeowners pay their "fair share" of the weathering and aging of the commonly owned property each year. Level reserve assessments preserve the property and enhance the resale value of the homes.

This Reserve Study is in compliance with and exceeds the National standards¹ set forth by the Association of Professional Reserve Analysts (APRA) fulfilling the requirements of a "Level I Full Reserve Study." These standards require a Reserve Component to have a "predictable remaining Useful Life." Estimating Remaining Useful Lives and Reserve Expenditures beyond 30 years is often indeterminate. Long-Lived Property Elements are necessarily excluded from this analysis. We considered the following factors in our analysis:

- The Cash Flow Method to compute, project and illustrate the 30-year Reserve Funding Plan
- Local² costs of material, equipment and labor
- Current and future costs of replacement for the Reserve Components
- Costs of demolition as part of the cost of replacement
- Local economic conditions and a historical perspective to arrive at our estimate of long term future inflation for construction costs in Houston,

¹ Identified in the APRA "Standards - Terms and Definitions" and the CAI "Terms and Definitions".

² See Credentials for additional information on our use of published sources of cost data.

Texas at an annual inflation rate³. Isolated or regional markets of greater construction (development) activity may experience slightly greater rates of inflation for both construction materials and labor.

- The past and current maintenance practices of Winchester Country and their effects on remaining useful lives
- Financial information provided by the Association pertaining to the cash status of the reserve fund and budgeted reserve contribution
- The anticipated effects of appreciation of the reserves over time in accord with a return or yield on investment of your cash equivalent assets. (We did not consider the costs, if any, of Federal and State Taxes on income derived from interest and/or dividend income).
- The Funding Plan excludes necessary operating budget expenditures. It is our understanding that future operating budgets will provide for the ongoing normal maintenance of Reserve Components.

Updates to this Reserve Study will continue to monitor historical facts and trends concerning the external market conditions.

³ Derived from Marshall & Swift, historical costs and the Bureau of Labor Statistics.



6. CREDENTIALS

HISTORY AND DEPTH OF SERVICE

Founded in 1991, Reserve Advisors is the leading provider of reserve studies, insurance appraisals, developer turnover transition studies, expert witness services, and other engineering consulting services. Clients include community associations, resort properties, hotels, clubs, non-profit organizations, apartment building owners, religious and educational institutions, and office/commercial building owners in 48 states, Canada and throughout the world.

The **architectural engineering consulting firm** was formed to take a leadership role in helping fiduciaries, boards, and property managers manage their property like a business with a long-range master plan known as a Reserve Study.

Reserve Advisors employs the **largest staff of Reserve Specialists** with bachelor's degrees in engineering dedicated to Reserve Study services. Our principals are founders of Community Associations Institute's (CAI) Reserve Committee that developed national standards for reserve study providers. One of our principals is a Past President of the Association of Professional Reserve Analysts (APRA). Our vast experience with a variety of building types and ages, on-site examination and historical analyses are keys to determining accurate remaining useful life estimates of building components.

No Conflict of Interest - As consulting specialists, our **independent opinion** eliminates any real or perceived conflict of interest because we do not conduct or manage capital projects.

TOTAL STAFF INVOLVEMENT

Several staff members participate in each assignment. The responsible advisor involves the staff through a Team Review, exclusive to Reserve Advisors, and by utilizing the experience of other staff members, each of whom has served hundreds of clients. We conduct Team Reviews, an internal quality assurance review of each assignment, including: the inspection; building component costing; lifing; and technical report phases of the assignment. Due to our extensive experience with building components, we do not have a need to utilize subcontractors.

OUR GOAL

To help our clients fulfill their fiduciary responsibilities to maintain property in good condition.

VAST EXPERIENCE WITH A VARIETY OF BUILDINGS

Reserve Advisors has conducted reserve studies for a multitude of different communities and building types. We've analyzed thousands of buildings, from as small as a 3,500-square foot day care center to the 2,600,000-square foot 98-story Trump International Hotel and Tower in Chicago. We also routinely inspect buildings with various types of mechanical systems such as simple electric heat, to complex systems with air handlers, chillers, boilers, elevators, and life safety and security systems.

We're familiar with all types of building exteriors as well. Our well-versed staff regularly identifies optimal repair and replacement solutions for such building exterior surfaces such as adobe, brick, stone, concrete, stucco, EIFS, wood products, stained glass and aluminum siding, and window wall systems.

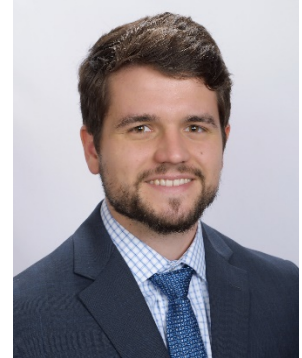
OLD TO NEW

Reserve Advisors' experience includes ornate and vintage buildings as well as modern structures. Our specialists are no strangers to older buildings. We're accustomed to addressing the unique challenges posed by buildings that date to the 1800's. We recognize and consider the methods of construction employed into our analysis. We recommend appropriate replacement programs that apply cost effective technologies while maintaining a building's character and appeal.

CASEY M. LEWIS
Responsible Advisor

CURRENT CLIENT SERVICES

Casey M. Lewis, an industrial engineer, is an advisor for Reserve Advisors. Mr. Lewis is responsible for the inspection and analysis of the condition of clients' property, and recommending engineering solutions to prolong the lives of the components. He also forecasts capital expenditures for the repair and/or replacement of the property components and prepares technical reports on assignments. He is responsible for conducting Life Cycle Cost Analysis and Capital Replacement Forecast services and the preparation of Reserve Study Reports for condominiums, townhomes and homeowners associations.



The following is a partial list of clients served by Mr. Lewis demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.

Lakeside Cove Community Association, Inc. A gated, Mediterranean style townhome development in Spring, Texas that features views of the surrounding lake and golf course. The three story townhomes consist of wood and stucco exteriors with clay tile roofs. The community includes private concrete streets, sidewalks, stucco perimeter walls and metal fencing.

Waterside Estates Homeowners Association, Inc. This single family home community contains over 1,400 residential homes and is located in Richmond, Texas. Features of this community include swimming pools, water slides, multiple playgrounds, walking trails, panelized masonry perimeter walls, wood fences, and two tennis courts.

Silver Oaks Condominium Association, Inc. A townhome community in Cedar Park, Texas containing 82 units in 22 buildings. The townhomes consist of stone masonry, stucco siding and asphalt shingle roofs. The features of this community include private asphalt streets, masonry retaining walls, concrete flatwork, wood balconies and metal fences.

Barton Creek South Property Owners Association, Inc. A gated community of 99 single family homes in Austin, Texas. Features of this community include several miles of private asphalt streets and masonry pavers.

Wintergreen Trail Townhomes A townhome style community of 51 units in 12 buildings located in The Woodlands, Texas. The townhomes comprise of fiber cement siding, wood trim and asphalt roofs. Features of the property include concrete flatwork and wood fences surrounding the property.

Camp John Marc A special needs summer camp in Meridian, Texas that comprises over 100 acres that includes 22 cabins, numerous multipurpose use structures, extensive site infrastructure, maintenance buildings and equipment, animal storage structures and a packaged sewer treatment facility.

PRIOR RELEVANT EXPERIENCE

Before joining Reserve Advisors, Mr. Lewis completed his bachelor's degree in industrial engineering at Texas Tech University. During his summers, he worked in the homebuilding industry where he oversaw and managed the construction of single family homes in the Houston, Texas area. Following the completion of his studies, he worked as an industrial engineer in the space launch industry.

EDUCATION

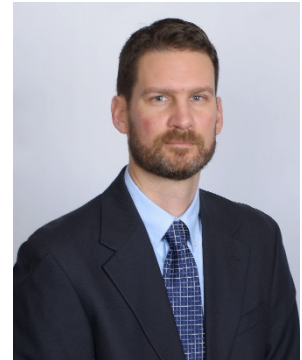
Texas Tech University - B.S. Industrial Engineering

ALAN M. EBERT, P.E., PRA, RS
Director of Quality Assurance

CURRENT CLIENT SERVICES

Alan M. Ebert, a Professional Engineer, is the Director of Quality Assurance for Reserve Advisors. Mr. Ebert is responsible for the management, review and quality assurance of reserve studies. In this role, he assumes the responsibility of stringent report review analysis to assure report accuracy and the best solution for Reserve Advisors' clients.

Mr. Ebert has been involved with thousands of Reserve Study assignments. The following is a partial list of clients served by Alan Ebert demonstrating his breadth of experiential knowledge of community associations in construction and related buildings systems.



Brownsville Winter Haven Located in Brownsville, Texas, this unique homeowners association contains 525 units. The Association maintains three pools and pool houses, a community and management office, landscape and maintenance equipment, and nine irrigation canals with associated infrastructure.

Rosemont Condominiums This unique condominium is located in Alexandria, Virginia and dates to the 1940's. The two mid-rise buildings utilize decorative stone and brick masonry. The development features common interior spaces, multi-level wood balconies and common asphalt parking areas.

Stillwater Homeowners Association Located in Naperville, Illinois, Stillwater Homeowners Association maintains four tennis courts, an Olympic sized pool and an upscale ballroom with commercial-grade kitchen. The community also maintains three storm water retention ponds and a detention basin.

Birchfield Community Services Association This extensive Association comprises seven separate parcels which include 505 townhome and single family homes. This Community Services Association is located in Mt. Laurel, New Jersey. Three lakes, a pool, a clubhouse and management office, wood carports, aluminum siding, and asphalt shingle roofs are a few of the elements maintained by the Association.

Oakridge Manor Condominium Association Located in Londonderry, New Hampshire, this Association includes 104 units at 13 buildings. In addition to extensive roads and parking areas, the Association maintains a large septic system and significant concrete retaining walls.

Memorial Lofts Homeowners Association This upscale high rise is located in Houston, Texas. The 20 luxury units include large balconies and decorative interior hallways. The 10-story building utilizes a painted stucco facade and TPO roof, while an on-grade garage serves residents and guests.

PRIOR RELEVANT EXPERIENCE

Mr. Ebert earned his Bachelor of Science degree in Geological Engineering from the University of Wisconsin-Madison. His relevant course work includes foundations, retaining walls, and slope stability. Before joining Reserve Advisors, Mr. Ebert was an oilfield engineer and tested and evaluated hundreds of oil and gas wells throughout North America.

EDUCATION

University of Wisconsin-Madison - B.S. Geological Engineering

PROFESSIONAL AFFILIATIONS/DESIGNATIONS

Professional Engineering License – Wisconsin, North Carolina, Illinois, Colorado

Reserve Specialist (RS) - Community Associations Institute

Professional Reserve Analyst (PRA) - Association of Professional Reserve Analysts



RESOURCES

Reserve Advisors utilizes numerous resources of national and local data to conduct its Professional Services. A concise list of several of these resources follows:

Association of Construction Inspectors, (ACI) the largest professional organization for those involved in construction inspection and construction project management. ACI is also the leading association providing standards, guidelines, regulations, education, training, and professional recognition in a field that has quickly become important procedure for both residential and commercial construction, found on the web at www.iami.org.

American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., (ASHRAE) the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc., devoted to the arts and sciences of heating, ventilation, air conditioning and refrigeration; recognized as the foremost, authoritative, timely and responsive source of technical and educational information, standards and guidelines, found on the web at www.ashrae.org. Reserve Advisors actively participates in its local chapter and holds individual memberships.

Community Associations Institute, (CAI) America's leading advocate for responsible communities noted as the only national organization dedicated to fostering vibrant, responsive, competent community associations. Their mission is to assist community associations in promoting harmony, community, and responsible leadership.

Marshall & Swift / Boeckh, (MS/B) the worldwide provider of building cost data, co-sourcing solutions, and estimating technology for the property and casualty insurance industry found on the web at www.marshallswift.com.

R.S. Means CostWorks, North America's leading supplier of construction cost information. As a member of the Construction Market Data Group, Means provides accurate and up-to-date cost information that helps owners, developers, architects, engineers, contractors and others to carefully and precisely project and control the cost of both new building construction and renovation projects found on the web at www.rsmeans.com.

Reserve Advisors' library of numerous periodicals relating to reserve studies, condition analyses, chapter community associations, and historical costs from thousands of capital repair and replacement projects, and product literature from manufacturers of building products and building systems.

7. DEFINITIONS

Definitions are derived from the standards set forth by the Community Associations Institute (CAI) representing America's 305,000 condominium and homeowners associations and cooperatives, and the Association of Professional Reserve Analysts, setting the standards of care for reserve study practitioners.

Cash Flow Method - A method of calculating Reserve Contributions where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different Reserve Funding Plans are tested against the anticipated schedule of reserve expenses until the desired funding goal is achieved.

Component Method - A method of developing a Reserve Funding Plan with the total contribution is based on the sum of the contributions for individual components.

Current Cost of Replacement - That amount required today derived from the quantity of a *Reserve Component* and its unit cost to replace or repair a Reserve Component using the most current technology and construction materials, duplicating the productive utility of the existing property at current *local* market prices for *materials, labor* and manufactured equipment, contractors' overhead, profit and fees, but without provisions for building permits, overtime, bonuses for labor or premiums for material and equipment. We include removal and disposal costs where applicable.

Fully Funded Balance - The Reserve balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost similar to Total Accrued Depreciation.

Funding Goal (Threshold) - The stated purpose of this Reserve Study is to determine the adequate, not excessive, minimal threshold reserve balances.

Future Cost of Replacement - *Reserve Expenditure* derived from the inflated current cost of replacement or current cost of replacement as defined above, with consideration given to the effects of inflation on local market rates for materials, labor and equipment.

Long-Lived Property Component - Property component of Winchester Country responsibility not likely to require capital repair or replacement during the next 30 years with an unpredictable remaining Useful Life beyond the next 30 years.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life - The estimated remaining functional or useful time in years of a *Reserve Component* based on its age, condition and maintenance.

Reserve Component - Property elements with: 1) Winchester Country responsibility; 2) limited Useful Life expectancies; 3) predictable Remaining Useful Life expectancies; and 4) a replacement cost above a minimum threshold.

Reserve Component Inventory - Line Items in *Reserve Expenditures* that identify a *Reserve Component*.

Reserve Contribution - An amount of money set aside or *Reserve Assessment* contributed to a *Reserve Fund* for future *Reserve Expenditures* to repair or replace *Reserve Components*.

Reserve Expenditure - Future Cost of Replacement of a Reserve Component.

Reserve Fund Status - The accumulated amount of reserves in dollars at a given point in time, i.e., at year end.

Reserve Funding Plan - The portion of the Reserve Study identifying the *Cash Flow Analysis* and containing the recommended Reserve Contributions and projected annual expenditures, interest earned and reserve balances.

Reserve Study - A budget planning tool that identifies the current status of the reserve fund and a stable and equitable Funding Plan to offset the anticipated future major common area expenditures.

Useful Life - The anticipated total time in years that a *Reserve Component* is expected to serve its intended function in its present application or installation.



8. PROFESSIONAL SERVICE CONDITIONS

Our Services - Reserve Advisors, LLC (RA) performs its services as an independent contractor in accordance with our professional practice standards and its compensation is not contingent upon our conclusions. The purpose of our reserve study is to provide a budget planning tool that identifies the current status of the reserve fund, and an opinion recommending an annual funding plan to create reserves for anticipated future replacement expenditures of the property.

Our inspection and analysis of the subject property is limited to visual observations, is noninvasive and is not meant to nor does it include investigation into statutory, regulatory or code compliance. RA inspects sloped roofs from the ground and inspects flat roofs where safe access (stairs or ladder permanently attached to the structure) is available. The report is based upon a "snapshot in time" at the moment of inspection. RA may note visible physical defects in our report. The inspection is made by employees generally familiar with real estate and building construction but in the absence of invasive testing RA cannot opine on, nor is RA responsible for, the structural integrity of the property including its conformity to specific governmental code requirements for fire, building, earthquake, and occupancy, or any physical defects that were not readily apparent during the inspection.

RA is not responsible for conditions that have changed between the time of inspection and the issuance of the report. RA does not investigate, nor assume any responsibility for any existence or impact of any hazardous materials, such as asbestos, urea-formaldehyde foam insulation, other chemicals, toxic wastes, environmental mold or other potentially hazardous materials or structural defects that are latent or hidden defects which may or may not be present on or within the property. RA does not make any soil analysis or geological study as part of its services; nor does RA investigate water, oil, gas, coal, or other subsurface mineral and use rights or such hidden conditions. RA assumes no responsibility for any such conditions. The Report contains opinions of estimated costs and remaining useful lives which are neither a guarantee of the actual costs of replacement nor a guarantee of remaining useful lives of any property element.

RA assumes, without independent verification, the accuracy of all data provided to it. You agree to indemnify and hold RA harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement, because of any false, misleading or incomplete information which we have relied upon supplied by you or others under your direction, or which may result from any improper use or reliance on the Report by you or third parties under your control or direction. Your obligation for indemnification and reimbursement shall extend to any director, officer, employee, affiliate, or agent of RA. Liability of RA and its employees, affiliates, and agents for errors and omissions, if any, in this work is limited to the amount of its compensation for the work performed in this engagement.

Report - RA completes the services in accordance with the Proposal. The Report represents a valid opinion of RA's findings and recommendations and is deemed complete. RA, however, considers any additional information made available to us within 6 months of issuing the Report if a timely request for a revised Report is made. RA retains the right to withhold a revised Report if payment for services was not tendered in a timely manner. All information received by RA and all files, work papers or documents developed by RA during the course of the engagement shall remain the property of RA and may be used for whatever purpose it sees fit.

Your Obligations - You agree to provide us access to the subject property for an on-site visual inspection. You agree to provide RA all available, historical and budgetary information, the governing documents, and other information that we request and deem necessary to complete the Report. You agree to pay actual attorneys' fees and any other costs incurred to collect on any unpaid balance for RA's services.

Use of Our Report and Your Name - Use of this Report is limited to only the purpose stated herein. You hereby acknowledge that any use or reliance by you on the Report for any unauthorized purpose is at your own risk and you shall hold RA harmless from any consequences of such use. Use by any unauthorized third party is unlawful. The Report in whole or in part **is not and cannot be used as a design specification for design engineering purposes or as an appraisal**. You may show our Report in its entirety to the following third parties: members of your organization, your accountant, attorney, financial institution and property manager who need to review the information contained herein. Without the written consent of RA, you shall not disclose the Report to any other third party. The Report contains intellectual property developed by RA and **shall not be reproduced or distributed to any party that conducts reserve studies without the written consent of RA**.

RA will include your name in our client lists. RA reserves the right to use property information to obtain estimates of replacement costs, useful life of property elements or otherwise as RA, in its sole discretion, deems appropriate.

Payment Terms, Due Dates and Interest Charges - Retainer payment is due upon authorization and prior to inspection. The balance is due net 30 days from the report shipment date. Any balance remaining 30 days after delivery of the Report shall accrue an interest charge of 1.5% per month. Any litigation necessary to collect an unpaid balance shall be venued in Milwaukee County Circuit Court for the State of Wisconsin.