

## Reserve Study Review for Fiscal 2007/08

California law requires a Reserve Study every three years and a Review on each of the two intervening years. This is the second review of our Reserve Study conducted for Fiscal year 2005/06. Reserve Fund expenditures since the Study was conducted are noted on the next page of this Review.

The Streets condition is good, the paths condition is excellent.

The Pool / Spa area is nearing time for its scheduled deck inspection and repair project.

The Painting project started with minor repairs in April and the repairs have been completed. However the project has been paused for redefinition, two details have arisen during this initial phase. The quotations for painting homes in phase II were higher than expected and the need to paint (at least parts of) the homes in phase I was discovered. The Board is now reviewing its options, and has contracted with Kosty Painting Co. to do some "emergency" painting to provide time for this redefinition.

If the Board decides to simply paint all 92 homes now and every seven years at the higher price, an immediate Special Assessment of up to \$1,220 per homeowner and an additional \$12 increase of our Regular Assessments would be necessary.

The 2005/06 Reserve Study was also a General Plan for Morningside Woods and for the above reasons - and others - it must be revised. In the Reserve Study, painting represented about 2/3 of our Reserve Fund costs. On the next page of this Review are some of the details regarding the paint project in the Reserve Study.

Our buildings are either 22 or 28 years old, so how long painting remains effective depends on the paint's quality and its exposure to weather, mainly sunlight. The Board is considering painting the whole building less often than painting the more exposed surfaces. The goal being a more efficient use of Assessments.

However, this approach has some drawbacks, it is much harder for the Board to define, and not many paint Contractors are "ready and willing" to operate that way. Changing building colors would be more complicated. The real bonus is improved property value by the efficient use of our the Assessments in the areas that we can control.

I invite each of you to attend our upcoming Annual Meeting this September 22<sup>nd</sup>, a Saturday, to discuss this, and other issues in Morningside Woods. And if you are so inclined, volunteer to be a Board Member.

Bruce Osterberg  
Treasurer, Morningside Woods HOA  
July 28, 2007

# Reserve Study Review for Fiscal 2007/08

## The two unexpected details that surfaced:

1. The painting Bay-Cal did in late 2002 would not last seven years.
2. A price quote of \$2,850 per home was received.

## Painting cost estimate history:

In 1994 Tom Collins painted 17 homes at \$1,250 each.  
In late 2002, Bay-Cal painted 53 homes at \$1,017 each.  
Previous Reserve Studies estimated \$1,650 for each home.  
The 2005/06 Reserve Study increased the estimate to \$1,850 per home.

## Two paint cost estimates:

Superior Painting - 92 homes at \$2,850 each equals \$262,200.  
MasterCraft Painting - 92 homes at \$2,500 each equals \$230,000.

## What Reserves should we have?

39 homes at \$1,850 equals \$72,150  
53 homes at 5/7 of \$1,850 equals \$70,036  
Total of these two is \$142,186.  
We have about \$150,000 in Reserve for painting.

## Reserve expenditures in the two years after the Reserve Study was conducted.

### 2005/06:

- Street slurry coat - \$14,760
- Spa jet pumps - \$1,502
- Pool Heater - \$2,950
- Pool/Spa restroom hot water heater, and more - \$1,066
- Pool/Spa water 'top-off' repair - \$700
- Common area drain repair - \$2,500
- Paths overlay - \$20,615

### 2006/07:

- Drain problem repair - \$9,920
- Irrigation repairs - \$386
- Survey for Minor Repairs - \$ 1,000
- Minor Repairs - \$10,964
- Street light repair - \$1,708
- Pool / Spa tall lights repair - \$275
- Paths seal - \$1,495

## How long to reimburse Reserve Fund borrowed by Operating Budget overrun?

Budget's Allocation amount - \$ 42,288, estimate to under fund - \$ 7,826  
New Operating Budget allocation - \$ 47,838, higher by \$5,550