



November 4, 2024

Reserve Study Supplemental Analysis, #9375-21

Ahwatukee Board of Management

This supplementary Reserve Analysis was prepared. It is not a Reserve Study, but is a document prepared to assist our client in the decision-making process.

This analysis contains assumptions about future events that were provided to Association Reserves by the Board of Directors or Managing Agent. The results presented within do not necessarily represent the views and recommendations of Association Reserves relative to the current status of the association or the future Reserve Funding requirements of the association.

Assumptions: Reserve funding at ABM is based on collecting a Reserve fee at the close of escrow for each home sold in the community. Board of Directors recently approved increasing this fee to \$1,200 per closing. This analysis was created to compare different funding scenarios based on the new Reserve fee and assumes 250 home closings annually (on average).

The new funding fee does not start until January 1, 2025, so it has no impact on the starting point of the 2025 Reserve Study, which shows Reserves at 41.2% Funded.

Reserve funding is designed to offset the deteriorated value of the component list in your Reserve Study. This year's Reserve Study shows components are deteriorating at a rate of \$267,034/year. Additionally, the Reserve Study uses a 3% inflation factor to estimate future replacement values. Therefore, the deterioration rate is also increasing annually.

Results:

Scenario #1: This scenario is displayed on the first 30-Year Summary Table. It shows the Reserve fee income at \$300,000 per year without any increases for the next 30 years. Initially, the new Reserve funding offsets and slightly exceeds the component deterioration rate. However, the amount of income that exceeds the deterioration rate is relatively small and does not add enough Reserves to increase or improve the Percent Funded status. In a short amount of time,

the deterioration rate will build up and exceed the \$300,000 Reserve funding. Therefore, when you review the table, you will see Reserve strength starts dropping after 2026. Despite ongoing Reserve funding at \$300,000, Reserves are projected to go negative in 2042, so the table displays a negative starting Reserve balance in 2043. It is not a viable option to assume the new Reserve fee income will never need to be increased or will not need to be increased again for many years. This increased funding is a good starting point to get Reserves back on track, but it will not solve the funding issue longer term.

Scenario #2: This scenario is displayed on the second 30-Year Summary Table. It shows the Reserve fee income of \$300,000 for the 2025 fiscal year as a new starting point in the financial analysis. Unlike Scenario #1, this funding plan builds in annual increases to further strengthen Reserve funding over time while also helping to offset inflation. This plan incorporates 5% annual increases in Reserve funding for 2026 through 2030, and then 3% annual increases for 2031 through 2049. 70% funded is considered a position of Reserve strength. Even with the annual increases built into this funding plan, Reserves do not achieve 70% funded until the start of 2039. The 80% funded target is not achieved until the year 2044.

In summary, increasing Reserve fees to shore up the weakening Reserve status is a good starting point. When you compare the tables provided, it is clear the increased fees cannot fund the Reserve obligation without regular, annual increases to strengthen Reserve funding over time while also offsetting inflation.

					Interest: 2.0%		Inflation: 3.0%		
Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)					Projected Reserve Balance Changes				
Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Special Assmt Risk	% Increase In Annual Reserve Funding	Reserve Funding	Loan or Special Assmt	Interest Income	Reserve Expenses
2025	\$866,258	\$2,102,654	41.2%	Medium	97.77%	\$300,000	\$0	\$17,359	\$312,500
2026	\$871,117	\$2,118,904	41.1%	Medium	0.00%	\$300,000	\$0	\$15,978	\$459,071
2027	\$728,023	\$1,992,924	36.5%	Medium	0.00%	\$300,000	\$0	\$13,586	\$409,826
2028	\$631,784	\$1,922,387	32.9%	Medium	0.00%	\$300,000	\$0	\$12,202	\$354,481
2029	\$589,506	\$1,915,493	30.8%	Medium	0.00%	\$300,000	\$0	\$10,801	\$408,785
2030	\$491,522	\$1,861,475	26.4%	High	0.00%	\$300,000	\$0	\$10,379	\$254,577
2031	\$547,325	\$1,973,958	27.7%	High	0.00%	\$300,000	\$0	\$10,512	\$353,081
2032	\$504,755	\$1,997,922	25.3%	High	0.00%	\$300,000	\$0	\$10,419	\$277,091
2033	\$538,084	\$2,110,727	25.5%	High	0.00%	\$300,000	\$0	\$12,202	\$167,087
2034	\$683,199	\$2,350,368	29.1%	High	0.00%	\$300,000	\$0	\$11,485	\$528,433
2035	\$466,250	\$2,235,465	20.9%	High	0.00%	\$300,000	\$0	\$10,514	\$190,702
2036	\$586,063	\$2,475,744	23.7%	High	0.00%	\$300,000	\$0	\$12,615	\$222,170
2037	\$676,508	\$2,701,908	25.0%	High	0.00%	\$300,000	\$0	\$13,798	\$285,865
2038	\$704,440	\$2,880,673	24.5%	High	0.00%	\$300,000	\$0	\$13,483	\$372,861
2039	\$645,063	\$2,986,960	21.6%	High	0.00%	\$300,000	\$0	\$11,601	\$440,617
2040	\$516,047	\$3,038,764	17.0%	High	0.00%	\$300,000	\$0	\$9,629	\$377,963
2041	\$447,713	\$3,169,136	14.1%	High	0.00%	\$300,000	\$0	\$9,258	\$278,096
2042	\$478,875	\$3,419,139	14.0%	High	0.00%	\$300,000	\$0	\$3,861	\$875,183
2043	-\$92,447	\$3,074,883	0.0%	High	0.00%	\$300,000	\$0	\$0	\$451,315
2044	-\$243,762	\$3,170,521	0.0%	High	0.00%	\$300,000	\$0	\$0	\$556,212
2045	-\$499,974	\$3,175,031	0.0%	High	0.00%	\$300,000	\$0	\$0	\$386,147
2046	-\$586,120	\$3,369,313	0.0%	High	0.00%	\$300,000	\$0	\$0	\$953,587
2047	-\$1,239,707	\$2,999,863	0.0%	High	0.00%	\$300,000	\$0	\$0	\$319,031
2048	-\$1,258,738	\$3,288,272	0.0%	High	0.00%	\$300,000	\$0	\$0	\$218,279
2049	-\$1,177,017	\$3,704,919	0.0%	High	0.00%	\$300,000	\$0	\$0	\$542,553
2050	-\$1,419,570	\$3,816,347	0.0%	High	0.00%	\$300,000	\$0	\$0	\$321,604
2051	-\$1,441,174	\$4,175,469	0.0%	High	0.00%	\$300,000	\$0	\$0	\$365,327
2052	-\$1,506,501	\$4,517,607	0.0%	High	0.00%	\$300,000	\$0	\$0	\$797,443
2053	-\$2,003,943	\$4,442,724	0.0%	High	0.00%	\$300,000	\$0	\$0	\$299,947
2054	-\$2,003,891	\$4,896,344	0.0%	High	0.00%	\$300,000	\$0	\$0	\$908,220

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Reserve Fund Strength Calculations: (All values of Fiscal Year Start Date)						Projected Reserve Balance Changes				
Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded		Special Assmt Risk	% Increase In Annual Reserve Funding	Reserve Funding	Loan or Special Assmt	Interest Income	Reserve Expenses
2025	\$866,258	\$2,102,654	41.2%		Medium	97.77%	\$300,000	\$0	\$17,359	\$312,500
2026	\$871,117	\$2,118,904	41.1%		Medium	5.00%	\$315,000	\$0	\$16,129	\$459,071
2027	\$743,175	\$1,992,924	37.3%		Medium	5.00%	\$330,750	\$0	\$14,202	\$409,826
2028	\$678,301	\$1,922,387	35.3%		Medium	5.00%	\$347,288	\$0	\$13,618	\$354,481
2029	\$684,727	\$1,915,493	35.7%		Medium	5.00%	\$364,652	\$0	\$13,375	\$408,785
2030	\$653,969	\$1,861,475	35.1%		Medium	5.00%	\$382,884	\$0	\$14,495	\$254,577
2031	\$796,772	\$1,973,958	40.4%		Medium	3.00%	\$394,371	\$0	\$16,499	\$353,081
2032	\$854,561	\$1,997,922	42.8%		Medium	3.00%	\$406,202	\$0	\$18,552	\$277,091
2033	\$1,002,224	\$2,110,727	47.5%		Medium	3.00%	\$418,388	\$0	\$22,765	\$167,087
2034	\$1,276,291	\$2,350,368	54.3%		Medium	3.00%	\$430,940	\$0	\$24,777	\$528,433
2035	\$1,203,575	\$2,235,465	53.8%		Medium	3.00%	\$443,868	\$0	\$26,848	\$190,702
2036	\$1,483,589	\$2,475,744	59.9%		Medium	3.00%	\$457,184	\$0	\$32,317	\$222,170
2037	\$1,750,921	\$2,701,908	64.8%		Medium	3.00%	\$470,900	\$0	\$37,209	\$285,865
2038	\$1,973,164	\$2,880,673	68.5%		Medium	3.00%	\$485,027	\$0	\$40,959	\$372,861
2039	\$2,126,289	\$2,986,960	71.2%		Low	3.00%	\$499,577	\$0	\$43,513	\$440,617
2040	\$2,228,762	\$3,038,764	73.3%		Low	3.00%	\$514,565	\$0	\$46,365	\$377,963
2041	\$2,411,728	\$3,169,136	76.1%		Low	3.00%	\$530,002	\$0	\$51,221	\$278,096
2042	\$2,714,856	\$3,419,139	79.4%		Low	3.00%	\$545,902	\$0	\$51,474	\$875,183
2043	\$2,437,049	\$3,074,883	79.3%		Low	3.00%	\$562,279	\$0	\$50,310	\$451,315
2044	\$2,598,323	\$3,170,521	82.0%		Low	3.00%	\$579,147	\$0	\$52,677	\$556,212
2045	\$2,673,935	\$3,175,031	84.2%		Low	3.00%	\$596,522	\$0	\$56,095	\$386,147
2046	\$2,940,405	\$3,369,313	87.3%		Low	3.00%	\$614,417	\$0	\$55,927	\$953,587
2047	\$2,657,162	\$2,999,863	88.6%		Low	3.00%	\$632,850	\$0	\$56,800	\$319,031
2048	\$3,027,781	\$3,288,272	92.1%		Low	3.00%	\$651,835	\$0	\$65,489	\$218,279
2049	\$3,526,827	\$3,704,919	95.2%		Low	3.00%	\$671,390	\$0	\$72,487	\$542,553
2050	\$3,728,151	\$3,816,347	97.7%		Low	0.00%	\$671,390	\$0	\$78,780	\$321,604
2051	\$4,156,717	\$4,175,469	99.6%		Low	0.00%	\$671,390	\$0	\$86,990	\$365,327
2052	\$4,549,771	\$4,517,607	100.7%		Low	0.00%	\$671,390	\$0	\$90,562	\$797,443
2053	\$4,514,280	\$4,442,724	101.6%		Low	0.00%	\$671,390	\$0	\$94,867	\$299,947
2054	\$4,980,590	\$4,896,344	101.7%		Low	0.00%	\$671,390	\$0	\$98,140	\$908,220