

Reserve Summary

(As required by California Civil Code Section 5565)

PGA WEST MASTER ASSOCIATION

SCT Reserve Consultants, Inc. is pleased to provide this Level II Reserve Study (Site Visit Update Report). In order to comply with the California Civil Code, specifically the Davis-Stirling Common Interest Development Act, Section 5565, we are providing the following information to the Homeowners within the PGA WEST MASTER ASSOCIATION.

The following study has been prepared with several assumed factors taken into account: a 3.00% inflation rate; a 1.00% return on investment (interest earned); a 25.00% tax rate on interest earned from the reserve account(s); an estimated remaining life of each reserve component; and an estimated current replacement cost of each reserve component.

As of December 31, 2014, the estimated ending reserve fund balance is \$2,000,000 and the estimated current replacement cost is \$3,894,957 for the portfolio of reserve components. The projected future replacement cost of the portfolio is \$4,444,930, calculated at an annually compounded inflation rate of 3.00%. The Association's level of funding which is based upon the estimated ending reserve fund balance divided by the reserve components' fully funded amount is 66.48%. This is referred to as Percent Funded. The Association would be 100.00% funded if there were \$3,008,595.00 in the reserve fund.

The current deficiency (or surplus if the number is in parenthesis) in reserve funding expressed on a per unit basis is \$324.93. This is calculated by subtracting the ending balance (\$2,000,000) from the 100% funded figure (\$3,008,595.00), then divided by the number of ownership interests (3104). There is currently no requirement to be fully funded.

Our original analysis of the cash flow for this association indicated future adequate funding if there were no annual increases to the Reserves. It is our understanding the Board of Directors will allocate a total of \$51,450 starting in 2015 (\$16.58 per unit per month for each of the 3104 ownership interests) per month towards the reserve fund. An increase is not required to meet future cash requirements. The Board of Directors may change the amount; however, it will impact the level of funding on reserves. These numbers, by themselves, are not a clear indicator of financial strength and could indicate underfunding, overfunding, or adequate funding.

The following table represents additionally required information pursuant to the Davis-Stirling Common Interest Development Act, Section 5565.

Fiscal Year: January 1, 2015 through December 31, 2015

Category	Estimated Remaining Useful Lives	Estimated Current Replacement Cost	Fund Balance on Dec 31, 2014	Estimated Reserve Allocation	Estimated Special Assessment Allocation	Estimated Interest
Asphalt & Concrete	0 to 16	\$1,439,055	\$720,725	\$222,487.67	\$0.00	\$6,522.54
Electrical/Lights	0 to 13	\$154,455	\$75,321	\$23,251.71	\$0.00	\$681.66
Gate, 58th	3 to 15	\$36,600	\$13,753	\$4,245.62	\$0.00	\$124.47
Gate, Airport	2 to 15	\$48,600	\$19,904	\$6,144.25	\$0.00	\$180.13
Gate, Laurels	3 to 15	\$23,800	\$9,450	\$2,917.09	\$0.00	\$85.52
Gate, Madison 8	3 to 15	\$96,200	\$38,559	\$11,903.25	\$0.00	\$348.96
Gate, Monroe	2 to 15	\$36,600	\$14,181	\$4,377.76	\$0.00	\$128.34
Gate, Troon	3 to 15	\$36,600	\$13,967	\$4,311.69	\$0.00	\$126.40
Gatehouse, Legends	2 to 15	\$81,700	\$33,251	\$10,264.59	\$0.00	\$300.92
Gatehouse, Nicklaus	1 to 6	\$30,300	\$15,315	\$4,727.77	\$0.00	\$138.60
Gatehouse, Norman	2 to 15	\$81,700	\$33,045	\$10,200.97	\$0.00	\$299.06



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<i>Category</i>	<i>Estimated Remaining Useful Lives</i>	<i>Estimated Current Replacement Cost</i>	<i>Fund Balance on Dec 31, 2014</i>	<i>Estimated Reserve Allocation</i>	<i>Estimated Special Assessment Allocation</i>	<i>Estimated Interest</i>
Gatehouse, Palmer	2 to 15	\$30,300	\$13,511	\$4,170.84	\$0.00	\$122.27
Gatehouse, Stadium	2 to 15	\$32,300	\$13,876	\$4,283.40	\$0.00	\$125.57
Gatehouse, Weiskopf	1 to 15	\$45,100	\$19,401	\$5,989.21	\$0.00	\$175.58
Gatehouses (All)	0 to 19	\$114,060	\$53,989	\$16,666.43	\$0.00	\$488.60
Gates, Access System	0 to 7	\$120,050	\$63,886	\$19,721.55	\$0.00	\$578.17
Irrigation	1 to 13	\$247,400	\$93,431	\$28,842.28	\$0.00	\$845.55
Landscape	0 to 4	\$867,000	\$516,830	\$159,545.28	\$0.00	\$4,677.30
Paint	0 to 5	\$234,230	\$181,460	\$56,016.80	\$0.00	\$1,642.21
Signage	6 to 11	\$102,607	\$33,492	\$10,338.98	\$0.00	\$303.10
Water Features	1 to 2	\$36,300	\$19,219	\$5,932.83	\$0.00	\$173.93
Taxes			\$3,434	\$1,060.04	\$0.00	\$31.08
Totals:		\$3,894,957	\$2,000,000	\$617,400	\$0	\$18,100

The complete reserve study is available by request from the Association.



Assessment and Reserve Funding Disclosure Summary

For the Fiscal Year Ending December 31, 2015

(As illustrated by California Civil Code Section 5570(a))

(1) The regular assessment per ownership interest is \$78.00 per month, of which approximately \$16.58 is allocated to reserves.

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. NOT APPLICABLE

(2) Additional regular or special assessments that have already been scheduled to be imposed or charged, regardless of the purpose, if they have been approved by the board and/or members: **SEE ANSWER BELOW TO QUESTION #4 WHICH SUGGESTS THERE WILL BE INCREASES IN REGULAR ASSESSMENTS FOR RESERVE FUNDING.**

Date assessment will be due:	Amount per ownership interest per month or year:	Purpose of the assessment:
<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>	<i>(Intentionally left blank)</i>

Note: If assessments vary by the size or type of ownership interest, the assessment applicable to this ownership interest may be found on the following page of the attached summary. NOT APPLICABLE

(3) Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for repair and/or replacement of major components during the next 30 years?

Yes X No X

Yes, if the Association follows the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

No, if the Association does not follow the recommended future reserve contribution increases as outlined in the reserve study and disclosed in the table of question (4) with consideration to the note below*.

**Note: The information contained within the reserve study includes estimates of replacement value and life expectancies of the components and includes assumptions regarding future events based on information provided by and supplied to the Association's Board of Directors and/or management. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the data of this disclosure summary. Therefore, the actual replacement cost and remaining life may vary from the reserve study and the variation may be significant. Additionally, inflation and other economic events may impact the reserve study, particularly over a thirty (30) year period of time which could impact the accuracy of the reserve study and the funds available to meet the association's obligation for repair and/or replacement of major components during the next thirty (30) years. Furthermore, the occurrence of vandalism, severe weather conditions, earthquakes, floods or other acts of God cannot be accounted for and are excluded when assessing life expectancy of the components. The reserve study only includes items that the Association has a clear and express responsibility to maintain, pursuant to the Association's CC&Rs.*

(4) If the answer to (3) is No, what additional assessments or other contributions to reserves would be necessary to ensure that sufficient reserve funds will be available each year during the next 30 years that have not yet been approved by the Board or the members?

Approximate date assessment(s) will be due:	Amount per ownership interest per month:
NOT REQUIRED	(Current amount) X (the increases)

(5) All major components are included in the reserve study and are included in its calculations.

(6) Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550, the estimated amount required in the reserve fund at the end of the current fiscal year is \$2,798,225.14, as of **December 31, 2015**, based in whole or in part on the last reserve study or update prepared by **SCT RESERVE CONSULTANTS, INC.** The projected reserve fund cash balance at the end of the current fiscal year is \$2,104,424.97, resulting in reserves being 75.21% percent funded at this date. If an alternate, but generally accepted, method of calculation is also used, the required amount is \$531,075. (See explanation below).

Explanation: *Cash Flow Methodology - a method of developing a reserve funding plan 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.*



Assessment and Reserve Funding Disclosure Summary

For the Fiscal Year Ending December 31, 2015

(As illustrated by California Civil Code Section 5570(a))

(continued)

7) See below: 30-Year Reserve Funding Plan Table...Based on the method of calculation in paragraph (4) of subdivision (b) of Section 5550 of the Civil Code, the estimated amount required in the reserve fund at the end of each of the next five budget years is \$(see "100% Funded" column below), and the projected reserve fund cash balance in each of those years, taking into account only assessments already approved and other known revenues, is \$(see "Cash Flow Balance with Funding Plan" column below), leaving the reserve at (see "Percent Funded" column below) percent funding. If the reserve funding plan approved by the association is implemented, the projected reserve fund cash balance in each of those years will be \$(see "Cash Flow Balance with Funding Plan" column below), leaving the reserve at (see "Percent Funded" column below) percent funding. Note: The financial representations set forth in this summary are based on the best estimates of the preparer at that time. The estimates are subject to change. At the time this summary was prepared, the assumed long-term before-tax interest rate earned on reserve funds was 1.00% per year, and the assumed long-term inflation rate to be applied to major component repair and replacement costs was 3.00% per year.

30-Year Reserve Funding Plan Table

Fiscal Year: January 01, 2015 - December 31, 2015							
Year	End of Year			Revenue			Expenditures
	100% Funded	Cash Flow (Balance with Funding Plan)	Percent Funded (EOY)	Contribution, Interest, Spec Assess	Contribution Unit/Month	Contribution %Change	Components, Taxes, Deferred Exp
2014	\$3,008,595	\$2,000,000	66.48%				
2015	\$2,798,225	\$2,104,425	75.21%	\$635,500	\$16.58		\$531,075
2016	\$2,752,598	\$2,394,795	87.00%	\$638,315	\$16.58	0.00%	\$347,945
2017	\$2,596,830	\$2,573,596	99.11%	\$640,143	\$16.58	0.00%	\$461,342
2018	\$1,396,615	\$1,583,808	113.40%	\$630,769	\$16.58	0.00%	\$1,620,556
2019	\$1,388,830	\$1,887,400	135.90%	\$633,255	\$16.58	0.00%	\$329,663
2020	\$1,373,499	\$2,169,966	157.99%	\$636,079	\$16.58	0.00%	\$353,512
2021	\$1,450,819	\$2,551,173	175.84%	\$639,835	\$16.58	0.00%	\$258,629
2022	\$1,598,985	\$3,013,572	188.47%	\$644,408	\$16.58	0.00%	\$182,009
2023	\$1,842,303	\$3,594,729	195.12%	\$650,149	\$16.58	0.00%	\$68,992
2024	\$1,965,160	\$4,031,582	205.15%	\$654,561	\$16.58	0.00%	\$217,708
2025	\$1,948,898	\$4,259,480	218.56%	\$656,918	\$16.58	0.00%	\$429,020
2026	\$2,120,033	\$4,724,178	222.84%	\$661,449	\$16.58	0.00%	\$196,752
2027	\$2,152,651	\$4,991,204	231.86%	\$664,192	\$16.58	0.00%	\$397,167
2028	\$2,158,160	\$5,230,879	242.38%	\$666,591	\$16.58	0.00%	\$426,916
2029	\$2,412,339	\$5,787,130	239.90%	\$672,001	\$16.58	0.00%	\$115,750
2030	\$2,389,855	\$5,924,987	247.92%	\$673,549	\$16.58	0.00%	\$535,691
2031	\$2,430,155	\$6,136,304	252.51%	\$675,623	\$16.58	0.00%	\$464,307
2032	\$2,506,025	\$6,445,055	257.18%	\$678,659	\$16.58	0.00%	\$369,908
2033	\$2,685,089	\$6,858,645	255.43%	\$682,736	\$16.58	0.00%	\$269,145
2034	\$2,924,700	\$7,342,771	251.06%	\$687,529	\$16.58	0.00%	\$203,404
2035	\$2,650,957	\$7,037,329	265.46%	\$684,815	\$16.58	0.00%	\$990,257
2036	\$2,659,380	\$7,116,167	267.59%	\$685,441	\$16.58	0.00%	\$606,602
2037	\$2,666,855	\$7,168,240	268.79%	\$685,971	\$16.58	0.00%	\$633,898
2038	\$2,600,628	\$7,070,918	271.89%	\$685,063	\$16.58	0.00%	\$782,385
2039	\$2,795,941	\$7,326,991	262.06%	\$687,467	\$16.58	0.00%	\$431,394
2040	\$2,865,377	\$7,512,142	262.17%	\$689,341	\$16.58	0.00%	\$504,191
2041	\$3,185,056	\$7,984,216	250.68%	\$693,925	\$16.58	0.00%	\$221,851
2042	\$3,488,514	\$8,433,469	241.75%	\$698,410	\$16.58	0.00%	\$249,156
2043	\$3,827,516	\$8,934,885	233.44%	\$703,384	\$16.58	0.00%	\$201,968
2044	\$3,979,434	\$9,197,136	231.12%	\$706,096	\$16.58	0.00%	\$443,845
30-Year Sum:				\$20,042,176			\$12,845,039

