

Capital Reserve Study 2014

Mariners Cove Association

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Honolulu, Hawaii 96825



HAWAIIAN PROPERTIES

Building Relationships that Last

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Preface

What is A Reserve Study?

A reserve study is a detailed report that assists Association (AOAO or other Hawaii entity) in planning for long-term common area repair and replacement expenses. In most cases, an AOAO exists when there is individual ownership of a house or condominium along with the shared ownership or right of use to common areas. These common areas can include streets, roofs, recreational facilities and many other items. A reserve study includes two parts:

1) **The Physical Analysis** contains information about the condition and repair/replacement cost of the components that the AOAO maintains. The physical analysis should include a component inventory and quantity, estimated useful and remaining life, and estimated replacement cost.

2) **The Financial Analysis** evaluates the AOAO's reserve fund balance and income. The financial analysis calculates a AOAO's percent funded by comparing the actual reserve balance to a fully funded balance. The reserve study then estimates the total annual contribution necessary to defray the future costs.

Why Should a Reserve Study be performed?

Certain states, such as Hawaii, require that reserve studies be completed and that the board of directors inform owners of the reserve status annually. In addition, the board of directors of an AOAO has a legal and fiduciary duty to maintain the community in a good state of repair. Property Values are directly affected by the level of maintenance and upkeep of the common area components. Reserve studies create a maintenance plan, which keeps a development in good condition, therefore increasing property appreciation and value. The amount of funds in the reserve account also greatly affects property values. Reserve studies inform AOAO's how much they should have in their reserve account, which eliminates costly special assessments. Over time each member of a AOAO should contribute their fair share to the reserve account so when expenses arise the required funds are available. Reserve Studies can also help avoid litigation against AOAO board members.

Sections of this Reserve Study

Executive Summary - Provides the general information about the findings of the study.

Component Summary – List all components and their details in tabular form.

20 Year Funding Plans – Lists theoretical fully funded balance for the next 20 years. Other Options can include theoretical annual contribution, projected year-end balance, and percent funded for the current, recommended, and threshold funding plans. (Inflation and annual dues increase are taken into account)

Annual Expenses – Lists projected annual expenses for each component over the next 20 years in tabular form. (Inflation is taken into account)

20 Year Reserve Projection Graph – Displays the reserve account balance for the current, fully funded, threshold, and recommended funding plans over the next 20 years. (Inflation and annual dues increase are taken into account)

Projected Annual Expenses Graph – Displays projected annual expenses over the next 20 years in a bar graph. (Inflation is taken into account)

Category Cost % Chart – Provides the percentage of total annual depreciation for each reserve category in a pie graph.

Component Details – Provides detailed information on each component. Also includes pictures of selected components.

Where do Component Repair/Replacement Cost Estimates Come From?

The most accurate cost source is actual bids from contractors or to look at contracts from when the repair/replacement was last performed. In most cases bids or contracts are not available so unit costs for similar work done in the same local area are used. In addition, it is helpful to talk to local vendors who have knowledge of the work and can help with a cost estimate. A third source is to use construction cost estimators.

Many times the entire quantity of a component will not need to be replaced or repaired all at once. An example of this is concrete sidewalks. All sidewalks should never have to be replaced, but some sections may experience cracking. In this case an allowance can be created for their partial replacement.

In some instances The cost source number for each component is provided in the component summary and details. An explanation of each follows:

1. **Local Historical Cost** – Cost based on bids for similar work done in same area.
2. **HF Estimate** – Estimate or Allowance made by Hawaiian Properties Ltd. employee.
3. **Board/Manager Direction** – Cost estimate provided by board member or property manager.
4. **Bid/Contract** – Bid came from actual bid or contract.
5. **Cost Manual** – Cost came from estimating manual.
6. **Previous Study** – Cost came from previous reserve study.

What Procedures were used for calculation and establishment of reserves?

In this study the fully funded reserve balance for a component at a given time was computed using the component method. Using the component method the fully funded reserve balance equals the current cost of replacement or repair multiplied by the number of years the component has been in service divided by the useful life of the component.

For example if the cost of a boiler is \$10,000, the useful life is 10 years and the remaining life is 3 years. The recommended reserve balance would be:

$$\$10,000 \times ((10-3)/10) = \$7,000.$$

Glossary of Terms:

50% Threshold Reserve Contribution – Reserve contribution that should be allocated into reserves to keep reserve balance above a 50% funded during the next 20 years.

Cash Flow Threshold Reserve Contribution – Reserve contribution that should be allocated into reserves to keep reserve balance above a minimum amount during the next 20 years. (Minimum amount is 5% of total replacement cost unless otherwise noted)

Percent Funded – The percentage of the fully funded balance that the AOA has in reserve fund. (Projected Balance/ Fully Funded Balance)

Contingency – An allowance for miscellaneous components or unpredictable expenses. (5% of total current cost unless directed otherwise)

Current Budgeted Reserve Assessment – Amount currently being deposited into reserve account. Provided by Property Manager or Board Member.

Depreciation This Year – Amount that should be saved for a component during current year. Provided for each component and summed for all components. If the association is 100% funded this is the amount they should contribute to the reserve fund annually. $= (\text{Total Current Cost} / \text{Normal Useful Life})$

Fully Funded Balance – The total depreciation over the life of the component. In other words, the amount

that should have been saved during the life of the component. Provided for each component and summed for all components $=((\text{Normal Life} - \text{Remaining Life}) * \text{Deprecation This Year})$

Normal Useful Life – Typical useable life for a component.

Projected Balance – Projected balance at fiscal year end with current funding plan. Calculated using current reserve balance, remaining contributions to reserves before yearend, and planned expenses before year-end.

Recommended Reserve Contribution – Recommended amount that the AOA should allocate into reserves.

Remaining Life – Expected remaining useable life of component. (0 year remaining life means the component will be serviced in the upcoming fiscal year)

Replacement Year – Year that component is projected to be replaced or repaired.

Total Cost – Total cost to replace entire quantity of component in today's dollars. $= (\text{Quantity} \times \text{Unit Cost})$

Total Future Cost - Current cost adjusted to future cost taking into account inflation and replacement year. $= (\text{Current Cost} * (1 + \text{inflation rate})^{(\text{Replacement Year} - \text{Present Year})})$

Under Funded – Amount association is short of fully funded balance; also know as a deficit. $= (\text{Fully Funded Balance} - \text{Projected Balance})$

Unit Cost – Cost per Unit.

Unit of Measure – Unit used to measure component. (Explanations shown below)

SF – Square Feet

SY – Square Yard

LF – Linear Feet

Each – Per Single Unit

Lump Sum - Total cost for component

Allowance – Allowance for component repair or replacement

Contract – Cost obtained from actual contract or bid

Useful Life – Time in years component is expected to last.

If you have any questions feel free to contact us:

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Mariner's Cove Association
Honolulu, Hawaii
RA Current Assessment Funding Model Summary

Report Date	September 17, 2013
Account Number	951
Budget Year Beginning	January 01, 2014
Budget Year Ending	December 31, 2014
Total Units	410

Report Parameters	
Inflation	2.40%
Annual Assessment Increase	0.00%
Interest Rate on Reserve Deposit	0.50%
Tax Rate on Interest	4.71%
Contingency	5.00%
2014 Beginning Balance	\$189,886.00

Project Summary

A Reserve Study was prepared using the cash flow method of analysis for the fiscal year.

This funding plan provides for fully funded reserve fund balances and complies with HRS 514B-148, approved by the association's Board of Directors as part of the new Budget.

It is important to recognize that a reserve study is a financial forecast of future funds required to maintain the capital components of the project. Hawaii law requires directors of the association to use reasonable efforts to project inflation, interest income, component inventory, component life & remaining life, and replacement costs of the project's components for a 20 year period. From this information, reserve contributions are calculated to fund the statutory replacement reserves. By its nature, a Reserve Study is an estimate to be used for annual budgeting purposes. The Reserve Study is a requirement of HRS 514A-83.6 and HRS 514B-148. The reserve study is not an audit or quality inspection of the project.

This Reserve Study has adopted a funding plan based on the cash flow method that provides full funding. The Reserve Study reflects that the Association is fully funded and has complied with the reserve requirements of Hawaii State Law; provided however, the association implements the funding plan and the criteria used reflects the project's actual operating experience during the life of the funding plan.

Current Assessment Funding Model Summary of Calculations

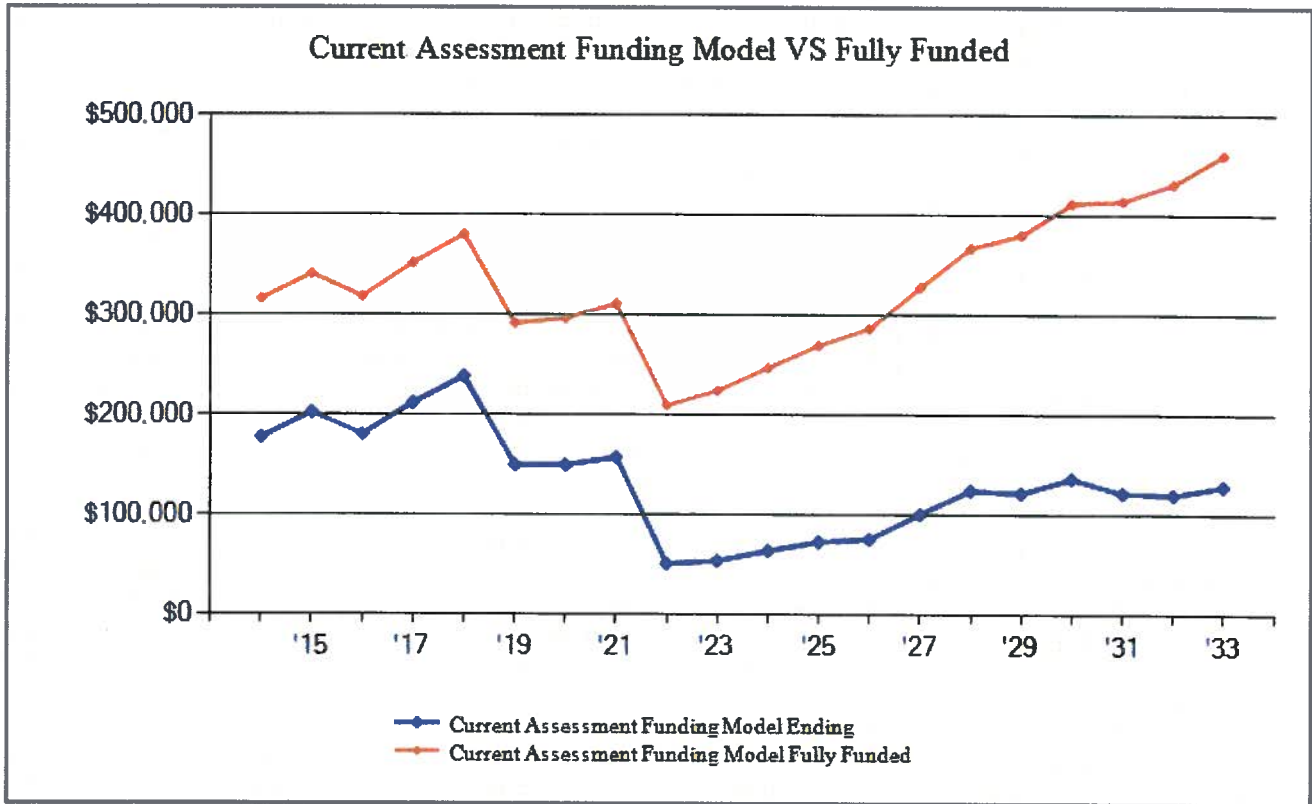
Required Biannual Contribution	\$16,837.50
<i>\$41.07 per unit biannually</i>	
Average Net Biannual Interest Earned	<u>\$402.28</u>
Total Biannual Allocation to Reserves	\$17,239.78
<i>\$42.05 per unit biannually</i>	

Mariner's Cove Association
RA Current Assessment Funding Model Projection

Beginning Balance: \$189,886

Year	Annual Contribution	Annual Interest	Annual Expenditures	Projected Ending Reserves	Fully Funded Reserves	Percent Funded
2014	33,675	805	46,467	177,899	316,431	56%
2015	33,675	923	9,728	202,768	341,222	59%
2016	33,675	820	56,083	181,180	318,802	56%
2017	33,675	969	3,221	212,603	352,269	60%
2018	33,675	1,094	8,437	238,936	380,606	62%
2019	33,675	674	122,899	150,386	291,926	51%
2020	33,675	673	34,530	150,204	297,243	50%
2021	33,675	710	26,563	158,026	311,798	50%
2022	33,675	205	140,296	51,611	210,373	24%
2023	33,675	219	31,008	54,496	225,022	24%
2024	33,675	267	23,864	64,574	247,970	26%
2025	33,675	308	25,176	73,382	270,332	27%
2026	33,675	321	31,303	76,074	287,149	26%
2027	33,675	441	8,847	101,343	328,047	30%
2028	33,675	553	10,695	124,876	367,473	33%
2029	33,675	540	36,990	122,101	380,315	32%
2030	33,675	610	19,562	136,823	412,195	33%
2031	33,675	541	48,760	122,279	414,717	29%
2032	33,675	532	36,090	120,395	431,609	27%
2033	33,675	573	25,458	129,185	460,549	28%

**Mariner's Cove Association
RA Current Assessment Funding Model VS Fully Funded Chart**



The Current Assessment Funding Model is based on the current annual assessment, parameters, and reserve fund balance. Because it is calculated using the current annual assessment, it will give the accurate projection of how well the association is funded for the next 20 years of planned reserve expenditures.

**Mariner's Cove Association
RA Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2014	
Asphalt Seal/Repair	18,800
Chain Link Fence	17,392
Pool Furniture - Replace	4,750
Wood Surfaces - Repaint	5,525
Total for 2014	\$46,467
Replacement Year 2015	
Kitchen - Refurbish	6,656
Utility Doors - Partial replace	3,072
Total for 2015	\$9,728
Replacement Year 2016	
Pool - Retile	39,322
Stucco - Repaint	7,324
Wading Pool - Retile	9,437
Total for 2016	\$56,083
Replacement Year 2017	
Elastomeric Deck - Seal/Repair	3,221
Total for 2017	\$3,221
Replacement Year 2018	
Pool-Comm Salt Chlorine Generator	4,313
Signage	4,123
Total for 2018	\$8,437
Replacement Year 2019	
Elastomeric Deck - Resurface	33,362
Electronic Enrty - Replace	3,321
Tile Roof	79,995
Wood Surfaces - Repaint	6,221
Total for 2019	\$122,899
Replacement Year 2020	
Asphalt Seal/Repair	21,675
Pool Furniture - Replace	5,476
Pump Shut Offs - Replace	3,920

**Mariner's Cove Association
RA Annual Expenditure Detail**

Description	Expenditures
<i>Replacement Year 2020 continued...</i>	
Utility Doors - Partial replace	3,459
Total for 2020	<u>\$34,530</u>
Replacement Year 2021	
Elastomeric Deck - Seal/Repair	3,542
Pool/Spa Filters - Replace	2,125
Sliding Glass Doors - Partial Replacement	8,854
Vinyl Fence - Replace	12,042
Total for 2021	<u>\$26,563</u>
Replacement Year 2022	
Asphalt Resurface	113,639
Solar Hot Water - Replace	26,657
Total for 2022	<u>\$140,296</u>
Replacement Year 2023	
Pole Lights - Replace	26,151
Pool-Comm Salt Chlorine Generator	4,856
Total for 2023	<u>\$31,008</u>
Replacement Year 2024	
Dock - Replace	16,860
Wood Surfaces - Repaint	7,004
Total for 2024	<u>\$23,864</u>
Replacement Year 2025	
Bathroom - Refurbish	8,437
CVT Floor Replace	3,758
Elastomeric Deck - Seal/Repair	3,894
Pool Deck - Replace 10%	5,192
Utility Doors - Partial replace	3,894
Total for 2025	<u>\$25,176</u>
Replacement Year 2026	
Asphalt Seal/Repair	24,989
Pool Furniture - Replace	6,314
Total for 2026	<u>\$31,303</u>

**Mariner's Cove Association
RA Annual Expenditure Detail**

Description	Expenditures
Replacement Year 2027	
Kitchen - Refurbish	8,847
Total for 2027	<u>\$8,847</u>
Replacement Year 2028	
Pool-Comm Salt Chlorine Generator	5,468
Signage	5,227
Total for 2028	<u>\$10,695</u>
Replacement Year 2029	
Chain Link Fence	24,823
Elastomeric Deck - Seal/Repair	4,282
Wood Surfaces - Repaint	7,886
Total for 2029	<u>\$36,990</u>
Replacement Year 2030	
Pump Shut Offs - Replace	4,969
Stucco - Repaint	10,209
Utility Doors - Partial replace	4,385
Total for 2030	<u>\$19,562</u>
Replacement Year 2031	
Elastomeric Deck - Resurface	44,345
Electronic Enrty - Replace	4,415
Total for 2031	<u>\$48,760</u>
Replacement Year 2032	
Asphalt Seal/Repair	28,811
Pool Furniture - Replace	7,279
Total for 2032	<u>\$36,090</u>
Replacement Year 2033	
Elastomeric Deck - Seal/Repair	4,708
Pool-Comm Salt Chlorine Generator	6,156
Pool/Spa Filters - Replace	2,825
Tile Floor - Replace	11,770
Total for 2033	<u>\$25,458</u>

**Mariner's Cove Association
RA Spread Sheet**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Beginning Balance	189,886	177,899	202,768	181,180	212,603	238,936	150,386	150,204	158,026	51,611
Annual Assessment	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675
Interest Earned	805	923	820	969	1,094	674	673	710	205	219
Expenditures	46,467	9,728	56,083	3,221	8,437	122,899	34,530	26,563	140,296	31,008
Fully Funded Reserves	316,431	341,222	318,802	352,269	380,606	291,926	297,243	311,798	210,373	225,022
Percent Fully Funded	56%	59%	56%	60%	62%	51%	50%	50%	24%	24%
Ending Balance	177,899	202,768	181,180	212,603	238,936	150,386	150,204	158,026	51,611	54,496

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Appliances	<i>Unfunded</i>									
Asphalt Resurface									113,639	
Asphalt Seal/Repair	18,800						21,675			
BBQ - Replace	<i>Unfunded</i>									
Bathroom - Refurbish										
Block Wall _ Repair/Replace	<i>Unfunded</i>									
CVT Floor Replace										
Ceiling Fans	<i>Unfunded</i>									
Chain Link Fence	17,392									
Concrete - Special Repair	<i>Unfunded</i>									
Concrete Walk - Repair	<i>Unfunded</i>									
Dock - Replace										
Elastomeric Deck - Resurface						33,362				
Elastomeric Deck - Seal/Repair				3,221				3,542		
Electronic Enrty - Replace						3,321				
Furniture - Replace	<i>Unfunded</i>									
Interior Surfaces - Repaint	<i>Unfunded</i>									
Irrigation System	<i>Unfunded</i>									
Kitchen - Refurbish		6,656								
Pole Lights - Replace										26,151
Pool - Retile			39,322							
Pool Deck - Replace 10%										
Pool Furniture - Replace	4,750						5,476			
Pool-Comm Salt Chlorine Generator					4,313					4,856
Pool/Spa Filters - Replace								2,125		
Pool/Spa Pumps - Replace	<i>Unfunded</i>									
Pump Shut Offs - Replace							3,920			

**Mariner's Cove Association
RA Spread Sheet**

Description	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rock Wall - Repair	<i>Unfunded</i>									
Sea Wall - Repair	<i>Unfunded</i>									
Signage					4,123					
Sliding Glass Doors - Partial Replacement								8,854		
Solar Hot Water - Replace									26,657	
Stucco - Repaint			7,324							
Tile Floor - Replace										
Tile Roof						79,995				
Tree Trimming	<i>Unfunded</i>									
Utility Doors - Partial replace		3,072					3,459			
Vinyl Fence - Replace								12,042		
Wading Pool - Retile			9,437							
Wall Lights - Replace	<i>Unfunded</i>									
Wood Fence - Replace	<i>Unfunded</i>									
Wood Surfaces - Repaint	5,525					6,221				
Year Total:	46,467	9,728	56,083	3,221	8,437	122,899	34,530	26,563	140,296	31,008

**Mariner's Cove Association
RA Spread Sheet**

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Beginning Balance	54,496	64,574	73,382	76,074	101,343	124,876	122,101	136,823	122,279	120,395
Annual Assessment	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675	33,675
Interest Earned	267	308	321	441	553	540	610	541	532	573
Expenditures	23,864	25,176	31,303	8,847	10,695	36,990	19,562	48,760	36,090	25,458
Fully Funded Reserves	247,970	270,332	287,149	328,047	367,473	380,315	412,195	414,717	431,609	460,549
Percent Fully Funded	26%	27%	26%	30%	33%	32%	33%	29%	27%	28%
Ending Balance	64,574	73,382	76,074	101,343	124,876	122,101	136,823	122,279	120,395	129,185

Description										
Appliances	<i>Unfunded</i>									
Asphalt Resurface										
Asphalt Seal/Repair			24,989						28,811	
BBQ - Replace	<i>Unfunded</i>									
Bathroom - Refurbish		8,437								
Block Wall _ Repair/Replace	<i>Unfunded</i>									
CVT Floor Replace		3,758								
Ceiling Fans	<i>Unfunded</i>									
Chain Link Fence						24,823				
Concrete - Special Repair	<i>Unfunded</i>									
Concrete Walk - Repair	<i>Unfunded</i>									
Dock - Replace		16,860								
Elastomeric Deck - Resurface								44,345		
Elastomeric Deck - Seal/Repair		3,894				4,282				4,708
Electronic Enrty - Replace								4,415		
Furniture - Replace	<i>Unfunded</i>									
Interior Surfaces - Repaint	<i>Unfunded</i>									
Irrigation System	<i>Unfunded</i>									
Kitchen - Refurbish				8,847						
Pole Lights - Replace										
Pool - Retile										
Pool Deck - Replace 10%		5,192								
Pool Furniture - Replace			6,314						7,279	
Pool-Comm Salt Chlorine Generator					5,468					6,156
Pool/Spa Filters - Replace										2,825
Pool/Spa Pumps - Replace	<i>Unfunded</i>									
Pump Shut Offs - Replace							4,969			

**Mariner's Cove Association
RA Spread Sheet**

Description	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Rock Wall - Repair	<i>Unfunded</i>									
Sea Wall - Repair	<i>Unfunded</i>									
Signage					5,227					
Sliding Glass Doors - Partial Replacement										
Solar Hot Water - Replace										
Stucco - Repaint							10,209			
Tile Floor - Replace										11,770
Tile Roof										
Tree Trimming	<i>Unfunded</i>									
Utility Doors - Partial replace		3,894					4,385			
Vinyl Fence - Replace										
Wading Pool - Retile										
Wall Lights - Replace	<i>Unfunded</i>									
Wood Fence - Replace	<i>Unfunded</i>									
Wood Surfaces - Repaint	7,004					7,886				
Year Total:	23,864	25,176	31,303	8,847	10,695	36,990	19,562	48,760	36,090	25,458

Disclaimer

This report attempts to determine the estimated remaining useful life of the components that can be visually observed. This report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements. The study is not a guarantee or warranty, or a recommendation to purchase. Estimated remaining useful lives are calculated with reasonable consideration for weather conditions. Natural disasters, including seismic activity will not be addressed in this report. Reserve Funding for earthquake damages and other disasters exceeds the scope of the study. We recommend the development consider additional insurance to cover unforeseen disasters. We assume the components of the association will receive proper maintenance. The report is expressly for the use of the client and only for the purpose of establishing reserve funding requirements.

In providing the opinions of probable construction costs, the client understands that HAWAIIAN PROPERTIES, LTD. has no control over costs or the price of labor, equipment or materials, or over the contractor's method of pricing, and that the opinions of probable construction costs provided herein are to be made on the basis of HAWAIIAN PROPERTIES, LTD. s qualifications and experience. HAWAIIAN PROPERTIES, LTD. makes no warranty, expressed or implied, as to the accuracy of such opinions as compared to bid or actual costs.

Because the reserve study is a projection, the estimated lives and costs of components will likely change over time depending on a variety of factors such as future inflation rates and levels of maintenance applied by future boards, unknown defects in materials that may lead to premature failures, etc. As a result, some components may experience longer lives while others will experience premature failures. Some components may cost less at the time of replacement due to changes in manufacturing methods while others may cost more due to material shortages or high demand. All future projections are therefore theoretical and reserve studies should be updated annually.

HAWAIIAN PROPERTIES, LTD. has made a reasonable effort to ensure that the report is accurate. This study does not preclude errors resulting from unforeseen conditions or circumstances. The scope of this report is expressly limited to the components described herein. HAWAIIAN PROPERTIES, LTD. has obtained certain information, documentation and materials from the Association files and the reserve study is based upon the accuracy of such information. Material inaccuracies could adversely affect the reserve study. HAWAIIAN PROPERTIES, LTD. is not responsible for such inaccuracies. This study is limited to a visual observation. There has been neither destructive testing nor inspection of the interior of private units; floors, wall or ceiling cavities, or structural elements. It is assumed that the components have been constructed per original construction documents and comply with applicable codes. This study is not designed to uncover latent or patent defects. Estimates represent replacement of a component with similar materials unless otherwise noted. Local building codes have not been researched to determine whether or not current ordinances will permit the replacement of any component with components of like material. The estimates do not take into account the abbreviated useful life of a component as a result of its original construction, installation, or design. HAWAIIAN PROPERTIES, LTD. is not responsible for any claims, demands, or damages arising out of the discovery of asbestos, radon or any environmental claims, demands or damages. We do not assume any liability for damages which may result from this study. We are not responsible for conditions this report fails to disclose. The information contained in this study is deemed reliable as of the date of this study, but is not guaranteed.

HAWAIIAN PROPERTIES, LTD. has provided the Association with the Reserve Study FREE OF CHARGE. The Association, by accepting this study, agrees to release HAWAIIAN PROPERTIES, LTD. from any claims, demands or damages. The Association, in consideration of HAWAIIAN PROPERTIES, LTD. performing the reserve study, hereby agrees to indemnify, defend and hold harmless HAWAIIAN PROPERTIES, LTD. from and against any and all liability, damages, losses, claims, demands, or lawsuits arising out of or relating to this reserve study.

The information contained within the report is assembled in conjunction with the client and is intended to assist the client with its reserve planning. HAWAIIAN PROPERTIES, LTD. does not guarantee, either explicitly or implied, that all repair and replacement items have been identified, the accuracy of the probable costs or the product lives associated with these items.