

# CRITERIUM<sup>®</sup> KESSLER ENGINEERS

CRITERIUM-KESSLER ENGINEERS  
*Independently Owned and Operated*  
14539 W. Indian School Road, Suite #880  
Goodyear, Arizona 85395  
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October 3, 2019

Mr. Neal Shearer  
Community Executive Officer  
Anthem Community Council (ACC)  
3701 W. Anthem Way, Ste. #201  
Anthem, Arizona 85086

**PROPERTY:** ANTHEM PLANNED UNIT DEVELOPMENT  
ANTHEM, ARIZONA

**SERVICE:** FUNDING UPDATE - FULL PROPERTY EVALUATION AND RESERVE FUND ANALYSIS

**ATTACHMENT:** UPDATED FUNDING PLAN FINANCIALS

Dear Members of the Anthem Community Council:

As requested, Criterium-Kessler Engineers has reassessed and updated the reserve study contribution plan to provide a more gradual increase in contribution rates for the next five years (2020 – 2024). The revised and recommended plan results in a fully funded reserve allocation over the 30-year planning period (ending in 2048), while providing the ACC more flexibility to prioritize and allocate annual operating funds to meet near-term community needs. This letter outlines the changes and includes the attached revised financial analysis charts for the ACC's consideration and use.

Please note that this is not a full reserve study update. To ensure consistency of data and results, the financial analysis for this update was performed using the same data that was collected and utilized during the original study in 2018. No assets were added or removed; no prices were adjusted nor estimates changed. No other changes have been made to the original study provided by Criterium-Kessler Engineers on October 24, 2018 other than those made to the funding contribution plan listed below.

The ACC has an actual Reserve Fund Balance of \$16.7M as of August 2019. This exceeds the original projections and reflects an even stronger financial position for the community than anticipated in the current funding plan.

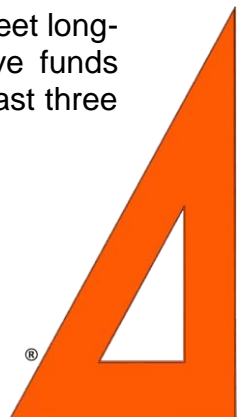
### Current Funding Plan:

The current funding plan, implemented for fiscal 2019, results in sufficient funding to meet long-term reserve requirements throughout the planning period (through 2048). Reserve funds remain above the recommended \$7.5M minimum threshold with the exception of the last three years (2045 – 2048). Key points of the current funding plan include:

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- ✓ \$2.221M allocated annually for the reserve fund between 2018 and 2028 (11 Years with no projected increase)
- ✓ Beginning in Year 12 (2029), this amount would be increased at 3% annually (projected rate of inflation) for the remainder of the 30-year planning period

For detailed data, please refer to the attached tables and graphs titled “Capital Reserve Fund – Current Adopted Funding Plan”

Recommended Funding Plan:

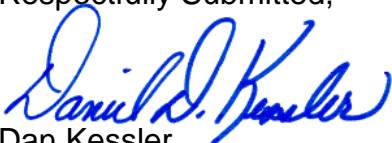
The revised and recommended plan continues to maintain sufficient funding to meet long-term reserve requirements through the planning period (through 2048). Key points of the modified funding plan include:

- ✓ The total annual allocation of funds directed to the reserve fund is initially reduced, and then slowly increased according to the following schedule:
  - \$1.8M allocation to the reserve fund in Year 3 (2020)
  - \$1.9M allocation to the reserve fund in Year 4 (2021)
  - \$2.0M allocation to the reserve fund in Year 5 (2022)
  - \$2.1M allocation to the reserve fund in Year 6 (2023)
  - \$2.2M annual allocation to the reserve fund in beginning in Year 7 and continuing through Year 10 (2024 - 2028) – no increases
  - Beginning in Year 11 (2029), this amount would be increased 3% annually (projected rate of inflation) for the remainder of the 30-year planning period
- ✓ The original minimum threshold of \$7.5M was higher than a typical conservative threshold, and in Criterium-Kessler Engineers’ professional opinion, it was reasonable and prudent to reduce it to \$5.0M

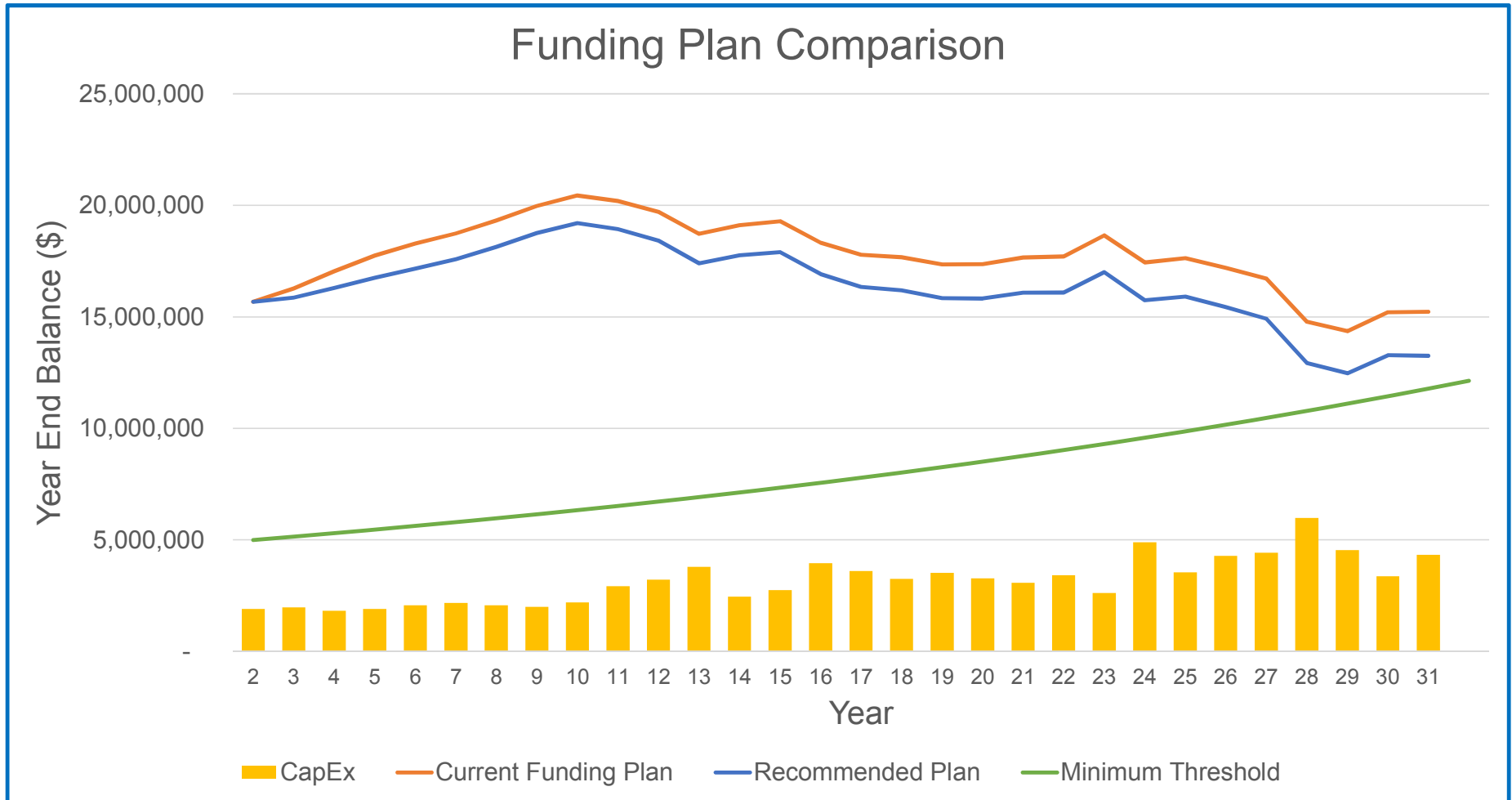
Reserve funds remain above the recommended and revised \$5.0M minimum threshold through the entire 30-year planning period, resulting in a fully funded reserve allocation for the community. For detailed data, please refer to the attached tables and graphs titled “Capital Reserve Fund – Funding Plan – Recommended”

Thank you for your continued confidence in Criterium-Kessler Engineers.

Respectfully Submitted,

  
Dan Kessler  
President  
Criterium-Kessler Engineers





Capital Reserve Fund - Current Adopted Funding Plan  
No Change to Contribution



Contribution Details

	Total/Month	Total Annual	Per Unit/Month	Per Unit/Year
First Year	\$ 185,083	\$ 2,221,000	\$ 17.80	\$ 213.56
Last Year	\$ 334,281	\$ 4,011,373	\$ 32.14	\$ 385.71

Number of Units:	10400
Fiscal Year starts:	01/01/19
Reserve Funds at start	\$ 15,024,329
Rate of Return on Reserve Funds (%)	2.25%
Inflation Rate (%)	3.00%
Initial Minimum Threshold	\$ 7,500,000

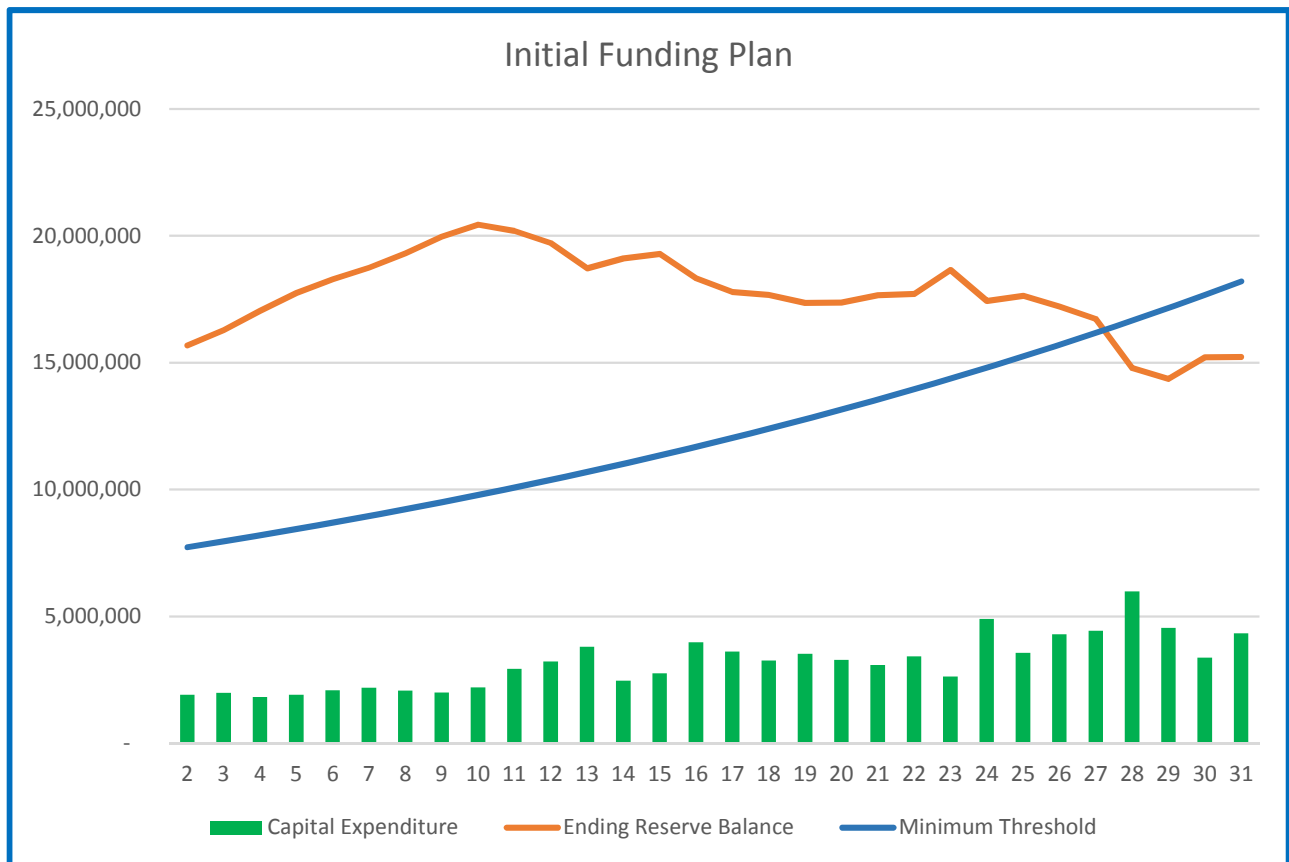
Special Assessments		
Year	Total/Year	Per Unit
		\$ -
		\$ -
		\$ -

**SUMMARY**

No change to the currently adopted plan of

*"Increase Annual Contribution to \$2,221,000 YR 2 (2019) then Annual increase with inflation (3%) YRS 12 - 30 (2029 - 2048)"*

No Special Assessments



Capital Reserve Fund - Current Adopted Funding Plan  
No Change to Contribution



Year	Fiscal Year	Beginning Reserve Balance	Revenue	Special Assessment	Investment Earnings	Capital Expenditure	Ending Reserve Balance	Minimum Threshold
2018	1	14,405,276	2,221,000	-	324,119	1,926,066	15,024,329	7,500,000
2019	2	15,024,329	2,221,000	-	338,047	1,900,350	15,683,027	7,725,000
2020	3	15,683,027	2,221,000	-	352,868	1,977,530	16,279,365	7,956,750
2021	4	16,279,365	2,221,000	-	366,286	1,822,545	17,044,106	8,195,453
2022	5	17,044,106	2,221,000	-	383,492	1,899,592	17,749,006	8,441,316
2023	6	17,749,006	2,221,000	-	399,353	2,080,946	18,288,413	8,694,556
2024	7	18,288,413	2,221,000	-	411,489	2,178,970	18,741,933	8,955,392
2025	8	18,741,933	2,221,000	-	421,693	2,070,428	19,314,198	9,224,054
2026	9	19,314,198	2,221,000	-	434,569	1,997,973	19,971,795	9,500,776
2027	10	19,971,795	2,221,000	-	449,365	2,200,660	20,441,500	9,785,799
2028	11	20,441,500	2,221,000	-	459,934	2,927,999	20,194,434	10,079,373
2029	12	20,194,434	2,287,630	-	454,375	3,222,330	19,714,109	10,381,754
2030	13	19,714,109	2,356,259	-	443,567	3,795,088	18,718,847	10,693,207
2031	14	18,718,847	2,426,947	-	421,174	2,461,861	19,105,107	11,014,003
2032	15	19,105,107	2,499,755	-	429,865	2,746,741	19,287,986	11,344,423
2033	16	19,287,986	2,574,748	-	433,980	3,967,878	18,328,835	11,684,756
2034	17	18,328,835	2,651,990	-	412,399	3,605,037	17,788,188	12,035,298
2035	18	17,788,188	2,731,550	-	400,234	3,252,426	17,667,546	12,396,357
2036	19	17,667,546	2,813,496	-	397,520	3,524,677	17,353,885	12,768,248
2037	20	17,353,885	2,897,901	-	390,462	3,276,129	17,366,120	13,151,295
2038	21	17,366,120	2,984,838	-	390,738	3,077,910	17,663,786	13,545,834
2039	22	17,663,786	3,074,383	-	397,435	3,425,000	17,710,605	13,952,209
2040	23	17,710,605	3,166,615	-	398,489	2,622,368	18,653,341	14,370,776
2041	24	18,653,341	3,261,613	-	419,700	4,897,636	17,437,018	14,801,899
2042	25	17,437,018	3,359,462	-	392,333	3,552,295	17,636,518	15,245,956
2043	26	17,636,518	3,460,246	-	396,822	4,294,009	17,199,576	15,703,334
2044	27	17,199,576	3,564,053	-	386,990	4,429,640	16,720,980	16,174,435
2045	28	16,720,980	3,670,975	-	376,222	5,985,319	14,782,857	16,659,668
2046	29	14,782,857	3,781,104	-	332,614	4,538,876	14,357,700	17,159,458
2047	30	14,357,700	3,894,537	-	323,048	3,367,693	15,207,592	17,674,241
2048	31	15,207,592	4,011,373	-	342,171	4,332,845	15,228,291	18,204,469

Capital Reserve Fund - Funding Plan - Recommended  
 Lump Sum Decrease Year 3 (2020)  
 Lump Sum Increase Years 4 - 7  
 Annual Increase with Inflation Years 12 - 31



**Contribution Details**

	Total/Month	Total Annual	Per Unit/Month	Per Unit/Year
Third Year	\$ 150,072	\$ 1,800,864	\$ 14.43	\$ 173.16
Last Year	\$ 334,281	\$ 4,011,373	\$ 32.14	\$ 385.71

Number of Units:	10400
Fiscal Year starts:	01/01/19
Reserve Funds at start	\$ 15,024,329
Rate of Return on Reserve Funds (%)	2.25%
Inflation Rate (%)	3.00%
Initial Minimum Threshold	\$ 5,000,000

**SUMMARY**

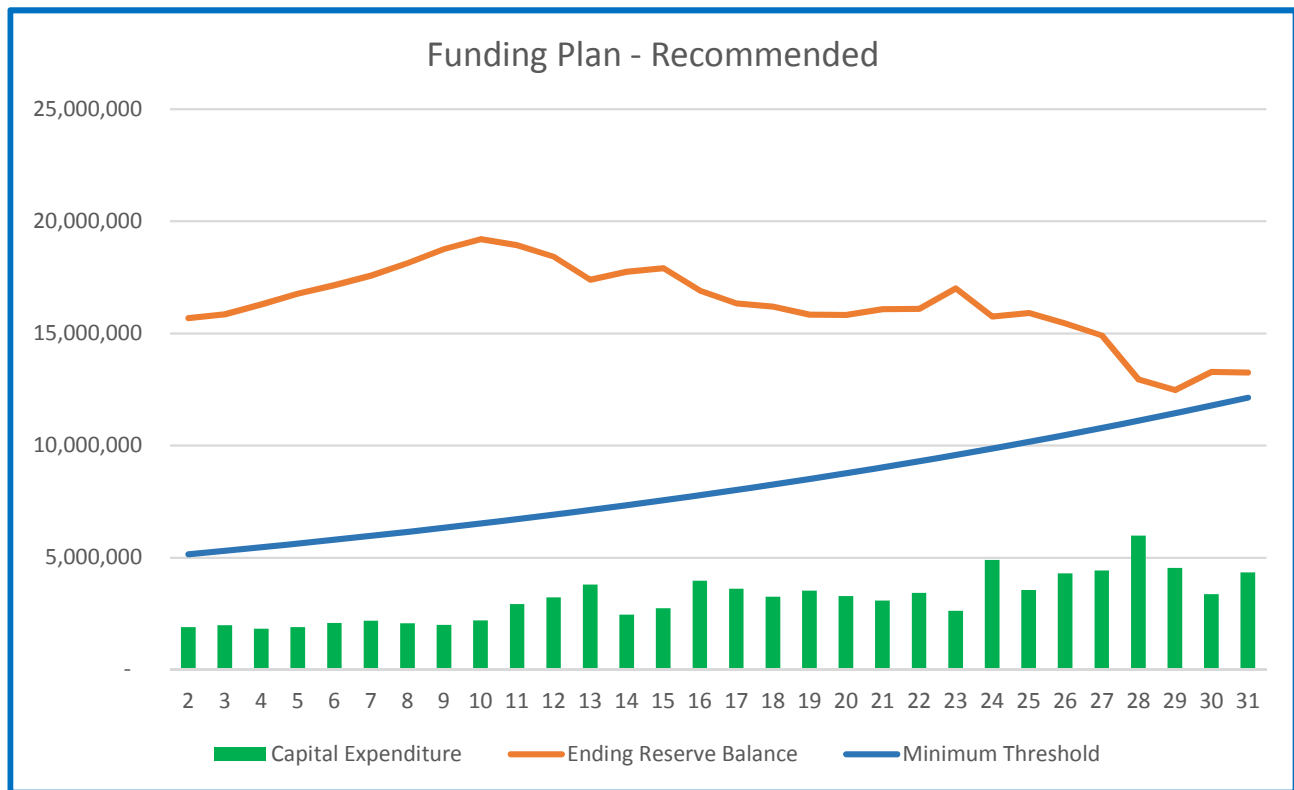
Decrease Annual Contribution to \$1,800,864 YR 3 (2020)

Increase Annual Contribution by ~\$100,000 YRS 4 - 6 (2021 - 2023)

Increase Annual Contribution to \$2,221,000 YRS 7 - 11 (2024 - 2028)

Annual increases with inflation (3%) YRS 12 - 31 (2029 - 2048)

Special Assessments		
Year	Total/Year	Per Unit
		\$ -
		\$ -
		\$ -



Capital Reserve Fund - Funding Plan - Recommended  
 Lump Sum Decrease Year 3 (2020)  
 Lump Sum Increase Years 4 - 7  
 Annual Increase with Inflation Years 12 - 31



Year	Fiscal Year	Beginning Reserve Balance	Revenue	Special Assessment	Investment Earnings	Capital Expenditure	Ending Reserve Balance	Minimum Threshold
2019	2	15,024,329	2,221,000	-	338,047	1,900,350	15,683,027	5,150,000
2020	3	15,683,027	1,800,864	-	352,868	1,977,530	15,859,229	5,304,500
2021	4	15,859,229	1,900,704	-	356,833	1,822,545	16,294,221	5,463,635
2022	5	16,294,221	2,000,544	-	366,620	1,899,592	16,761,793	5,627,544
2023	6	16,761,793	2,100,384	-	377,140	2,080,946	17,158,371	5,796,370
2024	7	17,158,371	2,221,000	-	386,063	2,178,970	17,586,465	5,970,261
2025	8	17,586,465	2,221,000	-	395,695	2,070,428	18,132,732	6,149,369
2026	9	18,132,732	2,221,000	-	407,986	1,997,973	18,763,746	6,333,850
2027	10	18,763,746	2,221,000	-	422,184	2,200,660	19,206,270	6,523,866
2028	11	19,206,270	2,221,000	-	432,141	2,927,999	18,931,412	6,719,582
2029	12	18,931,412	2,287,630	-	425,957	3,222,330	18,422,668	6,921,169
2030	13	18,422,668	2,356,259	-	414,510	3,795,088	17,398,349	7,128,804
2031	14	17,398,349	2,426,947	-	391,463	2,461,861	17,754,898	7,342,669
2032	15	17,754,898	2,499,755	-	399,485	2,746,741	17,907,397	7,562,949
2033	16	17,907,397	2,574,748	-	402,916	3,967,878	16,917,183	7,789,837
2034	17	16,917,183	2,651,990	-	380,637	3,605,037	16,344,773	8,023,532
2035	18	16,344,773	2,731,550	-	367,757	3,252,426	16,191,655	8,264,238
2036	19	16,191,655	2,813,496	-	364,312	3,524,677	15,844,787	8,512,165
2037	20	15,844,787	2,897,901	-	356,508	3,276,129	15,823,067	8,767,530
2038	21	15,823,067	2,984,838	-	356,019	3,077,910	16,086,014	9,030,556
2039	22	16,086,014	3,074,383	-	361,935	3,425,000	16,097,333	9,301,473
2040	23	16,097,333	3,166,615	-	362,190	2,622,368	17,003,770	9,580,517
2041	24	17,003,770	3,261,613	-	382,585	4,897,636	15,750,332	9,867,933
2042	25	15,750,332	3,359,462	-	354,382	3,552,295	15,911,881	10,163,971
2043	26	15,911,881	3,460,246	-	358,017	4,294,009	15,436,136	10,468,890
2044	27	15,436,136	3,564,053	-	347,313	4,429,640	14,917,862	10,782,956
2045	28	14,917,862	3,670,975	-	335,652	5,985,319	12,939,169	11,106,445
2046	29	12,939,169	3,781,104	-	291,131	4,538,876	12,472,529	11,439,638
2047	30	12,472,529	3,894,537	-	280,632	3,367,693	13,280,004	11,782,828
2048	31	13,280,004	4,011,373	-	298,800	4,332,845	13,257,332	12,136,312