

Mutual 50 Long-Term Forecast
of
Reserve Expenses and
Revenue
As of September 2025

Mutual 50 Long-Term Forecast of Reserve Expenses and Revenue

Background

- 1) The purpose is to estimate reserve expenses over the long-term and the reserve portion of the coupon to pay for these expenses.
- 2) The first forecast for 2022-2035 was created in 2021. The forecast has been updated annually. The 2024 update expanded the forecast to 2040.

Summary of forecast steps

- 1) 2025: Estimate expenses for future projects and their tentative dates.
- 2) 2025: For each year, increase the expense total by the estimated amount of inflation.
- 3) 2025: Calculate an annual increase in the reserve portion of the coupon to pay the inflation-adjusted expenses and maintain a sufficient Reserve Fund balance to prepare for future expenses not yet in the forecast.
- 4) 2026-2040: Update the forecast annually.

Step 1: Estimate expenses for future projects and their tentative dates

- 1) Manor building and garage rehabilitations - 2025-2029 and 2034-2039
- 2) Manor building, garage, and carport roof replacements - 2029-2035 & 2040
- 3) Repair and/or replacement of electrical panels - 2025-2029
- 4) Landscape rehabilitation, tree removal, and other landscape projects - ongoing
- 5) Other projects (e.g., Firewise) - ongoing

Step 2: For each year, increase the expense total by the estimated amount of inflation

- 1) Each year, the expense total is increased by the cumulative annual inflation estimate.
- 2) The 2026-2040 estimate for annual inflation is 3.0%.
- 3) The 2026 expense forecast is increased by .03 (i.e., 3.0%). The 2027 expense forecast is increased by .061: $(1.030 * 1.030) - 1$. This process continues for each year in the forecast.

Step 3: Calculate an annual increase in the reserve portion of the coupon to pay the inflation-adjusted expenses and maintain a sufficient Reserve Fund balance to prepare for future expenses not yet in the forecast

- 1) For this update, the annual increase in the reserve portion of the coupon is forecast at 4.5%, up from 3.5% in the 2024 update. This increase would change as needed during each annual update.
- 2) If a 4.5% increase is approved by the Board, the reserve portion of the monthly coupon would increase by \$15.83/unit from \$351.83 in 2025 to \$367.66 in 2026.
- 3) For the 2025 forecast update, the Reserve Fund balance is \$1.215 million as of end-of-year 2024 and is estimated to be \$1.492 million as of end-of-year 2040.
- 4) The lowest forecast end-of-year Reserve Fund balance is \$372 thousand for 2034.

Significant changes in the 2025 forecast update

- 1) Estimates have been added to the forecast for the repair or replacement of 22 main electrical panels in exterior utility closets and 110 sub panels, one per unit. Panels were probably installed in 1988 or 1989 and have a useful life of 40 years. Inspection of a sample of panels by an electrician is being arranged to assess the condition of panels, when they should be repaired or replaced, and estimated costs. The current forecast estimates are placeholders until the inspection report is received.
- 2) A 4.5% annual increase in the reserve portion of the coupon would generate sufficient end-of-year balances to fund roof replacements using composition shingles based on a cost of \$1,500 per square (or 100 square feet), which includes new gutters and downspouts. To fund roof replacements using concrete tiles (the current roof material) based on a cost of \$2,000 per square, at least a 7.0% annual increase starting in 2026 would be required to generate sufficient end-of-year balances.
- 3) The installation of wire mesh inside the lattice panels under the decks of lower-level units is the only Firewise project specifically included in the forecast. The forecast does not include estimates for other Firewise projects as M50 has not received additional project requirements. If the recommended \$46,900 annual reserve landscape budget is approved by the Board, it is possible a portion of this budget could be used for new Firewise projects.

Mutual 50 -- Forecast A of Reserve Expenses and Revenue for 2025-2040 as of 9/11/2025

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 |
|--|--------|--------|--------|--------|--------|------|------|------|------|------|------|------|------|------|------|------|--------|
| Manor Rehabilitations: 2024-29, 2034-39 | | | | | | | | | | | | | | | | | |
| # MANORS to Rehab | 16 | 22 | 18 | 22 | 22 | 10 | | | | | 10 | 24 | 22 | 22 | 16 | 16 | |
| Roofing Replacements: 2029-35 | | | | | | | | | | | | | | | | | |
| # SQUARES to Re-Roof (@ \$1,500 ea) | | | | | | 141 | 312 | 307 | 255 | 314 | 227 | | | | | | 92 |
| Total Reserve Expenses | 788K | 541K | 497K | 565K | 619K | 660K | 541K | 608K | 468K | 640K | 613K | 524K | 521K | 549K | 359K | 451K | 191K |
| Total Reserve Expenses (w/ inflation adjustment) | 788K | 556K | 525K | 615K | 694K | 763K | 644K | 745K | 591K | 832K | 821K | 723K | 740K | 803K | 541K | 700K | 305K |
| Reserve Revenue/Year from Coupon (escalated 4.5% YoY) | 449K | 464K | 485K | 507K | 530K | 554K | 579K | 605K | 632K | 660K | 690K | 721K | 754K | 788K | 823K | 860K | 899K |
| Reserve Revenue/Year from Net Interest | 23K | 29K | 32K | 32K | 30K | 26K | 21K | 20K | 16K | 18K | 13K | 10K | 11K | 11K | 11K | 19K | 24K |
| BEGIN-YEAR RESERVE BALANCE | 1,467K | 1,215K | 1,154K | 1,146K | 1,070K | 935K | 752K | 707K | 587K | 644K | 490K | 372K | 381K | 405K | 401K | 694K | 874K |
| END-YEAR RESERVE BALANCE | 1,151K | 1,154K | 1,146K | 1,070K | 935K | 752K | 707K | 587K | 644K | 490K | 372K | 381K | 405K | 401K | 694K | 874K | 1,492K |