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"Full" Reserve Study

The Highlands at Somerset Hill

Tumwater, WA

Report #: 23122-0
For Period Beginning: January 1, 2014
Expires: December 31, 2014

Date Prepared: October 7, 2013

ERIC PHILLIPPS
CAI-RS
00238
DESIGNATION
RESERVE SPECIALIST

Hello, and welcome to your Reserve Study!

This Report is a valuable budget planning tool, for with it you control the future of your association. It contains all the fundamental information needed to understand your current and future Reserve obligations, the most significant expenditures your association will face.

With respect to Reserves, this Report will tell you "where you are", and "where to go from here".

In this Report, you will find…

1) A List of What you're Reserving For

2) An Evaluation of your Reserve Fund Size and Strength

3) A Recommended Multi-Year Reserve Funding Plan

More Questions?

Visit our website at www.ReserveStudy.com or call us at:

253.661.5437

ASSOCIATION RESERVES
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Table of Contents

3- Minute Executive Summary

Association: The Highlands at Somerset Hill **Assoc. #: 23122-0**
Location: Tumwater, WA
# of Units: 117
Report Period: January 1, 2014 through December 31, 2014

Results as-of 1/1/2014:

Projected Starting Reserve Balance:	**$0**
Fully Funded Reserve Balance:	**$124,387**
Average Reserve Deficit (Surplus) Per Unit:	**$1,063**
Percent Funded:	**0.0%**
100% Full Funding 2014 Monthly Reserve Contribution	**$1,156**
70% Threshold Monthly Reserve Contribution	**$1,000**
Baseline Contribution (min to maintain reserves above $0)	**$890**
Recommended 2014 Special Assessment for Reserves:	**$60,000**

Most Recent Reserve Contribution Rate: $0

Economic Assumptions:

Net Annual "After Tax" Interest Earnings Accruing to Reserves 0.00%
Annual Inflation Rate 3.00%

- **The information in this Reserve Study is based on our site inspection on September 16, 2013 and meets or exceeds all requirements of the RCW. This Reserve Study was prepared by a credentialed Reserve Specialist (RS #238).**
- **Your Reserve Fund is currently 0.0% Funded. Comparatively, the 70-130% level is where associations statistically enjoy fiscal stability with low risk of special assessment and/or deferred maintenance.**
- **Based on this starting point and your anticipated future expenses, our recommendation is to increase your Monthly Reserve Contributions to within the 70% to 100% Full Funding range and levy a $60,000 special assessment for the 2014 fiscal year as noted above (Tables and charts herein reflect Full Funding as our recommended contribution). Full and 70% contribution rates are designed to achieve the stated funding objective by the end of our 30-year report scope.**
- **See photo pages for detailed component information and the basis of our assumptions.**

Table 1: Executive Summary				23122-0
# Component	Useful Life (yrs)	Rem. Useful Life (yrs)	Current Average Cost	Future Average Cost
120 Asphalt - Resurface	30	22	$117,200	$224,567
160 Street Lights - Replace	40	32	$52,500	$135,192
170 Landscape - Refurbish	10	0	$15,000	$20,159
175 Irrigation System - Repair/Replace	10	2	$5,000	$5,305
185 Storm Drainage Tracts - Refurbish	N/A	0	$50,000	$0
186 Storm Drainage Tracts - Maintain	10	9	$15,000	$19,572
190 Street Trees - Remove/Replace	15	7	$10,000	$12,299
200 Entry Signs/Monuments - Refurbish	20	12	$3,000	$4,277
201 Required Signage - Replace	20	12	$4,200	$5,988
205 Mailboxes - Replace	20	12	$9,800	$13,972
10 Total Funded Components				

Note: a Useful Life of "N/A" means a one-time expense, not expected to repeat. Cross reference component numbers with photographic inventory appendix. Highlighting denotes projects anticipated to occur in the initial year. A reserve-funding threshold of 1% of the total annual operating expenses is typical; expenses below this level expected to be factored within the operating budget.

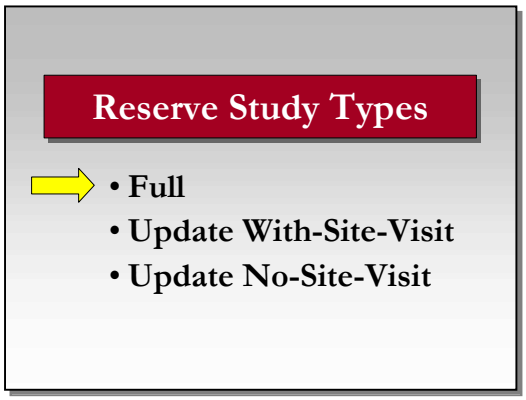
Introduction

A Reserve Study is the art and science of anticipating, and preparing for, an association's major common area repair and replacement expenses. Partially art, because in this field we are making projections about the future. Partially science, because our work is a process of research and analysis along well defined methodologies.

In this Report you will find the Reserve Component List (what you are reserving for). It contains our estimates for Useful Life, Remaining Useful Life, and the current repair or replacement cost for each major component the association is obligated to maintain. Based on that List and your starting balance we computed the association's Reserve Fund Strength (measured as "Percent Funded"), and created a recommended multi-year Reserve Funding Plan to offset future Reserve expenses.

As the physical assets age and deteriorate, it is important to accumulate financial assets to keep the two "in balance". A stable Reserve Funding Plan that offsets the irregular Reserve expenses will ensure that each owner pays their own "fair share" of ongoing common area deterioration.

Methodology



First we establish what the projected expenses are, then we determine the association's financial status and create a Funding Plan. For this "Full" Reserve Study, we started with a review of your Governing Documents, recent Reserve expenditures, an evaluation of how expenditures are handled (ongoing maintenance vs Reserves), and research into any well-established association precedents. We performed an on-site inspection to quantify and evaluate your common areas, creating your Reserve Component List "from scratch".

Which Physical Assets are Covered by Reserves?

There is a national-standard four-part test to determine which expenses should be funded through Reserves. First, it must be a common area maintenance responsibility. Second, the component must have a limited life. Third, the limited life must be predictable (or it by definition is a "surprise" which cannot be accurately anticipated). Fourth, the component must be above a minimum threshold cost. This limits Reserve Components to major, predictable expenses. Within this framework, it is inappropriate to include "lifetime" components, unpredictable expenses (such as damage due to fire, flood, or earthquake), and expenses more appropriately handled from the Operational Budget or as an insured loss.

How are Useful Life and Remaining Useful Life established?

1) Visual Inspection (observed wear and age)
2) Association Reserves database of experience
3) Client Component History
4) Vendor Evaluation and Recommendation

How are Cost Estimates Established?

In this order…

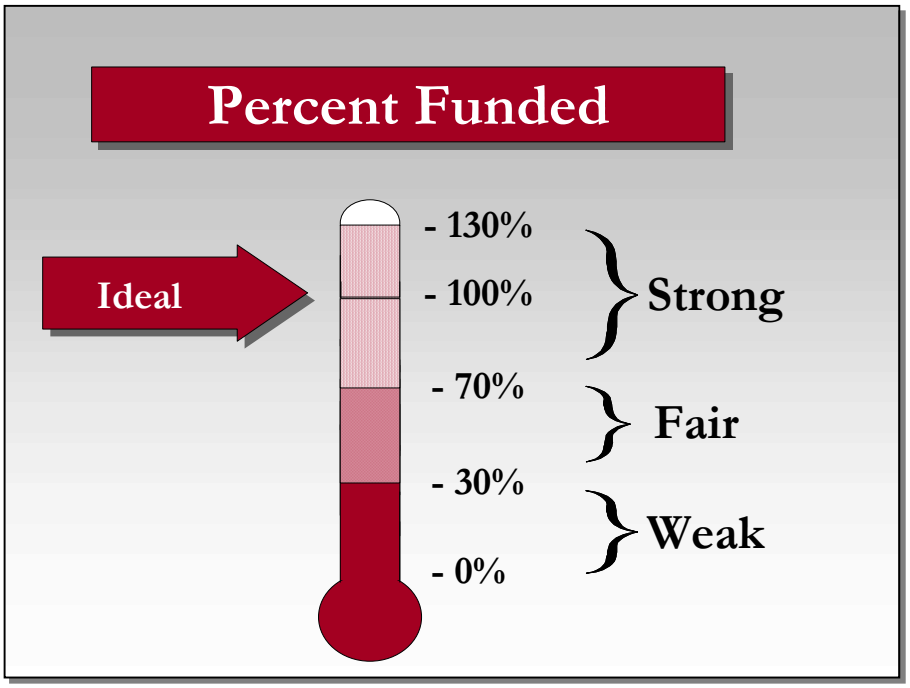
1) Client Cost History
2) Comparison to Association Reserves database of work done at similar associations
3) Vendor Recommendations
4) Reliable National Industry cost estimating guidebooks

How much Reserves are enough?

Your Reserve cash Balance can measure reserves, but the true measure is whether the funds are adequate. Adequacy is measured in a two-step process:

1) Calculate the association's Fully Funded Balance (FFB).
2) Compare to the Reserve Fund Balance, and express as a percentage.

The FFB grows as assets age and the Reserve needs of the association increase, but shrinks when projects are accomplished and the Reserve needs of the association decrease. The Fully Funded Balance changes each year, and is a moving but predictable target.



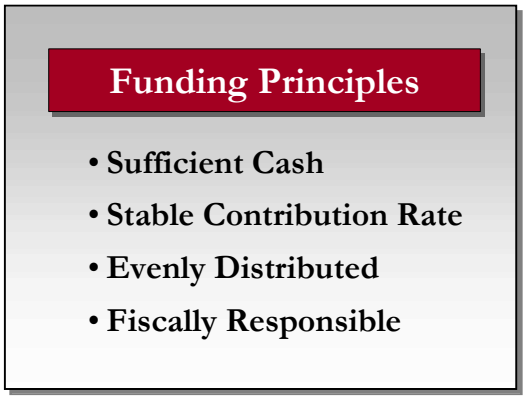
Special assessments and deferred maintenance are common when the Percent Funded is below 30%. While the 100% point is Ideal, a Reserve Fund in the 70% -130% range is considered "strong" because in this range cash flow problems are rare.

Measuring your Reserves by Percent Funded tells how well prepared your association is for upcoming Reserve expenses. New buyers should be very aware of this important disclosure!

How much should we contribute?

There are four Funding Principles that we balance in developing your Reserve Funding Plan. Our first objective is to design a plan that provides you with sufficient cash to perform your Reserve projects on time. A stable contribution rate is desirable because it is a hallmark of a proactive plan.

Reserve contributions that are evenly distributed over the owners, over the years, enable each owner to pay their "fair share" of the association's Reserve expenses (this means we recommend special assessments only when all other options have been exhausted). And finally, we develop a plan that is fiscally responsible and "safe" for Boardmembers to recommend to their association.

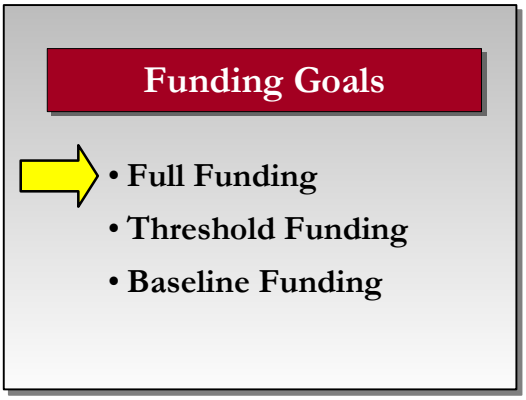


What is our Recommended Funding Goal?

Maintaining the Reserve Fund at a level equal to the physical deterioration that has occurred is called "Full Funding" the Reserves (100% Funded). As each asset ages and becomes "used up", the Reserve Fund grows proportionally. **This is simple, responsible, and our recommendation.** As stated previously, associations in the 100% range rarely experience special assessments or deferred maintenance.

Allowing the Reserves to fall close to zero, but not below zero, is called Baseline Funding. In these associations, deterioration occurs without matching Reserve contributions. With a low Percent Funded, special assessments and deferred maintenance are common.

Threshold Funding is the title of all other objectives randomly selected between Baseline Funding and Full Funding.



Site Inspection Notes

During our site visit on September 16, 2013, we started with a brief meeting with Association Manager Teresa Hammer, and then started the site inspection beginning with the storm drainage tracts. We visually inspected the property, and were able to see all visible common areas.

Construction for The Highlands at Somerset Hill began in 2006. It is our understanding that responsibility for the common areas was recently transferred to the Association and maintenance of some of the common areas (mainly landscaping and storm drainage tracts, see photos below) was deferred for many years.

Early planning for future maintenance projects and following reserve study recommendations is key to the successful ongoing maintenance of the community.

Projected Expenses

The figure below shows the array of the projected future expenses at your association. This figure clearly shows the near term and future expenses that your association will face.

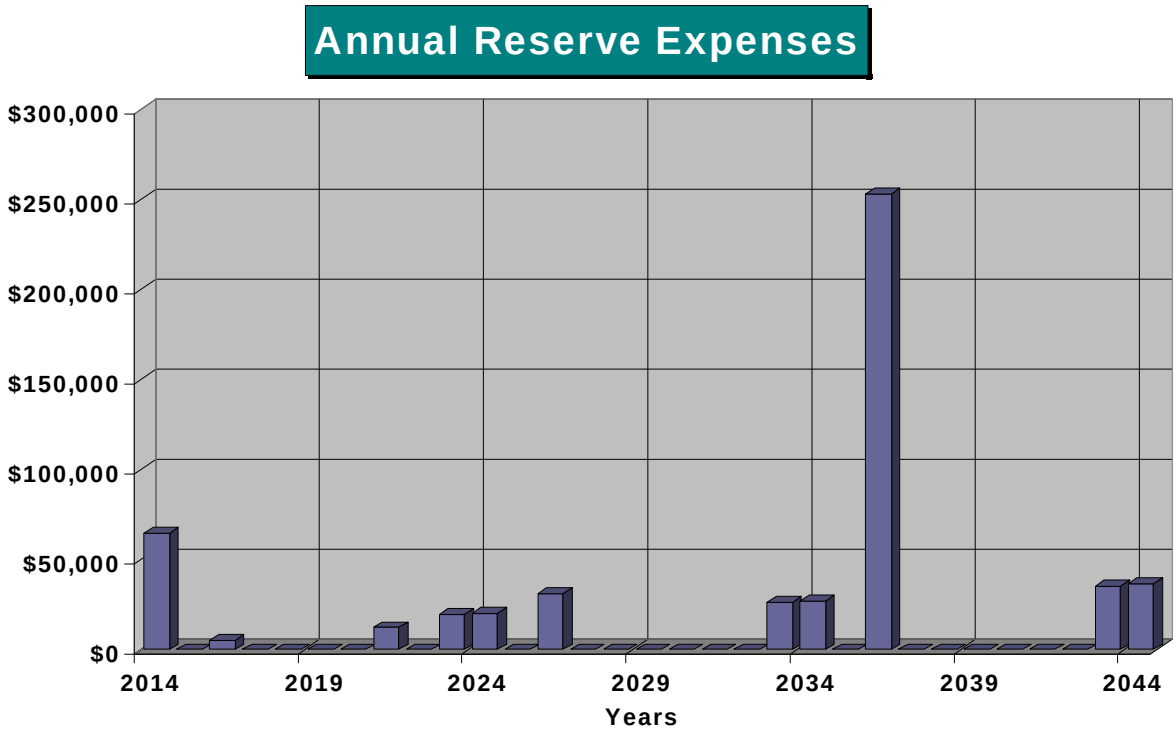


Figure 1

A summary of this information is shown in Table 4, while details of the projects that make up this information are shown in Table 5. Since this is a projection about future events that may or may not take place as anticipated, we feel more certain about “near-term” projects than those many years away. While this Reserve Study is a one-year document, it is based on 30 years worth of looking forward into the future.

Reserve Fund Status

The starting point for our financial analysis is your Reserve Fund balance, projected to be $0 as-of the start of your Fiscal Year on January 1, 2014. This is based on your actual balance and anticipated Reserve contributions and expenses projected through the end of your Fiscal Year. As of January 1, 2014, your Fully Funded Balance is computed to be $124,387 (see Table 3). This figure represents the deteriorated value of your common area components. Comparing your Reserve Balance to your Fully Funded Balance indicates your Reserves are 0% Funded. As indicated earlier in the Executive Summary, this represents a weak status.

Recommended Funding Plan

Based on your current Percent Funded and your projected cash flow requirements, we are recommending Reserve contributions of $1,156/month and levy a $60,000 special assessment this Fiscal Year. This represents the first year of the 30-year Funding Plan shown below. This same information is shown numerically in both Table 4 and Table 5.

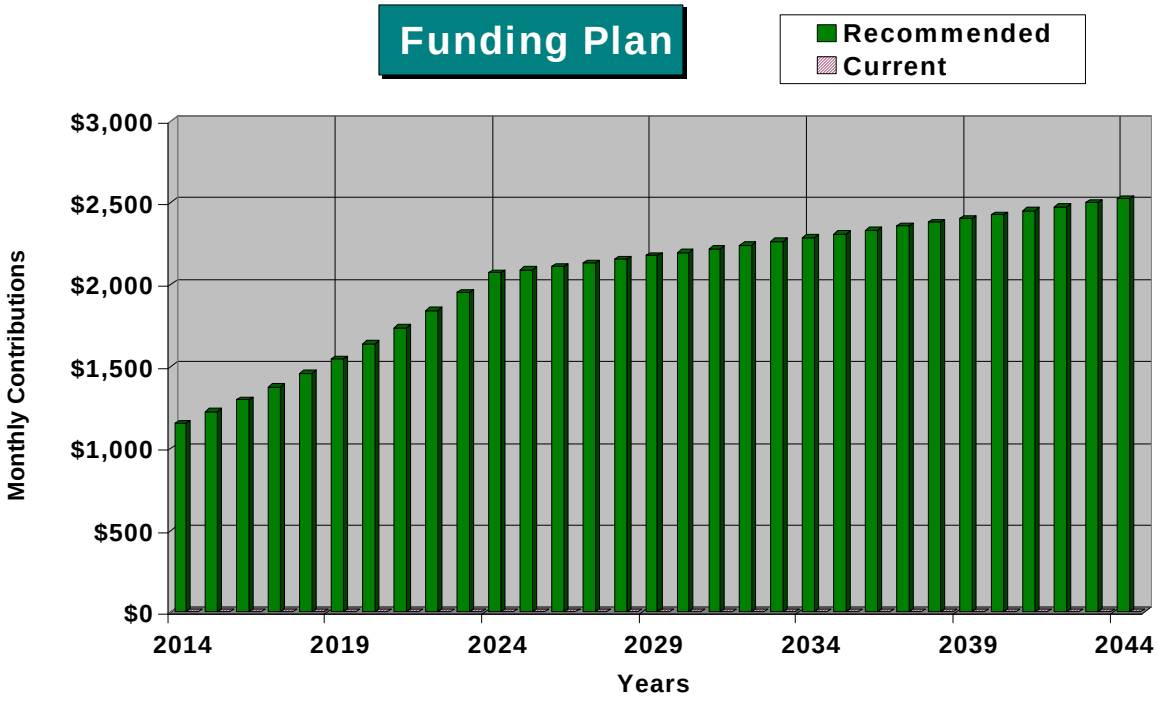


Figure 2

The following chart shows your Reserve balance under our recommended Funding Plan and your current Funding Plan, and your always-changing Fully Funded Balance target.

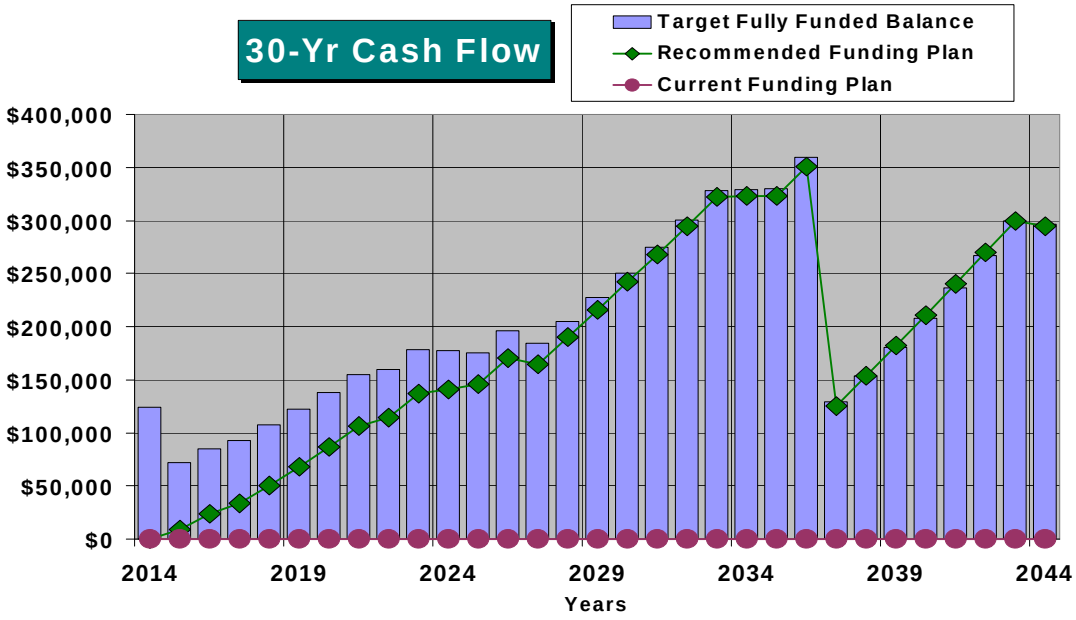


Figure 3

In this figure it is easy to see how your Reserve Fund gradually draws closer to the Fully Funded (100%) level.

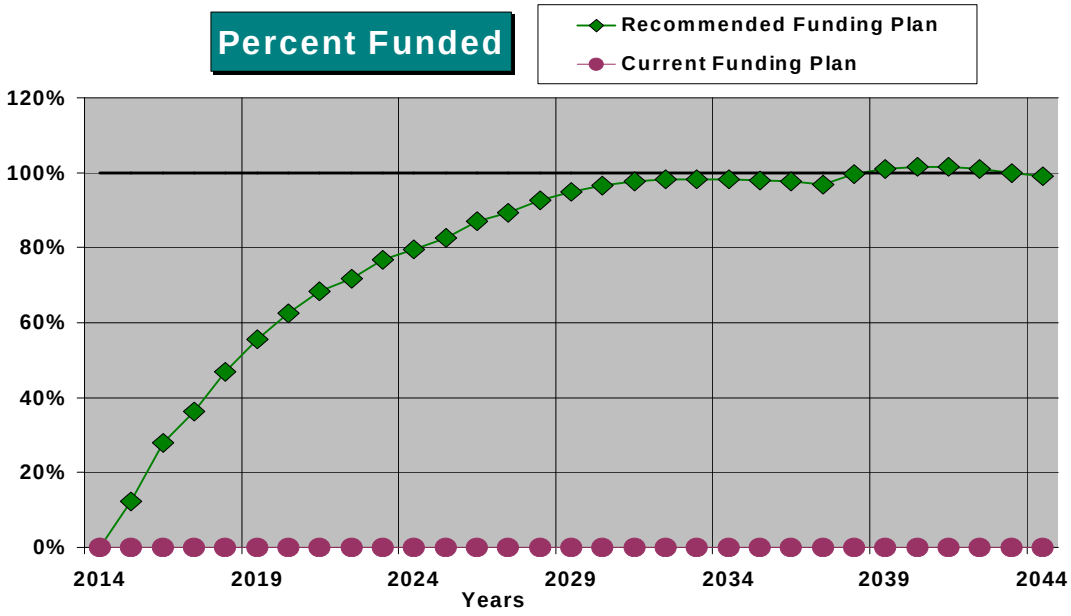


Figure 4

Table Descriptions

The tabular information in this Report is broken down into five tables.

Table 1 summarizes your funded Reserve Components, and is part of the Executive Report summary that appeared earlier in this Report.

Table 2 provides the main component description, life, and cost factors for all components determined to be appropriate for Reserve designation. This table represents the core information from which all other tables are derived.

Table 3 is presented primarily as an accounting summary page. The results of the individual line item Fully Funded Balance computations are shown. These individual quantities are summed to arrive at the Fully Funded Balance for the association as of the start date of the Report. The figures in the Current Fund Balance column and the Monthly Reserve Contribution column show our distribution throughout the line items. If the association is underfunded, Reserve Funds are distributed first to components with a short Remaining Useful Life. If the association's Reserve Balance is above 100% Funded, funds are distributed evenly for all components. Contribution rates for each component are a proportionate distribution of the total contribution on the basis of the component's significance to the association (current cost divided by useful life). This presentation is not meant to cause clients to redistribute association funds, it simply presents one way to evenly distribute the total among all the different line items.

Table 4: This table provides a one-page 30-year summary of the cash flowing into and out of the association, compared to the Fully Funded Balance for each year.

Table 5: This table shows the cash flow detail for the next 30 years. This table makes it possible to see what components are projected to require repair or replacement each year, and the size of those individual expenses.

Table 2: Reserve Component List Detail 23122-0

#	Component	Quantity	Useful Life	Rem. Useful Life	Best Cost	Current Worst Cost
120	Asphalt - Resurface	~ 58,600 Sq Ft	30	22	$105,500	$128,900
160	Street Lights - Replace	~ (15) metal assemblies	40	32	$45,000	$60,000
170	Landscape - Refurbish	Common area landscaping	10	0	$12,000	$18,000
175	Irrigation System - Repair/Replace	Common irrigation	10	2	$4,000	$6,000
185	Storm Drainage Tracts - Refurbish	~ 2.6 Acres	N/A	0	$40,000	$60,000
186	Storm Drainage Tracts - Maintain	~ 2.6 Acres	10	9	$10,000	$20,000
190	Street Trees - Remove/Replace	~ (50) assorted trees	15	7	$8,000	$12,000
200	Entry Signs/Monuments - Refurbish	(2), wood/metal/stone	20	12	$2,000	$4,000
201	Required Signage - Replace	~ (42) metal signs	20	12	$3,400	$5,000
205	Mailboxes - Replace	(7) cluster stands	20	12	$8,400	$11,200
10	Total Funded Components					

Table 3: Contribution and Fund Breakdown 23122-0

#	Component	Useful Life	Rem. Useful Life	Current (Avg) Cost	Fully Funded Balance	Current Fund Balance	Reserve Contributions
120	Asphalt - Resurface	30	22	$117,200	$31,253	$0.00	$74.97
160	Street Lights - Replace	40	32	$52,500	$10,500	$0.00	$25.19
170	Landscape - Refurbish	10	0	$15,000	$15,000	$0.00	$28.79
175	Irrigation System - Repair/Replace	10	2	$5,000	$4,000	$0.00	$9.60
185	Storm Drainage Tracts - Refurbish	N/A	0	$50,000	$50,000	$0.00	$959.56
186	Storm Drainage Tracts - Maintain	10	9	$15,000	$1,500	$0.00	$28.79
190	Street Trees - Remove/Replace	15	7	$10,000	$5,333	$0.00	$12.79
200	Entry Signs/Monuments - Refurbish	20	12	$3,000	$1,200	$0.00	$2.88
201	Required Signage - Replace	20	12	$4,200	$1,680	$0.00	$4.03
205	Mailboxes - Replace	20	12	$9,800	$3,920	$0.00	$9.40
10	Total Funded Components				$124,387	$0	$1,156

Table 4: 30-Year Reserve Plan Summary 23122-0

Fiscal Year Beginning: 01/01/14 | **Interest: 0.0%** | **Inflation: 3.0%**

Year	Starting Reserve Balance	Fully Funded Balance	Percent Funded	Rating	Annual Reserve Contribs.	Loans or Special Assmts	Interest Income	Projected Reserve Expenses
2014	$0	$124,387	0.0%	Weak	$13,872	$60,000	$0	$65,000
2015	$8,872	$71,711	12.4%	Weak	$14,704	$0	$0	$0
2016	$23,576	$84,722	27.8%	Weak	$15,587	$0	$0	$5,305
2017	$33,858	$92,985	36.4%	Fair	$16,522	$0	$0	$0
2018	$50,380	$107,295	47.0%	Fair	$17,513	$0	$0	$0
2019	$67,893	$122,380	55.5%	Fair	$18,564	$0	$0	$0
2020	$86,457	$138,273	62.5%	Fair	$19,678	$0	$0	$0
2021	$106,135	$155,010	68.5%	Fair	$20,858	$0	$0	$12,299
2022	$114,694	$159,959	71.7%	Strong	$22,110	$0	$0	$0
2023	$136,804	$178,114	76.8%	Strong	$23,436	$0	$0	$19,572
2024	$140,669	$177,054	79.4%	Strong	$24,843	$0	$0	$20,159
2025	$145,353	$175,771	82.7%	Strong	$25,091	$0	$0	$0
2026	$170,444	$195,638	87.1%	Strong	$25,342	$0	$0	$31,367
2027	$164,419	$184,231	89.2%	Strong	$25,595	$0	$0	$0
2028	$190,015	$205,241	92.6%	Strong	$25,851	$0	$0	$0
2029	$215,866	$227,345	95.0%	Strong	$26,110	$0	$0	$0
2030	$241,976	$250,591	96.6%	Strong	$26,371	$0	$0	$0
2031	$268,347	$275,027	97.6%	Strong	$26,635	$0	$0	$0
2032	$294,982	$300,704	98.1%	Strong	$26,901	$0	$0	$0
2033	$321,883	$327,673	98.2%	Strong	$27,170	$0	$0	$26,303
2034	$322,750	$328,899	98.1%	Strong	$27,442	$0	$0	$27,092
2035	$323,100	$329,903	97.9%	Strong	$27,716	$0	$0	$0
2036	$350,816	$359,413	97.6%	Strong	$27,993	$0	$0	$253,309
2037	$125,501	$129,489	96.9%	Strong	$28,273	$0	$0	$0
2038	$153,774	$154,181	99.7%	Strong	$28,556	$0	$0	$0
2039	$182,330	$180,238	101.2%	Strong	$28,842	$0	$0	$0
2040	$211,171	$207,719	101.7%	Strong	$29,130	$0	$0	$0
2041	$240,301	$236,688	101.5%	Strong	$29,421	$0	$0	$0
2042	$269,723	$267,207	100.9%	Strong	$29,715	$0	$0	$0
2043	$299,438	$299,345	100.0%	Strong	$30,013	$0	$0	$35,348

Table 5: 30-Year Income/Expense Detail (yrs 0 through 4) 23122-0

	Fiscal Year	2014	2015	2016	2017	2018
	Starting Reserve Balance	$0	$8,872	$23,576	$33,858	$50,380
	Annual Reserve Contribution	$13,872	$14,704	$15,587	$16,522	$17,513
	Planned Special Assessments	$60,000	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$73,872	$23,576	$39,163	$50,380	$67,893
#	Component					
120	Asphalt - Resurface	$0	$0	$0	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$15,000	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$5,305	$0	$0
185	Storm Drainage Tracts - Refurbish	$50,000	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$0
190	Street Trees - Remove/Replace	$0	$0	$0	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$0	$0	$0
201	Required Signage - Replace	$0	$0	$0	$0	$0
205	Mailboxes - Replace	$0	$0	$0	$0	$0
	Total Expenses	$65,000	$0	$5,305	$0	$0
	Ending Reserve Balance:	$8,872	$23,576	$33,858	$50,380	$67,893

Table 5: 30-Year Income/Expense Detail (yrs 5 through 9) 23122-0

	Fiscal Year	2019	2020	2021	2022	2023
	Starting Reserve Balance	$67,893	$86,457	$106,135	$114,694	$136,804
	Annual Reserve Contribution	$18,564	$19,678	$20,858	$22,110	$23,436
	Planned Special Assessments	$0	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$86,457	$106,135	$126,993	$136,804	$160,241
#	Component					
120	Asphalt - Resurface	$0	$0	$0	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$0	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$0	$0	$0
185	Storm Drainage Tracts - Refurbish	$0	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$19,572
190	Street Trees - Remove/Replace	$0	$0	$12,299	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$0	$0	$0
201	Required Signage - Replace	$0	$0	$0	$0	$0
205	Mailboxes - Replace	$0	$0	$0	$0	$0
	Total Expenses	$0	$0	$12,299	$0	$19,572
	Ending Reserve Balance:	$86,457	$106,135	$114,694	$136,804	$140,669

Table 5: 30-Year Income/Expense Detail (yrs 10 through 14) 23122-0

	Fiscal Year	2024	2025	2026	2027	2028
	Starting Reserve Balance	$140,669	$145,353	$170,444	$164,419	$190,015
	Annual Reserve Contribution	$24,843	$25,091	$25,342	$25,595	$25,851
	Planned Special Assessments	$0	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$165,512	$170,444	$195,786	$190,015	$215,866
#	Component					
120	Asphalt - Resurface	$0	$0	$0	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$20,159	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$7,129	$0	$0
185	Storm Drainage Tracts - Refurbish	$0	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$0
190	Street Trees - Remove/Replace	$0	$0	$0	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$4,277	$0	$0
201	Required Signage - Replace	$0	$0	$5,988	$0	$0
205	Mailboxes - Replace	$0	$0	$13,972	$0	$0
	Total Expenses	$20,159	$0	$31,367	$0	$0
	Ending Reserve Balance:	$145,353	$170,444	$164,419	$190,015	$215,866

Table 5: 30-Year Income/Expense Detail (yrs 15 through 19) 23122-0

	Fiscal Year	2029	2030	2031	2032	2033
	Starting Reserve Balance	$215,866	$241,976	$268,347	$294,982	$321,883
	Annual Reserve Contribution	$26,110	$26,371	$26,635	$26,901	$27,170
	Planned Special Assessments	$0	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$241,976	$268,347	$294,982	$321,883	$349,053
#	Component					
120	Asphalt - Resurface	$0	$0	$0	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$0	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$0	$0	$0
185	Storm Drainage Tracts - Refurbish	$0	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$26,303
190	Street Trees - Remove/Replace	$0	$0	$0	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$0	$0	$0
201	Required Signage - Replace	$0	$0	$0	$0	$0
205	Mailboxes - Replace	$0	$0	$0	$0	$0
	Total Expenses	$0	$0	$0	$0	$26,303
	Ending Reserve Balance:	$241,976	$268,347	$294,982	$321,883	$322,750

Table 5: 30-Year Income/Expense Detail (yrs 20 through 24) 23122-0

	Fiscal Year	2034	2035	2036	2037	2038
	Starting Reserve Balance	$322,750	$323,100	$350,816	$125,501	$153,774
	Annual Reserve Contribution	$27,442	$27,716	$27,993	$28,273	$28,556
	Planned Special Assessments	$0	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$350,192	$350,816	$378,810	$153,774	$182,330
#	Component					
120	Asphalt - Resurface	$0	$0	$224,567	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$27,092	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$9,581	$0	$0
185	Storm Drainage Tracts - Refurbish	$0	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$0
190	Street Trees - Remove/Replace	$0	$0	$19,161	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$0	$0	$0
201	Required Signage - Replace	$0	$0	$0	$0	$0
205	Mailboxes - Replace	$0	$0	$0	$0	$0
	Total Expenses	$27,092	$0	$253,309	$0	$0
	Ending Reserve Balance:	$323,100	$350,816	$125,501	$153,774	$182,330

Table 5: 30-Year Income/Expense Detail (yrs 25 through 29) 23122-0

	Fiscal Year	2039	2040	2041	2042	2043
	Starting Reserve Balance	$182,330	$211,171	$240,301	$269,723	$299,438
	Annual Reserve Contribution	$28,842	$29,130	$29,421	$29,715	$30,013
	Planned Special Assessments	$0	$0	$0	$0	$0
	Interest Earnings	$0	$0	$0	$0	$0
	Total Income	$211,171	$240,301	$269,723	$299,438	$329,451
#	Component					
120	Asphalt - Resurface	$0	$0	$0	$0	$0
160	Street Lights - Replace	$0	$0	$0	$0	$0
170	Landscape - Refurbish	$0	$0	$0	$0	$0
175	Irrigation System - Repair/Replace	$0	$0	$0	$0	$0
185	Storm Drainage Tracts - Refurbish	$0	$0	$0	$0	$0
186	Storm Drainage Tracts - Maintain	$0	$0	$0	$0	$35,348
190	Street Trees - Remove/Replace	$0	$0	$0	$0	$0
200	Entry Signs/Monuments - Refurbish	$0	$0	$0	$0	$0
201	Required Signage - Replace	$0	$0	$0	$0	$0
205	Mailboxes - Replace	$0	$0	$0	$0	$0
	Total Expenses	$0	$0	$0	$0	$35,348
	Ending Reserve Balance:	$211,171	$240,301	$269,723	$299,438	$294,102

Accuracy, Limitations, and Disclosures

Washington disclosure, per RCW 64.34.382:

This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require you to pay on demand as a special assessment your share of common expenses for the cost of major maintenance, repair or replacement of a reserve component.

Because we have no control over future events, we cannot claim that all the events we anticipate will occur as planned. We expect that inflationary trends will continue, and we expect that financial institutions will provide interest earnings on funds on-deposit. We believe that reasonable estimates for these figures are much more accurate than ignoring these economic realities. The things we can control are measurements, which we attempt to establish within 5% accuracy. Your starting Reserve Balance and current Reserve interest earnings are also numbers that can be identified with a high degree of certainty. These figures have been provided to us, and were not confirmed by our independent research. Our projections assume a stable economic environment and lack of natural disasters.

Because both the physical status and financial status of the association change each year, this Reserve Study is by nature a “one-year” document. This information can and should be adjusted annually as part of the Reserve Study Update process so that more accurate estimates can be reflected in the Reserve plan. Reality often differs from even the best assumptions due to changing economic factors, physical factors, or ownership expectations. Because many years of financial preparation help the preparation for large expenses, this Report shows expenses for the next 30 years. We fully expect a number of adjustments will be necessary through the interim years to both the cost and timing of distant expense projections. It is our recommendation and that of the American Institute of Certified Public Accountants (AICPA) that your Reserve Study be updated annually.

Association Reserves, Inc., and its employees have no ownership, management, or other business relationships with the client other than this Reserve Study engagement. James D. Talaga R.S., company president, is a credentialed Reserve Specialist (#66). All work done by Association Reserves is performed under his Responsible Charge. There are no material issues to our knowledge that have not been disclosed to the client that would cause a distortion of the association’s situation.

We have relied upon the client to provide the current (or projected) Reserve Balance, the estimated net-after-tax current rate of interest earnings, and to indicate if those earnings accrue to the Reserve Fund. In addition, we have considered the association's representation of current and historical Reserve projects reliable, and we have considered the representations made by its vendors and suppliers to also be accurate and reliable.

Component quantities indicated in this Report were developed by Association Reserves unless otherwise noted in our "Site Inspection Notes" comments. No destructive or intrusive testing was performed, nor should the site inspection be assumed to be anything other than for budget purposes.

Terms and Definitions

BTU British Thermal Unit (a standard unit of energy)
DIA Diameter
GSF Gross Square Feet (area)
GSY Gross Square Yards (area)
HP Horsepower
LF Linear Feet (length)

Effective Age: The difference between Useful Life and Remaining Useful Life. Note that this is not necessarily equivalent to the chronological age of the component.

Fully Funded Balance (FFB): The Reserve Balance that is in direct proportion to the fraction of life "used up" of the current Repair or Replacement cost. This benchmark balance represents the value of the deterioration of the Reserve Components. This number is calculated for each component, then summed together for an association total.

FFB = (Current Cost X Effective Age) / Useful Life

Inflation: Cost factors are adjusted for inflation at the rate defined in the Executive Summary and compounded annually. These increasing costs can be seen as you follow the recurring cycles of a component on Table 5.

Interest: Interest earnings on Reserve Funds are calculated using the average balance for the year (taking into account income and expenses through the year) and compounded monthly using the rate defined in the Executive Summary. Annual interest earning assumption appears in the Executive Summary, page ii.

Percent Funded: The ratio, at a particular point in time (typically the beginning of the Fiscal Year), of the actual (or projected) Reserve Balance to the Fully Funded Balance, expressed as a percentage.

Remaining Useful Life: The estimated time, in years, that a common area component can be expected to continue to serve its intended function.

Useful Life: The estimated time, in years, that a common area component can be expected to serve its intended function.

Photographic Inventory Appendix

The primary purpose of the photographic appendix is to provide the reader with the basis of our funding assumptions resulting from our physical analysis and subsequent research. The photographs herein represent a wide range of elements that were observed and measured against National Reserve Study Standards to determine if they meet the criteria for reserve funding:

1) Common area maintenance, repair & replacement responsibility
2) Components must have a limited life
3) Life limit must be predictable
4) Above a minimum threshold cost (board's discretion – typically ½ to 1% of annual operating expenses).

Some components are recommended for reserve funding, while others are not. The components that meet these criteria in our judgment are shown with corresponding maintenance, repair or replacement cycles to the left of the photo (UL = Useful Life or how often the project is expected to occur, RUL = Remaining Useful Life or how many years from our reporting period) and a representative market cost range termed "Best Cost" and "Worst Cost" below the photo. There are many factors that can result in a wide variety of potential costs; we are attempting to represent a market average for budget purposes. Where there is no UL, the component is expected to be a one-time expense. Where no pricing, the component deemed inappropriate for Reserve Funding.

Comp #: 100 Concrete/Curb - Repair/Replace

Quantity: Extensive Sq Ft

Location: Sidewalks/curbing/gutters at Vista Verde Ln SW, Skyline Ridge Ln SW and Serenity Ln SW

Evaluation: We noted concrete to be in generally good condition with no significant damage or deterioration. No trip hazards were observed. Repair any trip and fall hazards (1/2" or larger displacement) immediately to ensure safety.

This component represents concrete sidewalks, curbing and gutters adjacent to private roadways at Vista Verde Lane SW, Skyline Ridge Lane SW and Serenity Lane SW.

In our experience, patterns of deterioration begin to occur as the community continues to age, but it is difficult to predict timing, cost and scope at this time. Association has not yet reached the age or condition where we suggest a rotating funding allowance to supplement the operating / maintenance budget. Incorporate funding as conditions, actual expense patterns dictate within future reserve study updates. Treat local needs currently as general maintenance and repair expense.

As routine maintenance, inspect regularly, pressure wash for appearance and repair promptly as needed to prevent water penetrating into the base and causing further damage.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 120 Asphalt - Resurface

Quantity: ~ 58,600 Sq Ft

Location: Tracts "X", "Y" and "Z" - Vista Verde Ln SW, Skyline Ridge Ln SW and Serenity Ln SW

Evaluation: Overall good condition noted with no significant raveling (loss of binder), damage or deterioration observed.

This component represents private asphalt roadways at Vista Verde Lane SW, Skyline Ridge Lane SW and Serenity Lane SW.

Although in some communities we recommend regular cycles of asphalt seal coating for added protection, typically, cycles of seal coating are not executed for roads with this configuration as drainage at these areas appears adequate.

Even with ordinary care and maintenance, plan for eventual large scale resurface (overlay) at roughly the time frame indicated below. As timing draws nearer, consult with asphalt vendor/consultant for recommendations and complete scope.

As routine maintenance, keep asphalt clean, free of debris and well drained; fill/seal cracks (hot rubberized crack fill) to prevent water from penetrating into the sub-base and accelerating damage.

Useful Life:
30 years

Remaining Life:
22 years

Best Case: $105,500.00

$1.80/Sq Ft, Lower allowance to resurface (overlay)

Worst Case: $128,900.00

$2.20/Sq Ft, Higher allowance to resurface (overlay)

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 140 Wood Fence - Maintain

Quantity: ~ 30 Lin Ft

Location: Common areas adjacent to intersection of Ridgeview Loop SW and Skyline Ridge Ln SW

Evaluation: It is our understanding that Association is only responsible for the post and rail fencing at common areas adjacent to intersection of Ridgeview Loop SW and Skyline Ridge Lane SW and homeowners are responsible for wood privacy fencing on their individual lots.

Based on the limited amount of post and rail fencing, maintenance, repair and replacement should be a smaller cost item and best suited to be handled through the operating budget, not reserves.

As routine maintenance, inspect regularly for any damage, repair as needed and avoid contact with ground and surrounding vegetation. Regular cycles of uniform, professional sealing/painting will help to maintain appearance and maximize life.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 156 Rockeries - Maintain

Quantity: Extensive areas

Location: Scattered common area locations

Evaluation: Fair condition noted with no significant crumbling or settling observed. Key to long lasting performance is proper original design and installation with adequate base and surrounding drainage.

Inspect regularly, repair as needed from operating budget. If shifting, crumbling, etc... is noted, consult with civil or geotechnical engineer or landscape architect for repair scope. At this time, no predictable expectation of large scale repairs or replacement; no basis for reserve funding.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 160 Street Lights - Replace

Quantity: ~ (15) metal assemblies

Location: Street lights at Vista Verde Ln SW, Skyline Ridge Ln SW and Serenity Ln SW

Evaluation: Good condition noted with no significant damage/deterioration observed or reported to us. Observed during daylight hours; assumed to be in functional operating condition.

This component represents replacement of street lights at private roads along Vista Verde Lane SW, Skyline Ridge Lane SW and Serenity Lane SW.

Best to plan for eventual large scale replacement at roughly the time frame indicated below for cost efficiency and consistent quality/appearance throughout association.

As routine maintenance, inspect, repair/change bulbs as needed.

Useful Life:
40 years

Remaining Life:
32 years

Best Case: $45,000.00

$3,000/each (x15), Lower allowance to replace

Worst Case: $60,000.00

$4,000/each (x15), Higher allowance to replace

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 164 Landscape Lights - Replace

Quantity: Minimal, assorted

Location: Adjacent to monument/sign at Blue Sky Dr/Vista Verde Ln

Evaluation: Mostly fair condition with no significant damage/deterioration noted during our site inspection; observed during daylight hours and assumed to be functional.

Small total quantity and individual replacement costs typically not at reserve funding threshold, therefore not suitable for reserve funding. Anticipate repairs/replacements as needed as part of annual operating budget.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 170 Landscape - Refurbish

Quantity: Common area landscaping

Location: Common area open space tracts throughout community

Evaluation: Common area landscaping is in poor, overgrown condition; maintenance of these areas has been reportedly deferred for some time.

Although ongoing maintenance needs are typically funded within operating budget; this component may be utilized for setting aside funds for larger expenses that do not occur on an annual basis, such as: large scale plantings, turf renovation, bark/mulch replenishment, drainage improvements, etc... In our experience, landscape components will eventually need to be refurbished (new plantings, drainage, gravel, bark/mulch, etc…). Allowance shown below for partial landscape refurbishment, monitor actual expenses over time and adjust in reserve study updates.

Useful Life:
10 years

Remaining Life:
0 years

Best Case: $12,000.00

Lower allowance to refurbish common area landscaping

Worst Case: $18,000.00

Higher allowance to refurbish common area landscaping

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 175 Irrigation System - Repair/Replace

Quantity: Common irrigation

Location: Throughout common area landscaping

Evaluation: No problems observed or reported during our inspection.

If properly installed and bedded without defect, the lines themselves are expected to be long-lived with no predictable expectation for replacement. In our experience however, as the community ages, large system renovations, repairs, zone reconfiguration, etc… become necessary. Therefore, we suggest a funding allowance within reserves to supplement the operating and maintenance budget. Ongoing items like head replacement, local valves, etc… should be handled as maintenance expense.

As routine maintenance, inspect regularly, test system and repair as needed. Follow proper winterization and spring start up procedures.

Useful Life:
10 years

Remaining Life:
2 years

Best Case: $4,000.00

Lower allowance for partial repair/replace

Worst Case: $6,000.00

Higher allowance for partial repair/replace

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 176 Irrigation Timeclocks - Replace

Quantity: (2) controllers

Location: Behind entry monuments/signs

Evaluation: No problems observed or reported of irrigation timeclocks.

Eventual replacement will be needed due to parts obsolescence, technological upgrades, etc. If simply replacing existing clock in like kind, best suited to be handled as needed within the operating budget (less than $500). If part of larger overall irrigation system renovation, see previous component for periodic reserve funding allowance.

Inspect regularly and repair/replace as needed.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 182 Drainage/Stormwater Sys - Maintain

Quantity: Common drainage

Location: Common areas, hidden

Evaluation: Our reserve study includes only a visual review, and majority of the drainage system is out of view. No current drainage problems observed or reported.

No expectation of large scale repairs/replacement at this time. No reserve funding suggested.

As routine maintenance, inspect regularly, keep drains and grates free of debris and free flowing to ensure water drains as designed. Pipes can be 'scoped' to allow visual review of the interior of pipes. Repair as needed, including pumping out sediment, if needed, utilizing mobile evacuator service. Fund from operating and maintenance budget.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 185 Storm Drainage Tracts - Refurbish

Quantity: ~ 2.6 Acres

Location: Tracts "T" and "U"

Evaluation: Storm drainage areas at Tracts “T” and “U” are significantly overgrown from years of deferred maintenance at these areas. Due to overgrowth, it was not possible to view if drainage was functioning as designed.

This component represents a one-time refurbishment project of these areas (not to be repeated if maintained properly) to get storm drainage tracts in compliance with governmental regulations. See next component #186 for future cycles of storm drainage tract maintenance.

Useful Life:

Remaining Life:
0 years

Best Case: $40,000.00

Lower allowance for one-time large scale refurbishment

Worst Case: $60,000.00

Higher allowance for one-time large scale refurbishment

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 186 Storm Drainage Tracts - Maintain

Quantity: ~ 2.6 Acres

Location: Tracts "T" and "U"

Evaluation: Ongoing maintenance program and close inspection is essential for performance and forestalling sediment removal. We assume ongoing vegetation and debris control as routine maintenance procedure. Guidelines for maintaining these systems are typically found on governing authority's (i.e. county or city) website.

Even with proactive cleanings/inspections, debris will eventually build up raising floor and warranting sediment removal and reconstruction to original design parameters per Department of Ecology guidelines. Best to plan for sediment removal and repair of ponds at the interval below; ponds should be professionally assessed before this time for more specific guidance.

Useful Life:
10 years

Remaining Life:
9 years

Best Case: $10,000.00

Lower periodic funding for larger work at storm drainage tracts

Worst Case: $20,000.00

Higher periodic funding for larger work at storm drainage tracts

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 188 Open Space Tract - Maintain

Quantity: ~ 5.9 Acres

Location: Tract "L"

Evaluation: No problems observed of open space area in Tract “L”. We recommend compliance with any and all governmental regulations regarding these areas. Typically, these open space areas are to remain undisturbed in a substantially natural state; periodic hazardous tree removal is typically allowed. No basis for large scale reserve funding suggested at this time.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding

Comp #: 190 Street Trees - Remove/Replace

Quantity: ~ (50) assorted trees

Location: Trees in common areas adjacent to roadways throughout community

Evaluation: No specific problems observed or reported at this time of trees throughout community.

In similar communities, we have seen trees planted in common areas adjacent to roadways and sidewalks needing to be replaced at roughly the 10-15 year mark of life. The main reason for replacement being the wrong species of trees planted for a small growth area and generally less than favorable planting location. If the wrong species are planted, the root systems can cause damage to the nearby concrete and asphalt, or the trees themselves may die prematurely due to confined root systems.

If the community has not already done so, consult with a qualified arborist for a long-term plan for the care and management of the trees within the community, balancing aesthetics with protection of association assets. Reserve funding recommend at level indicated below for periodic tree removal/replacement needs. Track actual expenses and adjust in reserve study updates as indicated.

Useful Life:
15 years

Remaining Life:
7 years

Best Case: $8,000.00

Lower allowance for partial replacement of street trees

Worst Case: $12,000.00

Higher allowance for partial replacement of street trees

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 200 Entry Signs/Monuments - Refurbish

Quantity: (2), wood/metal/stone

Location: Crosby Blvd/Vista Loop and Blue Sky Dr/Vista Verde Ln intersections

Evaluation: Entry monuments/signs consist of metal signage attached to stone with adjacent wood trellis.

Allowance shown below is for regular cycles of metal sign refurbishment and repair/replacement of wood trellis based on typical deterioration caused by constant exposure.

As routine maintenance, inspect regularly, clean/touch up for appearance as needed.

Useful Life:
20 years

Remaining Life:
12 years

Best Case: $2,000.00

Lower allowance to repair/replace wood structures and refurbish metal signs

Worst Case: $4,000.00

Higher allowance to repair/replace wood structures and refurbish metal signs

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 201 Required Signage - Replace

Quantity: ~ (42) metal signs

Location: Adjacent to roadways throughout community

Evaluation: The majority of required signage appears to be in fair condition.

Individually, these types of signs are a smaller cost item, but collectively merit reserve funding.

Inspect regularly, clean for appearance and repair as needed.

Useful Life:
20 years

Remaining Life:
12 years

Best Case: $3,400.00
$80/each (x42), Lower allowance to replace

Worst Case: $5,000.00
$120/each (x42), Higher allowance to replace

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 205 Mailboxes - Replace

Quantity: (7) cluster stands

Location: Adjacent to roadways within community

Evaluation: Fair condition of metal cluster stands/boxes with no functional problems reported.

Best to plan for total replacement at roughly the time frame below due to constant exposure, usage and wear over time. Note: USPS has a limited budget for replacement and should not be relied upon for purposes of long term planning.

Inspect regularly, clean by wiping down for appearance, change lock cylinders, lubricate hinges and repair as needed from operating budget.

Useful Life:
20 years

Remaining Life:
12 years

Best Case: $8,400.00

$1,200/cluster stand (x7), Lower allowance to remove and replace

Worst Case: $11,200.00

$1,600/cluster stand (x7), Higher allowance to remove and replace

Cost Source: ARI Cost Database: Similar Project Cost History

Comp #: 999 Reserve Study - Update

Quantity: Annual update

Location: Common areas of association

Evaluation: Per Washington law (RCW 64.34.380), reserve studies are to be updated annually, with site inspections by an independent reserve study professional to occur no less than every three years to assess changes in condition (i.e., physical, economic, governmental, etc...) and the resulting effect on the community's long-term reserve plan. Most appropriately factored within operating budget, not as reserve component.

Useful Life:

Remaining Life:

Best Case: Worst Case:

Cost Source: Does not meet NRSS criteria for reserve funding