



PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



Nisqually Pines Community Club

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For:

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1.0 EXECUTIVE SUMMARY

1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

The undersigned makes the following disclosures required by RCW 64.90.550 to establish that this Reserve Study meets all requirements of the Washington Uniform Common Interest Ownership Act, Chapter 64.90 RCW:

- a. This Reserve Study was prepared with the assistance of a reserve study professional and that professional was independent;
- b. This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and
- c. 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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

1.2 GENERAL DESCRIPTION OF PROPERTY

The subject property is approximately 364 acres and is located in North Yelm to the south and west of the Nisqually River. There are 827 lots containing an assortment of single-family homes. According to Tonie Williams, the property was developed in 1969 as a campground and developed into a community of permanent residences. The property is relatively flat, but does sloped down toward the river. The common elements consist of private roads, a one-story clubhouse with loft with a swimming pool, an office building and maintenance garage, a private water supply system, and three parks outside of the single family lots themselves. Adjacent to the property there are housing areas and trailer parks.

Like all properties, this property will require capital maintenance. We have itemized areas of capital maintenance that we anticipate over the next thirty (30) years along with estimated costs and estimated schedule of repair/replacement.

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

Table 1.3 below shows the items that are in need of action immediately or within the near future. This is a summary; all tasks are explained in greater detail in Section 3.0 Physical Analysis.

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency
Numerous projects listed in Table 3.1A		

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 3 RESERVE STUDY

The primary purpose of this Level 3 Reserve Study is to provide the Association with a planning and budgeting tool to adequately maintain the property 30 years into the future without unexpected special assessments. This study is intended to provide the Association with an understanding of their property and to bring to light necessary immediate expenditures and reasonably anticipated future capital expenses that should be addressed.

Associations have a responsibility to their members to adequately maintain their properties and our Reserve Studies provide our clients with the tools to implement capital maintenance. When small issues and maintenance items are addressed prior to becoming larger problems, there is typically a significant overall savings for a property owner. Properly maintained properties maintain higher property values than those with an abundance of deferred maintenance.

An additional benefit of this Reserve Study is that it is one of the qualifications required for Associations to obtain FHA approval (which is very helpful in selling or refinancing individual units). Many other sources of funding are also beginning to require them as well.

2.2 WASHINGTON STATE RCW 64.90.550

As of July 1, 2018, WA State RCW 64.90.550 defined a Reserve Study in WA State as the following:

- (1) Any reserve study is supplemental to the association's operating and maintenance budget.
- (2) A reserve study must include:
 - (a) A reserve component list, including any reserve component, the replacement cost of which exceeds one percent of the annual budget of the association, excluding contributions to the reserves for that reserve component. If one of these reserve components is not included in the reserve study, the study must explain the basis for its exclusion. The study must also include quantities and estimates for the useful life of each reserve component, the remaining useful life of each reserve component, and current major replacement costs for each reserve component;
 - (b) The date of the study and a disclosure as to whether the study meets the requirements of this section;
 - (c) The following level of reserve study performed:
 - (i) Level I: Full reserve study funding analysis and plan;
 - (ii) Level II: Update with visual site inspection; or
 - (iii) Level III: Update with no visual site inspection;
 - (d) The association's reserve account balance;
 - (e) The percentage of the fully funded balance to which the reserve account is funded;
 - (f) Special assessments already implemented or planned;
 - (g) Interest and inflation assumptions;
 - (h) Current reserve account contribution rates for a full funding plan and a baseline funding plan;
 - (i) A recommended reserve account contribution rate for a full funding plan to achieve one hundred percent fully funded reserves by the end of the thirty-year study period, a recommended reserve account contribution rate for a baseline funding plan to maintain the reserve account balance above zero throughout the thirty-year study period without special assessments, and a reserve account contribution rate recommended by the reserve study professional;
 - (j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

This reserve study meets the qualifications of WA State RCW 64.90.550

(k) A disclosure on whether the reserve study was prepared with the assistance of a reserve study professional, and whether the reserve study professional was independent; and

(l) A statement of the amount of any current deficit or surplus in reserve funding expressed on a dollars per unit basis. The amount is calculated by subtracting the association's reserve account balance as of the date of the study from the fully funded balance, and then multiplying the result by the fraction or percentage of the common expenses of the association allocable to each unit; except that if the fraction or percentage of the common expenses of the association allocable vary by unit, the association must calculate any current deficit or surplus in a manner that reflects the variation.

(3) A reserve study must also include the following disclosure:

"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 the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement."

2.3 SCOPE AND METHODOLOGY

Our Level 2 Reserve Study was finalized on August 8, 2019 at this property. We provided the Board a subsequent Level 3 Reserve Study on August 11, 2020.

This report is an off-site update of that report based solely on the information provided to us by Charity Mayerl on April 20, 2021.

Financial Analysis: We performed an analysis on the financial needs and current status at the property. The financial analysis provides the following:

- Forecasts the anticipated Capital Reserves necessary at the property over the next 30 years.
- Projects future Capital Reserve balances and determines the appropriate funding levels necessary.
- Reviews the Association's current funding plan and current financial position.
- Provides our recommended annual contribution to the Reserve Fund to maintain Full Funding.

2.4 SOURCES OF INFORMATION

The following people provided us information for this study:

- Charity Mayerl, Office Manager
- Joanne Sabisch, Accountant

2.5 DEFINITIONS

Assumed Inflation - Our assumed inflation rate is our best guess of the long term average of the inflation rate over the next thirty years; it is not based on the current Consumer Price Index (CPI). Our number is much closer to the historical average of the CPI over the previous 25 years.

Capital Reserves Balance - Actual or projected funds as of a particular point in time that the Association has identified for use to defray the future repair or replacement of those major components which the Association is obligated to maintain. Also known as reserves, reserve accounts, cash reserves.

Component - An individual line item in the Reserve Study developed or updated in the physical analysis. These elements form the building blocks of the Reserve Study. Components typically are: 1) Association responsibility, 2) with limited useful life expectancies, 3) predictable remaining useful life expectancies, 4) above a minimum threshold cost, and 5) as required by local codes.

Component Inventory - The task of selecting and quantifying reserve components. This task is accomplished through onsite visual observations, review of Association design and organizational documents, and a review of established Association precedents.

Deficit - An actual (or projected) reserve balance less than the fully funded balance. The opposite would be a surplus.

Effective Age - The difference between useful life and remaining useful life. Not always equivalent to chronological age, since some components age irregularly. Used primarily in computation.

Financial Analysis - The portion of a Reserve Study where current status of the reserves (measured as cash or percent funded) and a recommended reserve contribution rate (reserve funding plan) are derived. The financial analysis is one of the two parts of a Reserve Study.

Fully Funded - 100% funded. When the actual (or projected) reserve balance is equal to the fully funded balance.

Fully Funded Balance (FFB) - Total accrued depreciation. An indicator against which actual (or projected) reserve balance can be compared. In essence, it is the reserve balance that is proportional to the current Repair/replacement cost and the fraction of life "used up". This number is calculated for each component, then summed together for an Association total.

Percent Funded - The ratio, at a particular point of time (typically the beginning of the fiscal year), of the actual (or projected) reserve balance to the fully funded balance, expressed as a percentage.

Special Assessment - An assessment levied on the members of an Association in addition to regular assessments. Special assessments are often regulated by governing documents or local statutes.

2.6 FREQUENTLY ASKED QUESTIONS ABOUT RESERVE STUDIES

What is a reserve study?

Reserve studies are comprehensive reports that are used as budget planning tools that will assess the current financial health of the reserve fund as well as create a plan for future funding to offset anticipated major future common area expenditures.

According to *Community Association Institute's Best Practices, Reserve Studies/Management*: "There are two components of a reserve study—a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses only the association's reserve balance or fund status (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate (funding plan)."

What are the different types of reserve studies?

Reserve studies fit into one of three categories: Full; Update with Site Visit; and Update with No Site Visit. They are frequently called Level 1, Level 2, and Level 3 respectively (as defined by Washington State RCW 64.90.550).

Level 1: A full reserve study – the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. They typically extend 30-years. A full reserve study must be in place before a Level 2 or Level 3 can take place.

Level 2: An update with site visit (on-site review) -- the reserve study provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both a fund status and a funding plan. A Level 2 update is performed every third year, with the first one scheduled 3 years after the Level 1 was completed.

Level 3: An update with no site visit (off-site review) -- the reserve study provider conducts life and valuation estimates to determine a fund status and a funding plan. A Level 3 update is performed annually, except in years when a Level 1 or Level 2 has been conducted.

When should associations obtain reserve studies?

Most association experts would agree that an initial full 30-year reserve study should be conducted sooner rather than later if one is not already in place. They are typically updated annually after that to account for things such as inflation and any adjustments in funding levels, budgets, repairs or replacements.

If you follow Washington State RCW 64.90.555 (which we recommend), your reserve study schedule would look like this:

- Year 1: Level 1 full 30-year study
- Years 2, 3: Level 3 annual updates
- Year 4: Level 2 update with site visit
- Years 5, 6: Level 3 annual updates
- Year 7: Level 2 update with site visit

The cycle of Level 2 and Level 3 updates continues indefinitely. A Level 1 full study is not necessary after year 1.

What are the benefits of a Reserve Study?

Benefits of reserve studies, in short, include improved property maintenance (and therefore value) as well as complying with the law. In more detail:

Complying with Washington State law

View the rules regarding Reserve Studies and Reserve Accounts here:

<http://app.leg.wa.gov/RCW/default.aspx?cite=64.90> - Sections 535, 540, 545, 550, 555, and 560

Fulfilling lender requirements (such as FHA)

Many lenders are requiring up-to-date reserve studies that indicate adequate financial health before they lend. Having a reserve study in place that shows a healthy funding plan before a homeowner finds a buyer could save significant time in the closing process.

Help maintain the property's value and appearance

A reserve study helps maintain the property's value and the property owner's investment. By identifying and budgeting for future repairs or replacement (anticipated capital expenditures), the property's common elements continue to look attractive and well-kept, adding to the community's overall quality of life. Many features, when properly maintained, can also benefit from an extended lifespan resulting in overall cost savings to the owners. Well maintained properties almost always have higher resale values than those that have been neglected.

Establishing sound financial planning and budget direction

A comprehensive reserve study lays out a schedule of anticipated major repairs or replacements to common property elements and applies cost estimates to them. It typically spans a 30-year period, and will serve as a financial planning tool for the association to use when determining homeowners dues and contributions to the reserve fund.

Reducing the need for special assessments

An association that has properly implemented their reserve study will strategically collect fees over time from homeowners (via monthly dues) rather than need large sums of cash unexpectedly (special assessments). Therefore, the need for special assessments should be minimized because expenses have already been planned for and the funds exist when needed.

Fulfilling the board of directors' fiduciary responsibility

Board members of community associations have a fiduciary responsibility to their members. Directors are legally bound to use sound business judgment in guiding the association and cannot ignore major capital expenditures or eliminate them from the budget.

3.0 PHYSICAL ANALYSIS

3.1 COMPONENT ASSESSMENT AND VALUATION

The component assessment and valuation of the itemized capital expenses on this property was done by providing our opinion of Useful Life, Remaining Useful Life, and Repair or Replacement Costs for the Reserve components. Table 3.1A lists this component inventory, and is based on the information that we were provided and on onsite visual observations.

The remainder of "Section 3.0 Physical Analysis" details each of the items in Table 3.1A using narratives and photos. They are meant to be read together.

Table 3.1B is a summary of expenses, grouped according to their expense category. Chart 3.1B is a pie chart illustrating the same.

Table 3.1A Key:

Quantity - The total quantity of each component.

Units - SF = Square Feet SY = Square Yards LF = Lineal Feet
EA = Each LS = Lump Sum SQ = Roofing Square (10 ft X 10 ft)

Cost/Unit - The cost of a component. The unit cost is multiplied by the component's quantity to obtain the total estimated replacement cost for the component.

Remaining Life – An opinion of the probable remaining life, in years, that a reserve component can be expected to continue to serve its intended function. Replacements anticipated to occur in the initial or base year have "zero" Remaining Life.

Useful Life - Total Useful Life or Depreciable Life. An opinion of the total probable life, in years, that a reserve component can be expected to serve its intended function in its present condition.

Table 3.1A: Component Assessment and Valuation

Note: All numbers provided are the engineer's opinion of probable life and cost in 2021 dollars. Exact numbers may vary.

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2 SITE								
Asphalt overlay	105,600	SF	\$2.97	5	5	\$313,632	\$379	\$75.85
Asphalt patching and repairs	5,000	SF	\$7.85	5	5	\$39,250	\$47.46	\$9.49
Asphalt striping	1	LS	\$16,830	0	5	\$16,830	\$20.35	\$4.07
Playground equipment replacement in both parks	1	LS	\$36,000	19	20	\$36,000	\$43.53	\$2.18
Picnic shelters and picnic assets allotment	1	LS	\$14,500	1	7	\$14,500	\$17.53	\$2.50
Replace front entrance sign	1	LS	\$6,000	0	10	\$6,000	\$7.26	\$0.73
Repaint clubhouse and entrance signs	1	LS	\$6,365	0	10	\$6,365	\$7.70	\$0.77
Install a storage building	1	EA	\$5,000	0	25	\$5,000	\$6.05	\$0.24
Clubhouse landscaping project	1	LS	\$1,000	0	10	\$1,000	\$1.21	\$0.12
Tree removal project	1	LS	\$60,000	0	7	\$60,000	\$72.55	\$10.36
Basketball court paving	1	LS	\$10,000	20	20	\$10,000	\$12.09	\$0.60
3.3 STRUCTURE								
Replacement of backhoe shed and 5 water pump buildings	6	EA	\$5,500	11	25	\$33,000	\$39.90	\$1.60
Replace covered picnic structures	2	EA	\$9,000	11	25	\$18,000	\$21.77	\$0.87
3.4 ROOFING								
Resurface roof of office	29	SQ	\$475	14	25	\$13,775	\$16.66	\$0.67
Resurface roof of clubhouse	44	SQ	\$1,481	48	50	\$65,170	\$78.80	\$1.58
Replace roofs of water sheds and backhoe shed	10	SQ	\$475	1	25	\$4,750	\$5.74	\$0.23
3.5 EXTERIOR								
Paint exterior of clubhouse	6,800	SF	\$2.83	0	8	\$19,261	\$23.29	\$2.91
Replace office windows	1	LS	\$18,000	0	50	\$18,000	\$21.77	\$0.44
<i>Painting of the office is performed via the main budget outside of the Reserve Fund</i>								
3.6 ELECTRICAL SYSTEMS								
Replace water systems generator #1	1	EA	\$30,000	8	30	\$30,000	\$36.28	\$1.21
Replace water systems generator #2	1	EA	\$30,000	24	30	\$30,000	\$36.28	\$1.21

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year	
3.7 PLUMBING SYSTEMS									
Purchase electronic water meter readers and new software	1	LS	\$70,000	17	20	\$70,000	\$84.64	\$4.23	
Replace booster pumps	4	EA	\$12,000	22	40	\$48,000	\$58.04	\$1.45	
Replace meters with new electronic meters - Phase 5 of 8	1	LS	\$18,900	0	N/A	\$18,900	\$22.85	N/A	
Replace meters with new electronic meters - Phase 6 of 8	1	LS	\$18,900	1	N/A	\$18,900	\$22.85	N/A	
Replace meters with new electronic meters - Phase 7 of 8	1	LS	\$18,900	2	N/A	\$18,900	\$22.85	N/A	
Replace meters with new electronic meters - Phase 8 of 8	1	LS	\$18,900	3	N/A	\$18,900	\$22.85	N/A	
Upgrade the computer monitoring system	1	LS	\$25,000	7	10	\$25,000	\$30.23	\$3.02	
Clean the concrete reservoirs	2	EA	\$1,600	0	3	\$3,200	\$3.87	\$1.29	
Caulk and seal the cracks in the concrete reservoirs	2	EA	\$5,253	0	6	\$10,506	\$12.70	\$2.12	
Replace the fire hydrants	57	EA	\$3,700	16	50	\$210,900	\$255.02	\$5.10	
Replace the office septic tank and drain field	1	LS	\$25,000	7	30	\$25,000	\$30.23	\$1.01	
Replace the clubhouse septic tank and drain field	1	LS	\$25,000	7	30	\$25,000	\$30.23	\$1.01	
3.8 HVAC SYSTEMS									
Install ductless heat pumps in office and clubhouse	2	EA	\$15,150	0	15	\$30,300	\$36.64	\$2.44	
3.9 ELEVATORS									
<i>No elevators on property</i>									
3.10 FIRE DETECTION & SUPPRESSION									
<i>No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers</i>									
3.11 COMMON INTERIOR FINISHES									
Replace the office carpet	45	SY	\$48	0	12	\$2,160	\$2.61	\$0.22	
Replace the clubhouse flooring	1	LS	\$5,000	0	12	\$5,000	\$6.05	\$0.50	
Renovate the clubhouse kitchen and upgrade all appliances	1	LS	\$50,000	0	20	\$50,000	\$60.46	\$3.02	
Clubhouse locker room enhancement	2	EA	\$18,540	0	15	\$37,080	\$44.84	\$2.99	
Clubhouse interior painting	1	LS	\$2,000	0	10	\$2,000	\$2.42	\$0.24	
<i>Interior painting of the office performed via the operating budget</i>									

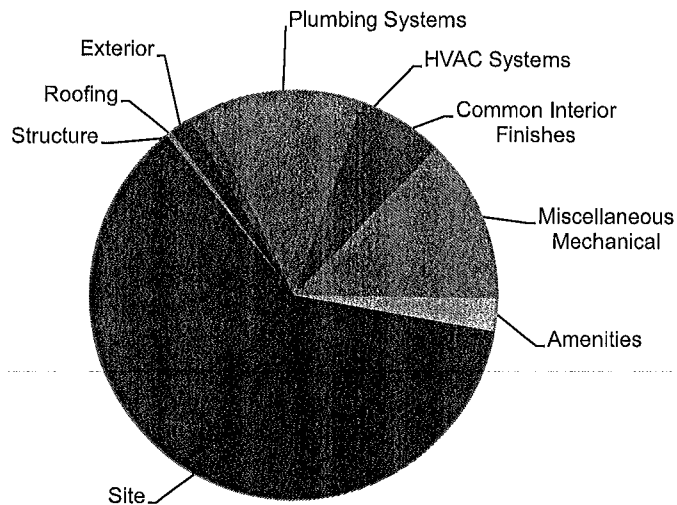
PROFESSIONAL RESERVE STUDY FOR NISQUALLY PINES DATED MAY 12, 2021

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.12 MISCELLANEOUS								
Replace chipper	1	EA	\$8,800	11	20	\$8,800	\$10.64	\$0.53
Replace mowers	3	EA	\$12,000	1	10	\$36,000	\$43.53	\$4.35
Truck replacement	1	LS	\$40,000	0	5	\$40,000	\$48.37	\$9.67
Office computer replacement	5	EA	\$1,500	0	3	\$7,500	\$9.07	\$3.02
Server replacement	1	LS	\$2,000	2	3	\$2,000	\$2.42	\$0.81
Sauna renovation	2	EA	\$6,000	0	12	\$12,000	\$14.51	\$1.21
Replace back hoe	1	EA	\$50,000	20	20	\$50,000	\$60.46	\$3.02
Replace hydraulic trailer	1	EA	\$4,500	0	20	\$4,500	\$5.44	\$0.27
Replace water tank trailer	1	EA	\$2,500	0	20	\$2,500	\$3.02	\$0.15
Replace diesel tank	1	EA	\$3,200	0	25	\$3,200	\$3.87	\$0.15
Surveillance system allotment	1	LS	\$7,000	3	10	\$7,000	\$8.46	\$0.85
3.13 AMENITIES								
Re-plaster swimming pool	3,378	SF	\$12.50	12	25	\$42,225	\$51.06	\$2.04
Re-tile swimming pool	1	LS	\$4,800	12	25	\$4,800	\$5.80	\$0.23
Replace pool pump	1	EA	\$10,000	8	10	\$10,000	\$12.09	\$1.21
Replace pool furnace	1	EA	\$24,090	0	20	\$24,090	\$29.13	\$1.46
Replace sand pool filter system	1	LS	\$1,800	10	10	\$1,800	\$2.18	\$0.22
Average Cost Per Unit Per Year								\$175

Table 3.1B: Table of Categorized Expenses over the Duration of the Study

Category	Total Expenditure over 30 Years	Percentage
Site	\$4,633,363	60.5%
Structure	\$70,596	0.9%
Roofing	\$35,972	0.5%
Exterior	\$131,722	1.7%
Electrical Systems	\$98,987	1.3%
Plumbing Systems	\$974,064	12.7%
HVAC Systems	\$151,052	2.0%
Elevators	\$0	0.0%
Fire Detection & Suppresion	\$0	0.0%
Common Interior Finishes	\$370,236	4.8%
Miscellaneous Mechanical	\$992,996	13.0%
Amenities	\$197,256	2.6%
TOTAL	\$7,656,244	

Figure 3.1B: Pie Chart of Categorized Expenses over the Duration of the Study



3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

Using the conclusions described throughout "Section 3.0 Physical Analysis", the following Table 3.20 lists the annual anticipated capital expenses for each reserve item in the year that we believe is most probable. All of these anticipated expenses already have inflation factored into them at the assumed level that is listed in "Section 4.3 Assumptions for Future Interest Rate and Inflation".

LEVEL 3 RESERVE STUDY FOR NISQUALLY PINES COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
3.7	PLUMBING SYSTEMS													
	Purchase electronic water meter readers and new software													
	Replace booster pumps													
	Replace meters with new electronic meters - Phase 5 of 8	\$18,900												
	Replace meters with new electronic meters - Phase 6 of 8		\$19,467											
	Replace meters with new electronic meters - Phase 7 of 8			\$20,051										
	Replace meters with new electronic meters - Phase 8 of 8				\$20,653									
	Upgrade the computer monitoring system								\$30,747					
	Clean the concrete reservoirs	\$3,200			\$3,497			\$3,821			\$4,175			\$4,562
	Caulk and seal the cracks in the concrete reservoirs	\$10,506						\$12,545						\$14,979
	Replace the fire hydrants													
	Replace the office septic tank and drain field								\$30,747					
	Replace the clubhouse septic tank and drain field								\$30,747					
3.8	HVAC SYSTEMS													
	Install ductless heat pumps in office and clubhouse	\$30,300												
3.9	ELEVATORS													
	No elevators on property													
3.10	FIRE DETECTION & SUPPRESSION													
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers													
3.11	COMMON INTERIOR FINISHES													
	Replace the office carpet	\$2,160												\$3,080
	Replace the clubhouse flooring	\$5,000												\$7,129
	Renovate the clubhouse kitchen and upgrade all appliances	\$50,000												
	Clubhouse locker room enhancement	\$37,080												
	Clubhouse interior painting	\$2,000											\$2,688	

LEVEL 3 RESERVE STUDY FOR NISQUALLY PINES COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
3.12	MISCELLANEOUS													
	Replace chipper												\$12,181	
	Replace mowers		\$37,080										\$49,832	
	Truck replacement	\$40,000					\$46,371					\$53,757		
	Office computer replacement	\$7,500			\$8,195			\$8,955			\$9,786			\$10,693
	Server replacement			\$2,122			\$2,319		\$2,534				\$2,768	
	Sauna renovation	\$12,000												\$17,109
	Replace back hoe													
	Replace hydraulic trailer	\$4,500												
	Replace water tank trailer	\$2,500												
	Replace diesel tank	\$3,200												
	Surveillance system allotment				\$7,649									
3.13	AMENITIES													
	Re-plaster swimming pool													\$60,203
	Re-tile swimming pool													\$6,844
	Replace pool pump								\$12,668					
	Replace pool furnace	\$24,090												
	Replace sand pool filter system											\$2,419		
ANNUAL EXPENSES BY YEAR		\$385,392	\$76,375	\$22,173	\$39,994	\$0	\$477,287	\$25,321	\$166,033	\$95,972	\$13,961	\$573,687	\$135,378	\$124,599

LEVEL 3 RESERVE STUDY FOR NISQUALLY PINES COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
3.2	SITE													
	Asphalt overlay			\$488,628					\$566,454					\$656,676
	Asphalt patching and repairs			\$61,150					\$70,890					\$82,181
	Asphalt striping			\$26,221					\$30,397					\$35,238
	Playground equipment replacement in both parks							\$63,126						
	Picnic shelters and picnic assets allotment			\$22,591							\$27,783			
	Replace front entrance sign								\$10,837					
	Repaint clubhouse and entrance signs								\$11,496					
	Install a storage building													\$10,469
	Clubhouse landscaping project								\$1,806					
	Tree removal project		\$90,755							\$111,618				
	Basketball court paving								\$18,061					
3.3	STRUCTURE													
	Replacement of backhoe shed and 5 water pump buildings													
	Replace covered picnic structures													
3.4	ROOFING													
	Resurface roof of office		\$20,836											
	Resurface roof of clubhouse													
	Replace roofs of water sheds and backhoe shed													
3.5	EXTERIOR													
	Paint exterior of clubhouse				\$30,908								\$39,154	
	Replace office windows													
3.6	ELECTRICAL SYSTEMS													
	Replace water systems generator #1													
	Replace water systems generator #2												\$60,984	

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
3.7	PLUMBING SYSTEMS													
	Purchase electronic water meter readers and new software					\$115,699								
	Replace booster pumps										\$91,973			
	Replace meters with new electronic meters - Phase 5 of 8													
	Replace meters with new electronic meters - Phase 6 of 8													
	Replace meters with new electronic meters - Phase 7 of 8													
	Replace meters with new electronic meters - Phase 8 of 8													
	Upgrade the computer monitoring system					\$41,321								
	Clean the concrete reservoirs			\$4,985			\$5,448			\$5,953			\$6,505	
	Caulk and seal the cracks in the concrete reservoirs						\$17,886						\$21,357	
	Replace the fire hydrants				\$338,433									
	Replace the office septic tank and drain field													
	Replace the clubhouse septic tank and drain field													
3.8	HVAC SYSTEMS													
	Install ductless heat pumps in office and clubhouse			\$47,206										
3.9	ELEVATORS													
	No elevators on property													
3.10	FIRE DETECTION & SUPPRESSION													
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers													
3.11	COMMON INTERIOR FINISHES													
	Replace the office carpet												\$4,391	
	Replace the clubhouse flooring												\$10,164	
	Renovate the clubhouse kitchen and upgrade all appliances								\$90,306					
	Clubhouse locker room enhancement			\$57,769										
	Clubhouse interior painting								\$3,612					

LEVEL 3 RESERVE STUDY FOR NISQUALLY PINES COMMUNITY CLUB

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
3.12 MISCELLANEOUS													
Replace chipper													
Replace mowers									\$66,971				
Truck replacement			\$62,319					\$72,244					\$83,751
Office computer replacement			\$11,685			\$12,768			\$13,952			\$15,246	
Server replacement		\$3,025			\$3,306			\$3,612			\$3,947		
Sauna renovation												\$24,394	
Replace back hoe								\$90,306					
Replace hydraulic trailer								\$8,128					
Replace water tank trailer								\$4,515					
Replace diesel tank													\$6,700
Surveillance system allotment	\$10,280										\$13,815		
3.13 AMENITIES													
Re-plaster swimming pool													
Re-tile swimming pool													
Replace pool pump						\$17,024							
Replace pool furnace								\$43,509					
Replace sand pool filter system								\$3,251					
ANNUAL EXPENSES BY YEAR	\$10,280	\$114,616	\$782,555	\$369,341	\$160,326	\$53,126	\$63,126	\$1,029,424	\$198,493	\$119,756	\$17,762	\$182,193	\$875,015

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2047	2048	2049	2050	2051
3.2	SITE					
	Asphalt overlay					\$761,267
	Asphalt patching and repairs					\$95,270
	Asphalt striping					\$40,851
	Playground equipment replacement in both parks					
	Picnic shelters and picnic assets allotment				\$34,170	
	Replace front entrance sign					\$14,564
	Repaint clubhouse and entrance signs					\$15,450
	Install a storage building					
	Clubhouse landscaping project					\$2,427
	Tree removal project			\$137,276		
	Basketball court paving					
3.3	STRUCTURE					
	Replacement of backhoe shed and 5 water pump buildings					
	Replace covered picnic structures					
3.4	ROOFING					
	Resurface roof of office					
	Resurface roof of clubhouse					
	Replace roofs of water sheds and backhoe shed	\$10,244				
3.5	EXTERIOR					
	Paint exterior of clubhouse					
	Replace office windows					
3.6	ELECTRICAL SYSTEMS					
	Replace water systems generator #1					
	Replace water systems generator #2					

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2047	2048	2049	2050	2051
3.7	PLUMBING SYSTEMS					
	Purchase electronic water meter readers and new software					
	Replace booster pumps					
	Replace meters with new electronic meters - Phase 5 of 8					
	Replace meters with new electronic meters - Phase 6 of 8					
	Replace meters with new electronic meters - Phase 7 of 8					
	Replace meters with new electronic meters - Phase 8 of 8					
	Upgrade the computer monitoring system		\$55,532			
	Clean the concrete reservoirs		\$7,108			\$7,767
	Caulk and seal the cracks in the concrete reservoirs					\$25,501
	Replace the fire hydrants					
	Replace the office septic tank and drain field					
	Replace the clubhouse septic tank and drain field					
3.8	HVAC SYSTEMS					
	Install ductless heat pumps in office and clubhouse					\$73,546
3.9	ELEVATORS					
	No elevators on property					
3.10	FIRE DETECTION & SUPPRESSION					
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers					
3.11	COMMON INTERIOR FINISHES					
	Replace the office carpet					
	Replace the clubhouse flooring					
	Renovate the clubhouse kitchen and upgrade all appliances					
	Clubhouse locker room enhancement					\$90,003
	Clubhouse interior painting					\$4,855

TABLE 3.20: ANNUAL CAPITAL EXPENSES

Action Required		2047	2048	2049	2050	2051
3.12	MISCELLANEOUS					
	Replace chipper					
	Replace mowers					\$97,090
	Truck replacement					\$18,204
	Office computer replacement		\$16,660			
	Server replacement	\$4,313			\$4,713	
	Sauna renovation					
	Replace back hoe					
	Replace hydraulic trailer					
	Replace water tank trailer					
	Replace diesel tank					
	Surveillance system allotment					
3.13	AMENITIES					
	Re-plaster swimming pool					
	Re-tile swimming pool					
	Replace pool pump			\$22,879		
	Replace pool furnace					
	Replace sand pool filter system					\$4,369
ANNUAL EXPENSES BY YEAR		\$14,557	\$79,300	\$160,155	\$38,883	\$1,251,164

4.0 FINANCIAL ANALYSIS

The financial analysis in this Reserve Study is a proprietary system that was developed by Samdal & Associates. We have provided the funding method that we believe will most adequately fund the reserves of this Association.

4.1 CURRENT FINANCIAL INFORMATION AND CURRENT FUNDING PLAN

The Association's Reserve Fund balance was \$1,020,659 as of September 30, 2020 (Balance provided by Charity Mayerl). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is \$815,833. Therefore, the property is 125.1% funded.

The current annual contribution to the reserve fund is \$219,551, which averages \$22.12 per unit per month. For the purpose of comparison to our recommended funding plans, we have assumed that the Association will increase their current reserve fund contribution by 3% annually to account for inflation. This is shown in Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5) and all subsequent figures.

This property is currently
125.1%
funded.

This funding contribution is not adequate to obtain "Full Funding" of this property.

4.2 RECOMMENDED RESERVE FUNDING PLAN

Full Funding is the ideal position for any property and represents a strong financial position. We recommend that all properties be Fully Funded, as Full Funding allows Associations to maintain their properties adequately and minimizes their risk of unplanned special assessments.

Our funding recommendations are as follows:

Option One: Immediate Disbursement from Reserve Fund to Owners

The Reserve Fund is well beyond full funding. If the Board would like to bring the Reserve Fund down to the level of full funding than they should make a disbursement of \$204,826 from the Reserve Fund to the owners. This translates to an average disbursement of \$248 per unit.

Following this initial disbursement, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of \$149,468 per year in the initial year, which translates to \$14.62 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option One

Average Immediate
Disbursement Per Unit:
\$248

Avg. Contribution
Thereafter Per Unit Per
Month:

2022 \$14.62

(with 3% annual
increase thereafter)

Other funding options are also possible. Section 4.6 details other common funding methods as well. It is up to the Association to decide which funding option is best for them.

4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State HB 1309, our Reserve Study is required to provide the following funding plans:

- **30-Year Make up** - Funding Plan necessary for the Association Reserve Fund to reach a Full Funding Level in 30 years.
- **Baseline Funding** - Minimum level of funding required in order to maintain the Reserve Fund above zero while paying for all components listed in Table 3.1 - Component Assessment and Valuation Table.

Special Note: Because these are "bare minimum" funding options that increase an Association's risk for special assessments (and financial instability), we do not recommend either of these funding options. We recommend that the Association obtain a level of Full Funding as soon as possible to ensure that the Association has the resources necessary to adequately maintain its collective property and minimize the burden of special assessments.

These required options are as follows:

Full Funding in 30 Years

As the Reserve Fund is already above the level of full funding, this option is not applicable.

-OR-

Option Two: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of \$115,100 per year in the initial year, which translates to \$11.60 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain the Reserve Fund above zero and to account for inflation.

For a detailed look at the annual funding contribution necessary per year, see Table 4.5 "Reserve Fund Balance Sheet" (Section 4.5).

Option Two

Average Contributions
Per Unit Per Month:

\$11.60

(with 3% annual
increase thereafter)

4.4 ASSUMPTIONS FOR FUTURE INTEREST RATE AND INFLATION

For the purposes of this report, we have assumed that the inflation rate over the next 30 years will average 3%. This is based on historical averages over the last 25 years and our conservative best guess for the future. This percentage can vary greatly just as global economic conditions can vary, which is one reason why this Reserve Study should be updated annually per Washington RCW 64.90.550, which we provide complimentary over the next two years with this Reserve Study (see Appendix).

For the purpose of this study, we will assume that the Association manages their money in the Reserve Fund so that the average interest rate return on its money will be equal to that of inflation. This is a conservative estimate given that since 1965, the average yield between short term treasuries and inflation has been 1.04%, which means that these relatively conservative investments have been able to outpace inflation over the long term (according to Crestmont Research, www.crestmontresearch.com). Since we have assumed that the inflation rate over the duration of this study will average 3%, we have conservatively also assumed that the Reserve Fund average interest rate will equal 3%. Again, this does not reflect current averages but rather a best guess of the future assuming you have invested effectively.

A common strategy is to invest in multiple accounts. Funds that will be necessary in the shorter term must be kept in a relatively liquid account. Funds that are not allotted for near future planned expenditures can be deposited into longer term investments which frequently earn higher interest rates. Consult with a qualified financial advisor for the best solution for your Association.

4.5 ANNUAL FUND BALANCES; ANNUAL FUNDING TABLE AND FIGURES

The table and figures shown in this section are intended to give the Association a clearer view of the likely future financial position that the Association will be in, provided that the reserve funding plan is followed.

- Table 4.5: "Reserve Fund Balance Sheet". This table lists annual revenue, expenses, and year end reserve fund balances. All Section 4.5 Figures are based on this data.
- Figure 4.5A-1: "Comparison of Funding Plans -- Reserve Fund Balances Through 2051". This line graph depicts the funding balances of the proposed funding options vs. the current.
- Figure 4.5A-2: "Comparison of Funding Plans -- Reserve Fund Balances Through 2031". This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.
- Figure 4.5B: "Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year"
- Figure 4.5C: "Comparison of Funding Plans -- Percentage of Full Funding by Year"

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
CURRENT FUNDING PLAN													
Beginning Reserve Balance	1,020,659	946,419	1,120,135	1,360,763	1,597,408	1,888,838	1,711,870	1,995,862	2,153,302	2,394,560	2,734,518	2,525,023	2,762,848
Planned Special Assessments													
Regular Reserve Fund Contribution	274,890	219,551	226,137	232,921	239,909	247,106	254,520	262,155	270,020	278,120	286,464	285,058	303,910
Annual Total Property Contribution to the Reserve Fund	274,890	219,551	226,137	232,921	239,909	247,106	254,520	262,155	270,020	278,120	286,464	285,058	303,910
Average Monthly Contribution to the Reserve Fund per Unit	22.12	22.12	22.79	23.47	24.17	24.90	25.65	26.42	27.21	28.03	28.87	29.73	30.62
Annual Capital Expenses	385,392	76,375	22,173	39,994	-	477,287	25,321	166,033	95,972	13,961	573,687	135,378	124,599
Interest Income	36,262	30,540	36,664	43,717	51,521	53,212	54,794	61,318	67,210	75,799	77,727	78,146	85,575
Ending Reserve Balance	946,419	1,120,135	1,360,763	1,597,408	1,888,838	1,711,870	1,995,862	2,153,302	2,394,560	2,734,518	2,525,023	2,762,848	3,027,734
Percentage of Full Funding	116.0%	134.4%	137.1%	139.8%	140.7%	160.1%	159.5%	165.4%	167.5%	165.7%	191.9%	194.3%	195.6%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	1,020,659	939,119	833,585	992,349	1,142,475	1,342,527	1,069,108	1,251,354	1,301,522	1,429,741	1,650,645	1,315,819	1,421,771
Full Funding Annual Maintenance Funding	274,890	149,468	163,952	158,571	163,328	168,228	173,275	178,473	183,827	189,342	195,022	200,873	206,899
Planned Special Assessments / Make up Funds		(204,826)											
Annual Total Property Contribution to the Reserve Fund	274,890	(55,357)	153,952	158,571	163,328	168,228	173,275	178,473	183,827	189,342	195,022	200,873	206,899
Average Monthly Contribution to the Reserve Fund per Unit	22.12	15.06	15.51	15.98	16.46	16.95	17.46	17.98	18.52	19.08	19.65	20.24	20.85
Annual Capital Expenses	385,392	76,375	22,173	39,994	-	477,287	25,321	166,033	95,972	13,961	573,687	135,378	124,599
Interest Income	28,962	26,198	26,984	31,549	36,724	35,640	34,293	37,727	40,363	45,523	43,839	40,457	43,888
Full Funding - Ending Reserve Balance	939,119	833,585	992,349	1,142,475	1,342,527	1,069,108	1,251,354	1,301,522	1,429,741	1,650,645	1,315,819	1,421,771	1,547,960
Percentage of Full Funding	115.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
BASE LINE FUNDING													
Beginning Reserve Balance	1,020,659	939,119	1,006,599	1,134,623	1,252,009	1,417,229	1,106,788	1,249,725	1,258,190	1,342,207	1,516,295	1,131,923	1,185,477
Full Funding Annual Maintenance Funding	274,890	115,100	118,553	122,110	125,773	129,546	133,432	137,435	141,558	145,805	150,179	154,685	159,325
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to the Reserve Fund	274,890	115,100	118,553	122,110	125,773	129,546	133,432	137,435	141,558	145,805	150,179	154,685	159,325
Average Monthly Contribution to the Reserve Fund per Unit	22.12	11.60	11.95	12.30	12.67	13.05	13.45	13.85	14.26	14.69	15.13	15.59	16.05
Annual Capital Expenses	385,392	76,375	22,173	39,994	-	477,287	25,321	166,033	95,972	13,961	573,687	135,378	124,599
Interest Income	28,962	28,754	31,644	35,270	39,447	37,301	34,825	37,063	38,430	42,244	39,136	34,247	36,085
Ending Reserve Balance	939,119	1,006,599	1,134,623	1,252,009	1,417,229	1,067,788	1,249,725	1,258,190	1,342,207	1,516,295	1,131,923	1,185,477	1,256,289
Percentage of Full Funding	115.1%	120.8%	114.3%	109.6%	105.6%	103.5%	99.9%	96.7%	93.9%	91.9%	86.0%	83.4%	81.2%

LEVEL 3 RESERVE STUDY FOR MISQUALLY PINES COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
CURRENT FUNDING PLAN													
Beginning Reserve Balance	3,027,734	3,425,855	3,739,549	3,394,514	3,468,652	3,767,580	4,195,012	4,636,166	4,121,144	4,445,789	4,872,165	5,427,294	5,844,989
Planned Special Assessments													
Regular Reserve Fund Contribution	313,027	322,418	332,090	342,053	352,315	362,884	373,771	384,984	396,533	408,429	420,682	433,302	446,302
Annual Total Property Contribution to The Reserve Fund	313,027	322,418	332,090	342,053	352,315	362,884	373,771	384,984	396,533	408,429	420,682	433,302	446,302
Average Monthly Contribution to the Reserve Fund per Unit	31.54	32.49	33.46	34.47	35.50	36.57	37.66	38.79	39.96	41.16	42.39	43.66	44.97
Annual Capital Expenses	10,280	114,616	762,555	369,341	160,326	53,126	63,126	1,029,424	198,493	119,756	17,762	182,193	875,015
Interest Income	95,373	105,893	105,429	101,426	106,939	117,674	130,510	129,418	126,605	137,704	152,209	166,585	168,919
Ending Reserve Balance	3,425,855	3,739,549	3,394,514	3,468,652	3,767,580	4,195,012	4,636,166	4,121,144	4,445,789	4,872,165	5,427,294	5,844,989	5,585,194
Percentage of Full Funding	190.3%	190.7%	233.3%	255.1%	254.3%	243.5%	235.5%	330.0%	327.2%	312.3%	288.7%	285.0%	364.5%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	1,547,960	1,800,267	1,960,731	1,454,736	1,359,857	1,481,372	1,722,645	1,968,528	1,248,744	1,358,741	1,560,177	1,879,646	2,050,523
Full Funding Annual Maintenance Funding	213,106	219,499	226,084	232,867	239,853	247,048	254,460	262,094	269,957	278,055	286,397	294,989	303,838
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	213,106	219,499	226,084	232,867	239,853	247,048	254,460	262,094	269,957	278,055	286,397	294,989	303,838
Average Monthly Contribution to the Reserve Fund per Unit	21.47	22.12	22.78	23.47	24.17	24.89	25.64	26.41	27.20	28.02	28.86	29.72	30.62
Annual Capital Expenses	10,280	114,616	762,555	369,341	160,326	53,126	63,126	1,029,424	198,493	119,756	17,762	182,193	875,015
Interest Income	49,481	55,581	50,475	41,595	41,989	47,350	54,549	47,546	38,534	43,137	50,835	58,081	52,948
Full Funding - Ending Reserve Balance	1,800,267	1,960,731	1,454,736	1,359,857	1,481,372	1,722,645	1,968,528	1,248,744	1,358,741	1,560,177	1,879,646	2,050,523	1,552,295
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
BASELINE FUNDING													
Beginning Reserve Balance	1,256,289	1,450,110	1,548,642	977,725	814,187	863,354	1,028,428	1,194,097	389,911	411,139	519,252	740,652	808,513
Full Funding Annual Maintenance Funding	164,105	169,028	174,099	179,322	184,702	190,243	195,950	201,829	207,883	214,120	220,544	227,160	233,975
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	164,105	169,028	174,099	179,322	184,702	190,243	195,950	201,829	207,883	214,120	220,544	227,160	233,975
Average Monthly Contribution to the Reserve Fund per Unit	16.54	17.03	17.54	18.07	18.61	19.17	19.75	20.34	20.95	21.58	22.22	22.89	23.58
Annual Capital Expenses	10,280	114,616	762,555	369,341	160,326	53,126	63,126	1,029,424	198,493	119,756	17,762	182,193	875,015
Interest Income	39,986	44,319	37,338	26,481	24,791	27,957	32,845	23,409	11,838	13,750	18,619	22,894	14,640
Ending Reserve Balance	1,450,110	1,548,842	977,725	814,187	863,354	1,028,428	1,194,097	389,911	411,139	519,252	740,652	808,513	182,113
Percentage of Full Funding	80.5%	79.0%	67.2%	59.9%	56.3%	59.7%	60.7%	31.2%	30.3%	33.3%	39.4%	39.4%	11.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2047	2048	2049	2050	2051
CURRENT FUNDING PLAN					
Beginning Reserve Balance	5,585,194	6,204,561	6,790,791	7,326,959	8,017,152
Planned Special Assessments					
Regular Reserve Fund Contribution	459,691	473,481	487,686	502,316	517,386
Annual Total Property Contribution to The Reserve Fund	459,691	473,481	487,686	502,316	517,386
Average Monthly Contribution to the Reserve Fund per Unit	46.32	47.71	49.14	50.62	52.13
Annual Capital Expenses	14,557	79,300	160,155	38,883	1,251,164
Interest Income	174,233	192,050	208,637	226,760	229,508
Ending Reserve Balance	6,204,561	6,790,791	7,326,959	8,017,152	8,751,882
Percentage of Full Funding	329.8%	310.9%	302.2%	285.9%	380.1%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	1,532,295	1,881,136	2,184,258	2,424,221	2,804,584
Full Funding Annual Maintenance Funding	312,954	322,342	332,013	341,973	352,232
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	312,954	322,342	332,013	341,973	352,232
Average Monthly Contribution to the Reserve Fund per Unit	31.54	32.48	33.46	34.46	35.49
Annual Capital Expenses	14,557	79,300	160,155	38,883	1,251,164
Interest Income	50,445	60,080	68,106	77,273	70,654
Full Funding - Ending Reserve Balance	1,881,136	2,184,258	2,424,221	2,804,584	1,976,305
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
BASELINE FUNDING					
Beginning Reserve Balance	182,113	417,409	601,389	716,379	965,694
Full Funding Annual Maintenance Funding	240,994	248,224	255,670	263,340	271,241
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	240,994	248,224	255,670	263,340	271,241
Average Monthly Contribution to the Reserve Fund per Unit	24.28	25.01	25.76	26.54	27.33
Annual Capital Expenses	14,557	79,300	160,155	38,883	1,251,164
Interest Income	8,860	15,056	19,474	24,858	14,272
Ending Reserve Balance	417,409	601,389	716,379	965,694	43
Percentage of Full Funding	22.2%	27.5%	29.6%	34.4%	0.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2051

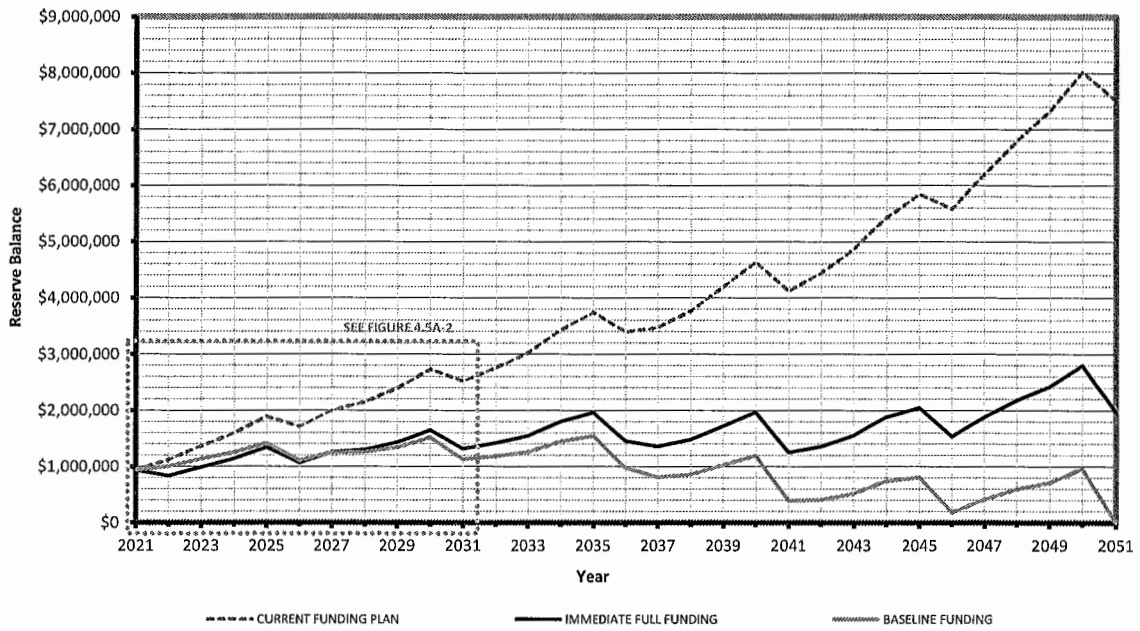


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2031

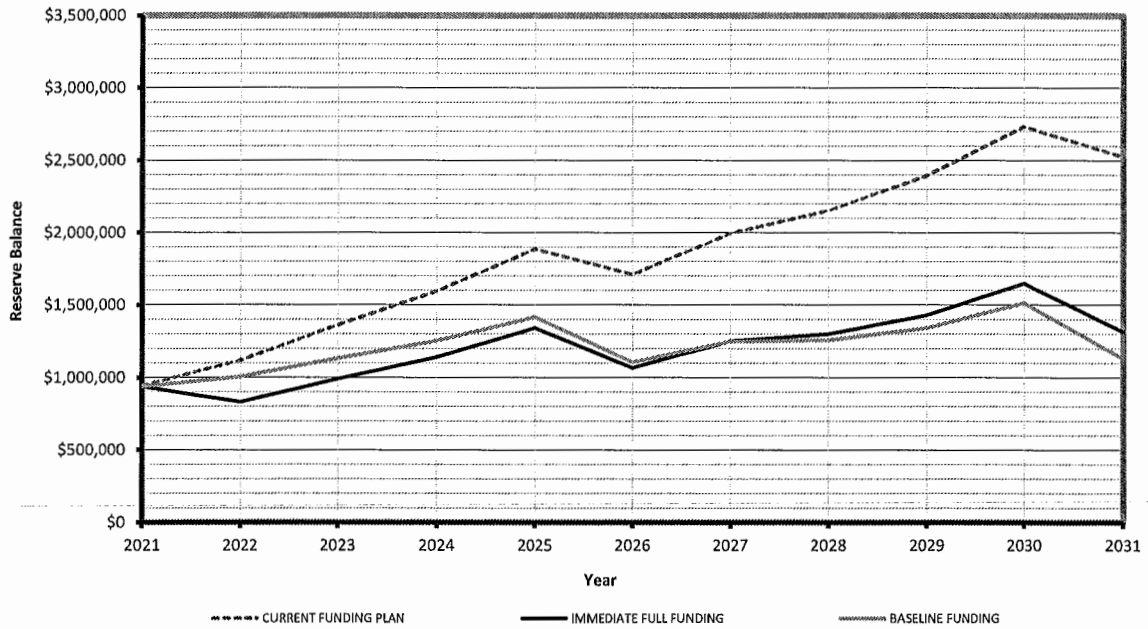


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

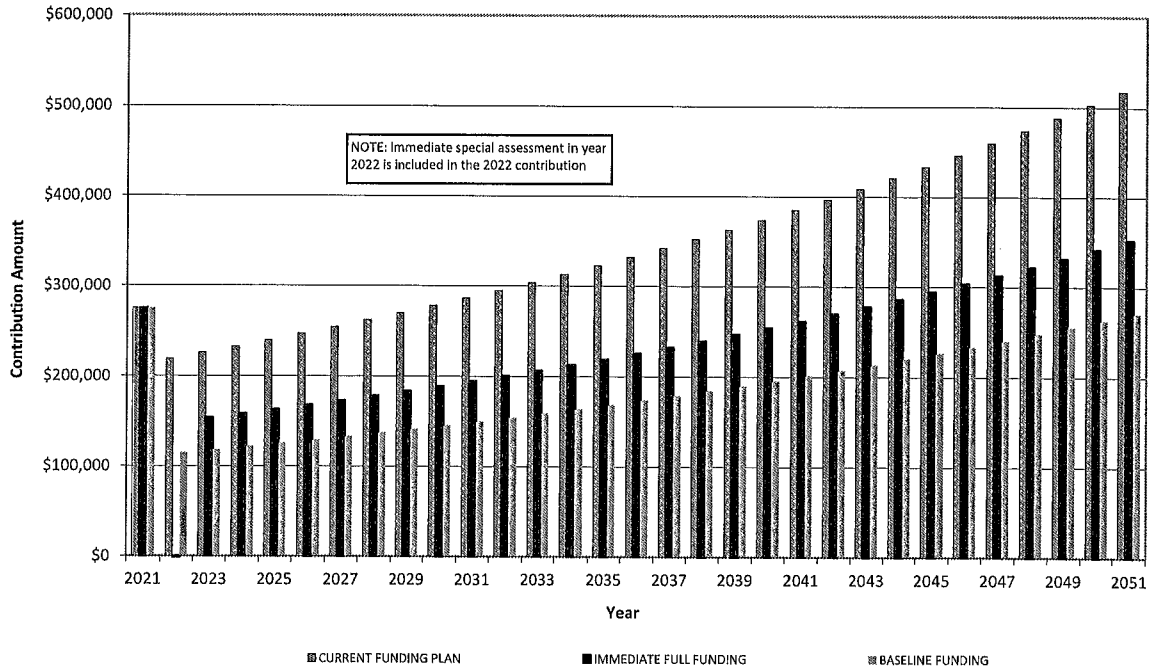
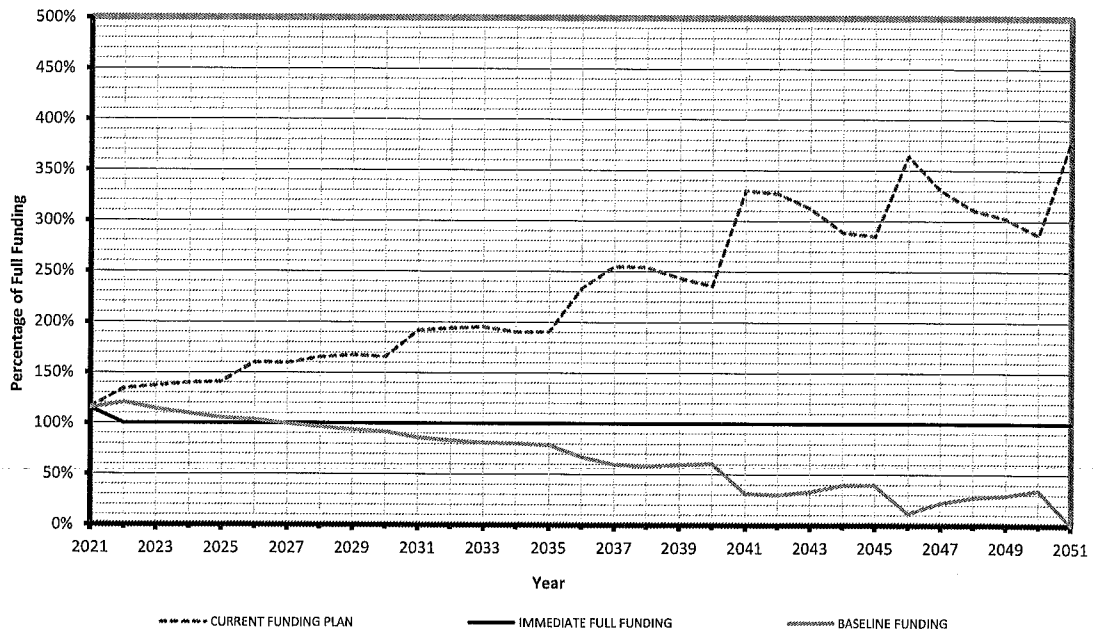


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



4.6 OTHER COMMON FUNDING METHODS

The following methods are methods that are sometimes implemented. We believe that many of these funding methods that keep the reserve fund at less than “Fully Funded” represent a weaker position for the Association. As the Fully Funded percentage decreases, the likelihood of unplanned special assessments increases.

Cash Flow Method

A method of calculating Reserve contributions 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.

Component Method

A method of calculating Reserve contributions where the total reserve contribution is based on the sum of contributions for individual components.

Baseline Funding

Establishing a Reserve funding goal of keeping the Reserve cash balance above zero.

Full Funding

Setting a Reserve funding goal of attaining and maintaining the Reserve Fund at or near 100% funded. *Recommended by Samdal & Associates*

Statutory Funding

Establishing a Reserve funding goal of setting aside the specific minimum amount of Reserves required by local statutes.

Threshold Funding

Establishing a Reserve funding goal of keeping the Reserve Balance above a specified dollar or Percent Funded amount. Depending on the threshold this may be more or less conservative than “Fully Funded.”

5.0 LIMITATIONS

This report has been prepared for the exclusive use of Nisqually Pines Homeowners Association and their property management company. We do not intend for any other party to rely on this report for any reason without our expressed written consent. If another individual or party relies on this study, they shall indemnify and hold Samdal & Associates harmless for any damages, losses, or expenses they may incur as a result of its use.

The Level 3 Reserve Study is a reflection of the information provided to us. This report has been prepared for Nisqually Pines Homeowners Association's use, not for the purpose of performing an audit, quality/forensic analyses, or background checks of historical records. Our inspection report is not an exhaustive technical inspection of the property; we merely comment on the items that we believe that our clients would benefit from knowing. During a typical inspection, no invasive inspection is performed, no furnishings are moved, and no finishes are removed.

This report is a snap shot in time of the condition of the property at the time of inspection. The remaining life values that we list are based on our opinion of the remaining useful life and are by no means a guarantee. Our opinions are based on what we believe one could reasonably expect and are not based on worst case scenarios. These opinions are based upon our experience with other buildings of similar age and construction type. Opinions will vary and you may encounter contractors and/or consultants with differing opinions from ours. Ratings of various building components are most often determined by comparison to other buildings of similar age and construction type. The quality of materials originally impacts our judgment of their current state.

The life expectancy estimates that we prepare are based on National Association of Home Builders (NAHB) averages, Building Owners and Managers (BOMA) averages, product defined expected life averages, and our own assessment of typical life expectancy based on our experience with similar components in our area.

This report will tell you a great deal about the overall condition of this property. However, this report does not constitute a warranty, an insurance policy, or a guarantee of any kind. Owning any property involves some risk and while we can give an excellent overview of the property, we cannot inspect what we cannot see.

Our inspection and report do not include building code compliance or municipal regulatory compliance. Nor do they include mold investigations, hazardous materials investigations, or indoor air quality analysis.

The purpose of this report is not intended to be a statement of insurability of this property as insurance companies have particular standards for insurability of certain building types and certain building materials.

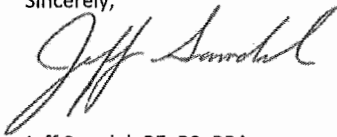
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact the CPSC (Consumer Product Safety Commission) web site for recall information regarding any system or component. If a problem is encountered on your property, we cannot be responsible for any corrective action that you take, unless we have the opportunity to review the conditions, before repairs are made.

Please ensure that you have read and understand the entire proposal to perform this Level 3 Reserve Study that was signed prior to our inspection. If you have any questions regarding this document, please contact us.

We appreciate the opportunity to be of assistance and we hope that we have provided you a clear understanding of your financial situation and given you a better overall understanding of the your property. This report supersedes any opinion or discussion that occurred during the inspection and should be considered our complete opinion of the condition of this property.

Please contact us if you have any questions regarding this report. We will be happy to be of assistance.

Sincerely,



Jeff Samdal, PE, RS, PRA

APPENDIX

Resume of Engineer Performing Study

Jeff Samdal, P.E., Principal

Professional Qualifications and Experience

Areas of Expertise

Mr. Samdal is the owner of Samdal & Associates, Inc., a corporation that specializes in building inspections, engineering, project management, and related services. He is a double-licensed Professional Engineer (Mechanical and Civil) in Washington State. He is also an accredited Building Inspection Engineer (BIE) and Reserve Specialist (RS), and Professional Reserve Analyst (PRA). He has performed thousands of building inspections as well as numerous additional services such as building envelope investigations, construction management, and general consulting for property owners pertaining to building maintenance and long-term budgeting. Mr. Samdal consistently earns repeat and referral business because of his attention to detail, practical approach, knowledge of the industry, and genuine appreciation for clients' concerns for their real estate investments.

Capabilities

Mr. Samdal is experienced at performing residential (single- and multi-family), commercial, and industrial inspections in Washington State and beyond. Mr. Samdal's experience includes the following:

- Property Condition Assessments (PCAs)
- Capital Needs Assessments (CNAs)
- Reserve Studies for Condominiums and Homeowner's Association
- Building Envelope Studies

Relevant Work History

Mr. Samdal has been owner and operator of Samdal & Associates since 2005, performing or managing all aspects of this business. Additionally, Mr. Samdal has been the co-owner and president of True North Construction Management since 2017, which is informative in obtaining current construction costs and keeping up to date with modern construction methods and construction products.

Prior to concentrating on building inspections, Mr. Samdal worked for Washington Group International's (WGI) Hydropower and Water Resources Group. While working for WGI, Mr. Samdal was involved in rebuilding and rehabilitating hydro facilities. He served as the on-site powerhouse and switchyard inspector during construction. His duties included design, drawing and specification preparation, cost estimating, scheduling, and construction management. Prior to working for WGI, Mr. Samdal worked for Duke Energy in a similar role.

Education

BS in Mechanical Engineering, University of Washington

Licenses and Certifications

- *Licensed Professional Engineer (PE)*, Mechanical Engineering, State of Washington, #40985
- *Licensed Professional Engineer (PE)*, Civil Engineering, State of Washington, #40985
- *Reserve Specialist (RS)*, Community Associations Institute (CAI), #173
- *Professional Reserve Analyst (PRA)*, Association of Professional Reserve Analysts
- *Building Inspection Engineer (BIE)*, National Association of Building Inspection Engineers
- *Structural Pest Inspector*, State of Washington, #70763

Professional Affiliation

American Society of Mechanical Engineers, 2002 – present

Community Involvement

Mr. Samdal lives in Woodinville with his wife and 2 children and has been involved with many of their activities as a Little League coach, a scout leader, a personal fitness coach, among other activities.