



**SAMDAL**  
8 ASSOCIATES

# PROFESSIONAL RESERVE STUDY

LEVEL 3 UPDATE



## Nisqually Pines Community Club

8903 Pepperidge Lane Southeast, Yelm, WA 98597

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 that are planned for 2023/2024		

## 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;

This reserve study meets the qualifications of WA State RCW 64.90.550
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(j) A projected reserve account balance for thirty years based on each funding plan presented in the reserve study;

(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 1, 2022 at this property.

This report is an off-site update of that report based solely on the information provided to us by Charity Mayerl on July 7, 2023.

**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

## 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 2023 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
<b>3.2 SITE</b>								
Asphalt overlay on 1 mile of road every 5 years	105,600	SF	\$3.65	1	5	\$385,440	\$466	\$93.21
Asphalt patching and repairs	5,000	SF	\$8.75	1	5	\$43,750	\$52.90	\$10.58
Asphalt striping	1	LS	\$20,000	5	5	\$20,000	\$24.18	\$4.84
Playground equipment replacement in both parks	1	LS	\$40,000	17	20	\$40,000	\$48.37	\$2.42
Picnic shelters and picnic assets allotment	1	LS	\$19,000	5	7	\$19,000	\$22.97	\$3.28
Replace front entrance signs	2	EA	\$6,600	5	20	\$13,200	\$15.96	\$0.80
Repaint clubhouse and entrance signs	1	LS	\$3,200	1	5	\$3,200	\$3.87	\$0.77
Install a storage building	1	EA	\$16,000	1	25	\$16,000	\$19.35	\$0.77
Clubhouse landscaping project	1	LS	\$1,200	2	10	\$1,200	\$1.45	\$0.15
Tree removal project	1	LS	\$70,000	5	7	\$70,000	\$84.64	\$12.09
Basketball court paving	1	LS	\$12,500	18	20	\$12,500	\$15.11	\$0.76
<b>3.3 STRUCTURE</b>								
Replacement of backhoe shed and 5 water pump buildings	6	EA	\$8,000	9	25	\$48,000	\$58.04	\$2.32
Replace covered picnic structures	2	EA	\$22,000	9	25	\$44,000	\$53.20	\$2.13
<b>3.4 ROOFING</b>								
Resurface roof of office	29	SQ	\$575	12	25	\$16,675	\$20.16	\$0.81
Resurface roof of clubhouse	44	SQ	\$1,550	46	50	\$68,200	\$82.47	\$1.65
Replace roofs of water sheds and backhoe shed	10	SQ	\$575	22	25	\$5,750	\$6.95	\$0.28
<b>3.5 EXTERIOR</b>								
Paint exterior of clubhouse	6,800	SF	\$2.95	6	8	\$20,060	\$24.26	\$3.03
Replace office windows	1	LS	\$18,881	50	50	\$18,881	\$22.83	\$0.46
<i>Painting of the office is performed via the main budget outside of the Reserve Fund</i>								
<b>3.6 ELECTRICAL SYSTEMS</b>								
Replace water systems generator #1	1	EA	\$90,000	6	30	\$90,000	\$108.83	\$3.63
Replace water systems generator #2	1	EA	\$90,000	22	30	\$90,000	\$108.83	\$3.63

Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
<b>3.7 PLUMBING SYSTEMS</b>								
Purchase electronic water meter readers and new software	1	LS	\$80,000	15	20	\$80,000	\$96.74	\$4.84
Replace booster pumps	4	EA	\$16,000	20	40	\$64,000	\$77.39	\$1.93
Replace meters with new electronic meters - Phase 5 of 8	1	LS	\$25,000	0	N/A	\$25,000	\$30.23	N/A
Replace meters with new electronic meters - Phase 6 of 8	1	LS	\$25,000	1	N/A	\$25,000	\$30.23	N/A
Replace meters with new electronic meters - Phase 7 of 8	1	LS	\$25,000	2	N/A	\$25,000	\$30.23	N/A
Replace meters with new electronic meters - Phase 8 of 8	1	LS	\$25,000	3	N/A	\$25,000	\$30.23	N/A
Upgrade the computer monitoring system	1	LS	\$32,000	5	10	\$32,000	\$38.69	\$3.87
Clean the concrete reservoirs	2	EA	\$2,500	0	3	\$5,000	\$6.05	\$2.02
Caulk and seal the cracks in the concrete reservoirs	2	EA	\$7,000	0	6	\$14,000	\$16.93	\$2.82
Replace the fire hydrants	57	EA	\$5,000	14	50	\$285,000	\$344.62	\$6.89
Replace the office septic tank and drain field	1	LS	\$30,000	5	30	\$30,000	\$36.28	\$1.21
Replace the clubhouse septic tank and drain field	1	LS	\$30,000	5	30	\$30,000	\$36.28	\$1.21
<b>3.8 HVAC SYSTEMS</b>								
Install ductless heat pumps in office and clubhouse	2	EA	\$18,963	14	15	\$37,926	\$45.86	\$3.06
<b>3.9 ELEVATORS</b>								
<i>No elevators on property</i>								
<b>3.10 FIRE DETECTION &amp; SUPPRESSION</b>								
<i>No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers</i>								
<b>3.11 COMMON INTERIOR FINISHES</b>								
Replace the office carpet	45	SY	\$55	2	15	\$2,475	\$2.99	\$0.20
Replace the clubhouse flooring	1	LS	\$7,000	1	15	\$7,000	\$8.46	\$0.56
Renovate the clubhouse kitchen and upgrade all appliances	1	LS	\$62,000	1	20	\$62,000	\$74.97	\$3.75
Clubhouse locker room enhancement	2	EA	\$32,000	2	15	\$64,000	\$77.39	\$5.16
Clubhouse interior painting	1	LS	\$2,500	1	10	\$2,500	\$3.02	\$0.30
<i>Interior painting of the office performed via the operating budget</i>								

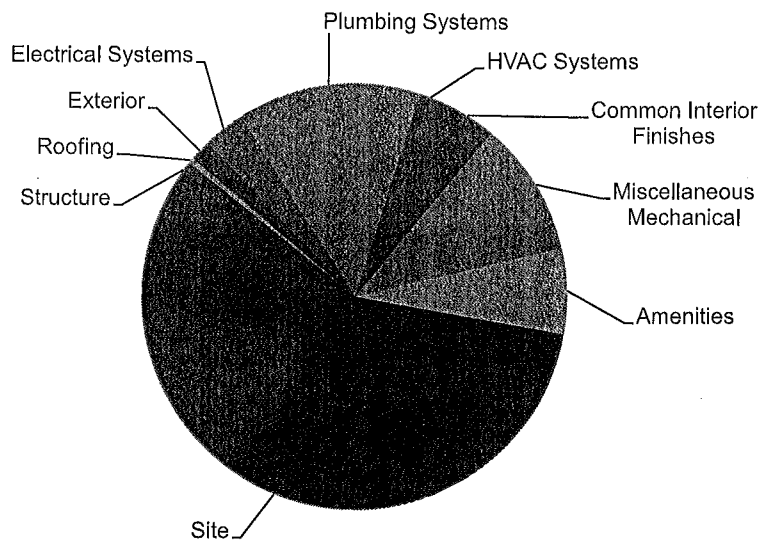
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Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
<b>3.12 MISCELLANEOUS</b>								
Replace chipper	1	EA	\$11,000	9	20	\$11,000	\$13.30	\$0.67
Replace mowers	2	EA	\$11,564	3	10	\$23,128	\$27.97	\$2.80
Truck replacement	1	LS	\$50,000	2	5	\$50,000	\$60.46	\$12.09
Office computer replacement	3	EA	\$3,000	3	5	\$9,000	\$10.88	\$2.18
Server replacement	1	LS	\$2,600	1	3	\$2,600	\$3.14	\$1.05
Sauna renovation	2	EA	\$7,400	2	12	\$14,800	\$17.90	\$1.49
Replace Kubota back hoe	1	EA	\$12,000	18	20	\$12,000	\$14.51	\$0.73
Replace hydraulic trailer	1	EA	\$5,600	6	20	\$5,600	\$6.77	\$0.34
Replace water tank trailer	1	EA	\$3,200	6	20	\$3,200	\$3.87	\$0.19
Replace diesel tank	1	EA	\$4,000	1	25	\$4,000	\$4.84	\$0.19
Surveillance system allotment	1	LS	\$3,000	8	10	\$3,000	\$3.63	\$0.36
<b>3.13 AMENITIES</b>								
Swimming pool leak repairs	1	LS	\$110,000	0	N/A	\$110,000	\$133.01	N/A
Re-plaster swimming pool	3,378	SF	\$23.75	0	25	\$80,228	\$97.01	\$3.88
Re-tile swimming pool	1	LS	\$10,000	0	25	\$10,000	\$12.09	\$0.48
Replace pool pump	1	EA	\$12,500	6	10	\$12,500	\$15.11	\$1.51
Replace pool furnace	1	EA	\$29,000	2	20	\$29,000	\$35.07	\$1.75
Replace sand pool filter system	1	LS	\$7,500	2	10	\$7,500	\$9.07	\$0.91
<b>Average Cost Per Unit Per Year</b>								<b>\$216</b>

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

Category	Total Expenditure over 30 Years	Percentage
Site	\$4,963,343	56.6%
Structure	\$120,039	1.4%
Roofing	\$34,792	0.4%
Exterior	\$141,423	1.6%
Electrical Systems	\$279,914	3.2%
Plumbing Systems	\$1,225,465	14.0%
HVAC Systems	\$146,742	1.7%
Elevators	\$0	0.0%
Fire Detection & Suppresion	\$0	0.0%
Common Interior Finishes	\$388,724	4.4%
Miscellaneous Mechanical	\$898,281	10.2%
Amenities	\$570,440	6.5%
<b>TOTAL</b>	<b>\$8,769,163</b>	

**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 project 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.”





**TABLE 3.20: ANNUAL CAPITAL EXPENSES**

Action Required		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>3.12</b>	<b>MISCELLANEOUS</b>											
	Replace chipper										\$14,353	
	Replace mowers			\$25,273								
	Truck replacement		\$53,045						\$61,494			
	Office computer replacement			\$9,835						\$11,401		
	Server replacement		\$2,678			\$2,926			\$3,198			\$3,494
	Sauna renovation			\$15,701								
	Replace Kubota back hoe											
	Replace hydraulic trailer						\$6,687					
	Replace water tank trailer						\$3,821					
	Replace diesel tank		\$4,120									
	Surveillance system allotment									\$3,800		
<b>3.13</b>	<b>AMENITIES</b>											
	Swimming pool leak repairs	\$110,000										
	Re-plaster swimming pool	\$80,228										
	Re-tile swimming pool	\$10,000										
	Replace pool pump							\$14,926				
	Replace pool furnace			\$30,766								
	Replace sand pool filter system			\$7,957								
<b>ANNUAL EXPENSES BY YEAR</b>		<b>\$244,228</b>	<b>\$568,035</b>	<b>\$205,768</b>	<b>\$67,889</b>	<b>\$2,926</b>	<b>\$248,317</b>	<b>\$695,834</b>	<b>\$64,691</b>	<b>\$15,201</b>	<b>\$140,916</b>	<b>\$30,373</b>







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
3-12	<b>MISCELLANEOUS</b>											
	Replace chipper											
	Replace mowers			\$33,964								
	Truck replacement		\$71,288					\$82,642				
	Office computer replacement			\$13,217					\$15,322			
	Server replacement			\$3,818			\$4,172			\$4,559		
	Sauna renovation				\$22,386							
	Replace Kubota back hoe								\$20,429			
	Replace hydraulic trailer											
	Replace water tank trailer											
	Replace diesel tank											
	Surveillance system allotment								\$5,107			
3-13	<b>AMENITIES</b>											
	Swimming pool leak repairs											
	Re-plaster swimming pool											
	Re-tile swimming pool											
	Replace pool pump						\$20,059					
	Replace pool furnace											
	Replace sand pool filter system		\$10,693									
<b>ANNUAL EXPENSES BY YEAR</b>		\$601,989	\$261,449	\$50,999	\$541,183	\$213,442	\$729,323	\$258,629	\$94,485	\$160,621	\$151,713	\$933,663





**TABLE 3.20: ANNUAL CAPITAL EXPENSES**

Action Required		2045	2046	2047	2048	2049	2050	2051	2052	2053
<b>3.12</b>	<b>MISCELLANEOUS</b>									
	Replace chipper								\$25,922	
	Replace mowers		\$45,645							
	Truck replacement	\$95,805					\$111,064			
	Office computer replacement		\$17,762					\$20,591		
	Server replacement	\$4,982			\$5,444			\$5,949		
	Sauna renovation					\$31,918				
	Replace Kubota back hoe									
	Replace hydraulic trailer					\$12,077				
	Replace water tank trailer					\$6,901				
	Replace diesel tank					\$8,626				
	Surveillance system allotment							\$6,864		
<b>3.13</b>	<b>AMENITIES</b>									
	Swimming pool leak repairs									
	Re-plaster swimming pool				\$167,979					
	Re-tile swimming pool				\$20,938					
	Replace pool pump					\$26,957				
	Replace pool furnace	\$55,567								
	Replace sand pool filter system	\$14,371								
<b>ANNUAL EXPENSES BY YEAR</b>		<b>\$394,928</b>	<b>\$63,407</b>	<b>\$38,623</b>	<b>\$330,874</b>	<b>\$1,245,410</b>	<b>\$122,171</b>	<b>\$33,404</b>	<b>\$115,297</b>	<b>\$143,354</b>

## 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 \$1,189,520 as of September 30, 2022 (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 \$1,468,580. Therefore, the property is 81.0% funded.

The current annual contribution to the reserve fund is \$199,992, which averages \$20.15 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  
**81.0%** funded.

**This funding contribution is adequate to obtain "Full Funding" of this property by the year 2040.**

### 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.

Ideally, the Association should be Fully Funded immediately; however, we recognize that financial realities can sometimes make this difficult. Therefore, we have provided three different plans to get the Association Fully Funded within three different time frames: Immediately, Within Five Years, and Within Ten Years. It is to the Association's benefit to be Fully Funded as soon as possible.

Our funding recommendations are as follows:

#### **Option One: Immediate Full Funding**

If the Association desires to be Fully Funded immediately, then based on the anticipated expenditures the Association will need to immediately contribute a total of \$279,060 to the Reserve Fund. This translates to an average of \$337.44 per unit. Following this initial contribution, 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 \$184,022 per year in the initial year, which translates to \$18.54 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).

-OR-

**Option One**  
Average Immediate  
Contribution Per Unit:  
**\$337.44**  
Avg. Contribution  
Thereafter Per Unit Per  
Month:  
**2024 \$18.54**  
(with 3% annual  
increase thereafter)

**Option Two: Full Funding Within Five Years**

There is currently a “full funding” deficiency of \$279,060. This option makes up this deficiency over the next five years. Starting in 2024 for five years through 2028, the Association will make up their Reserve Fund deficiency by contributing \$243,181 annually (which includes \$59,159 in make-up funds and \$184,022 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$24.50 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2029. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$213,332 in 2029, which translates to \$21.50 per unit per month. This 2029 annual contribution will need to be increased 3% each subsequent year (to account for inflation) for the duration of this 30-year study 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).

-OR-

**Option Three: Full Funding Within Ten Years**

There is currently a “full funding” deficiency of \$279,060. This option makes up this deficiency over the next ten years. Starting in 2024 for ten years through 2033, the Association will make up their Reserve Fund deficiency by contributing \$215,783 annually (which includes \$31,761 in make-up funds and \$184,022 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$21.74 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2034. From this point on, the funding plan will be identical to funding plan listed above in the “Immediate Full Funding” option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to \$247,310 in 2034, which translates to \$24.92 per unit per month. This 2034 annual contribution will need to be increased 3% each subsequent year for the duration of this 30-year study 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).

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.

<b>Option Two</b>	
Average Contributions Per Unit Per Month:	
2024	\$24.50
Increasing at 3% per year through:	
2028	\$26.83
At year end, full funding will be achieved. Then:	
2029	\$21.50
(with 3% annual increase thereafter)	

<b>Option Three</b>	
Average Contributions Per Unit Per Month:	
2024	\$21.74
Increasing at 3% per year through:	
2033	\$27.40
At year end, full funding will be achieved. Then:	
2038	\$24.92
(plus 3% annual increase thereafter)	

### 4.3 OTHER REQUIRED FUNDING PLAN OPTIONS

Per Washington State RCW 64.90.550, 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:

#### Option Four: Full Funding in 30 Years

There is currently a "full funding" deficiency of \$279,060. This option makes up this deficiency over the next thirty years. Starting in 2024 for thirty years through 2053, the Association will make up their Reserve Fund deficiency by contributing \$197,845 annually (which includes \$13,823 in make-up funds and \$184,022 in capital maintenance funds that will increase annually with inflation). This translates to an average of \$19.94 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2053.

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

-OR-

#### Option Five: 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 \$161,400 per year in the initial year, which translates to \$16.26 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).

<b>Option Four</b>	
Average Contributions Per Unit Per Month:	
2024	\$19.94
Increasing at 3% per year through:	
2053	\$45.09

<b>Option Five</b>	
Average Contributions Per Unit Per Month:	
\$16.26	
(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](http://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 2053". This line graph depicts the funding balances of the proposed funding options vs. the current. Note the current plan, in dotted red, falls below zero in several places. This represents insufficient funding for repairs needed in these years.
- Figure 4.5A-2: "Comparison of Funding Plans -- Reserve Fund Balances Through 2033". 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

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>FULL FUNDING WITHIN 10 YEARS</b>													
Beginning Reserve Balance	1,189,520	1,231,472	910,881	953,956	1,144,062	1,411,754	1,444,528	1,030,362	1,250,877	1,534,930	1,706,797	2,003,119	1,703,213
Full Funding Annual Maintenance Funding	250,401	184,022	189,543	195,229	201,066	207,118	213,332	219,732	226,324	233,113	240,107	247,310	254,729
Planned Special Assessments / Make up Funds		31,761	31,761	31,761	31,761	31,761	31,761	31,761	31,761	31,761	31,761	31,761	
Annual Total Property Contribution to The Reserve Fund	250,401	215,783	221,304	226,990	232,847	238,880	245,093	251,493	258,085	264,875	271,868	277,310	284,729
Average Monthly Contribution to the Reserve Fund per Unit	20.15	21.74	22.30	22.87	23.46	24.07	24.70	25.34	26.01	26.69	27.40	28.16	28.96
Annual Capital Expenses	244,228	568,035	205,788	67,889	2,926	248,317	695,834	64,691	15,201	140,916	30,373	601,989	261,449
Interest Income	35,778	31,660	27,559	31,005	37,771	42,211	36,575	33,713	41,170	47,907	54,826	54,773	50,996
<b>Ending Reserve Balance</b>	<b>1,231,472</b>	<b>910,881</b>	<b>953,956</b>	<b>1,144,062</b>	<b>1,411,754</b>	<b>1,444,528</b>	<b>1,030,362</b>	<b>1,250,877</b>	<b>1,534,930</b>	<b>1,706,797</b>	<b>2,003,119</b>	<b>1,703,213</b>	<b>1,747,489</b>
Percentage of Full Funding	83.9%	78.4%	80.8%	85.1%	89.0%	90.7%	89.6%	93.2%	96.1%	98.2%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>FULL FUNDING WITHIN 30 YEARS</b>													
Beginning Reserve Balance	1,189,520	1,231,472	892,673	916,994	1,087,784	1,335,579	1,347,860	912,587	1,111,360	1,373,021	1,521,822	1,794,387	1,502,249
Full Funding Annual Maintenance Funding	250,401	184,022	189,543	195,229	201,066	207,118	213,332	219,732	226,324	233,113	240,107	247,310	254,729
Planned Special Assessments / Make up Funds		13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823
Annual Total Property Contribution to The Reserve Fund	250,401	197,845	203,365	209,052	214,908	220,941	227,155	233,555	240,146	246,936	253,930	261,133	268,552
Average Monthly Contribution to the Reserve Fund per Unit	20.15	19.94	20.49	21.07	21.66	22.26	22.89	23.53	24.20	24.86	25.59	26.31	27.06
Annual Capital Expenses	244,228	568,035	205,788	67,889	2,926	248,317	695,834	64,691	15,201	140,916	30,373	601,989	261,449
Interest Income	35,778	31,391	26,744	29,627	35,813	39,657	33,406	29,911	36,715	42,781	49,008	48,719	45,174
<b>Ending Reserve Balance</b>	<b>1,231,472</b>	<b>892,673</b>	<b>916,994</b>	<b>1,087,784</b>	<b>1,335,579</b>	<b>1,347,860</b>	<b>912,587</b>	<b>1,111,360</b>	<b>1,373,021</b>	<b>1,521,822</b>	<b>1,794,387</b>	<b>1,502,249</b>	<b>1,554,527</b>
Percentage of Full Funding	83.9%	76.8%	77.7%	80.9%	84.2%	84.7%	79.3%	82.8%	86.0%	87.6%	89.6%	88.2%	89.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>BASELINE FUNDING</b>													
Beginning Reserve Balance	1,189,520	1,231,472	855,682	841,213	971,340	1,176,521	1,144,158	662,124	811,937	1,022,345	1,117,510	1,333,956	983,117
Full Funding Annual Maintenance Funding	250,401	161,400	166,242	171,229	176,366	181,657	187,107	192,720	198,502	204,457	210,590	216,908	223,415
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	250,401	161,400	166,242	171,229	176,366	181,657	187,107	192,720	198,502	204,457	210,590	216,908	223,415
Average Monthly Contribution to the Reserve Fund per Unit	20.15	16.26	16.75	17.25	17.77	18.30	18.85	19.42	20.00	20.60	21.22	21.86	22.51
Annual Capital Expenses	244,228	568,035	205,788	67,889	2,926	248,317	695,834	64,691	15,201	140,916	30,373	601,989	261,449
Interest Income	35,778	30,845	25,077	26,786	31,742	34,296	26,684	21,784	27,108	31,623	36,229	34,242	28,923
<b>Ending Reserve Balance</b>	<b>1,231,472</b>	<b>855,682</b>	<b>841,213</b>	<b>971,340</b>	<b>1,176,521</b>	<b>1,144,158</b>	<b>662,124</b>	<b>811,937</b>	<b>1,022,345</b>	<b>1,117,510</b>	<b>1,333,956</b>	<b>983,117</b>	<b>974,007</b>
Percentage of Full Funding	83.9%	73.6%	71.3%	72.2%	74.2%	71.9%	57.6%	60.5%	64.0%	64.3%	66.6%	57.7%	65.7%



LEVEL 3 RESERVE STUDY FOR MISQUALLY PINES COMMUNITY CLUB

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
<b>FULL FUNDING WITHIN 10 YEARS</b>													
Beginning Reserve Balance	1,747,489	2,014,457	1,799,885	1,919,763	1,528,094	1,611,159	1,872,314	2,063,437	2,319,475	1,778,740	1,778,720	2,125,618	2,518,815
Full Funding Annual Maintenance Funding	262,371	270,242	278,350	286,700	295,301	304,160	313,285	322,684	332,364	342,335	352,605	363,183	374,079
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	262,371	270,242	278,350	286,700	295,301	304,160	313,285	322,684	332,364	342,335	352,605	363,183	374,079
Average Monthly Contribution to the Reserve Fund per Unit	26.44	27.23	28.05	28.89	29.76	30.65	31.57	32.52	33.48	34.50	35.53	36.60	37.69
Annual Capital Expenses	50,999	541,183	213,442	729,323	258,629	94,485	160,621	151,713	933,663	394,928	63,407	38,623	330,874
Interest Income	55,595	56,370	54,970	50,954	46,393	51,480	58,459	65,068	60,565	52,573	57,700	68,637	76,213
<b>Ending Reserve Balance</b>	<b>2,014,457</b>	<b>1,799,885</b>	<b>1,919,763</b>	<b>1,528,094</b>	<b>1,611,159</b>	<b>1,872,314</b>	<b>2,063,437</b>	<b>2,319,475</b>	<b>1,778,740</b>	<b>1,778,720</b>	<b>2,125,618</b>	<b>2,518,815</b>	<b>2,638,231</b>
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>													
<b>FULL FUNDING WITHIN 30 YEARS</b>													
Beginning Reserve Balance	1,554,527	1,823,735	1,623,652	1,752,273	1,369,609	1,461,950	1,732,658	1,953,622	2,199,795	1,689,501	1,680,234	2,038,206	2,442,811
Full Funding Annual Maintenance Funding	262,371	270,242	278,350	286,700	295,301	304,160	313,285	322,684	332,364	342,335	352,605	363,183	374,079
Planned Special Assessments / Make up Funds	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823	13,823
Annual Total Property Contribution to The Reserve Fund	276,194	284,065	292,172	300,523	309,124	317,983	327,108	336,506	346,187	356,158	366,428	377,006	387,901
Average Monthly Contribution to the Reserve Fund per Unit	27.83	28.62	29.44	30.28	31.15	32.04	32.96	33.91	34.88	35.89	36.92	37.99	39.09
Annual Capital Expenses	50,999	541,183	213,442	729,323	258,629	94,485	160,621	151,713	933,663	394,928	63,407	38,623	330,874
Interest Income	50,014	51,035	49,891	46,136	41,846	47,211	54,477	61,381	57,182	49,503	54,952	66,222	74,140
<b>Ending Reserve Balance</b>	<b>1,823,735</b>	<b>1,623,652</b>	<b>1,752,273</b>	<b>1,369,609</b>	<b>1,461,950</b>	<b>1,732,658</b>	<b>1,953,622</b>	<b>2,199,795</b>	<b>1,689,501</b>	<b>1,680,234</b>	<b>2,038,206</b>	<b>2,442,811</b>	<b>2,573,978</b>
Percentage of Full Funding	90.8%	90.2%	91.3%	89.6%	90.7%	92.5%	93.8%	94.8%	93.9%	94.5%	95.9%	97.0%	97.6%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>													
<b>BASELINE FUNDING</b>													
Beginning Reserve Balance	974,007	1,185,032	911,859	970,365	514,441	530,250	721,027	858,521	1,017,549	395,286	312,078	570,980	872,222
Full Funding Annual Maintenance Funding	230,118	237,021	244,132	251,456	259,000	266,770	274,773	283,016	291,506	300,252	309,259	318,537	328,093
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	230,118	237,021	244,132	251,456	259,000	266,770	274,773	283,016	291,506	300,252	309,259	318,537	328,093
Average Monthly Contribution to the Reserve Fund per Unit	23.19	23.88	24.60	25.34	26.10	26.88	27.69	28.52	29.37	30.26	31.16	32.10	33.06
Annual Capital Expenses	50,999	541,183	213,442	729,323	258,629	94,485	160,621	151,713	933,663	394,928	63,407	38,623	330,874
Interest Income	31,907	30,989	27,816	21,943	15,439	18,492	23,343	27,725	20,894	10,468	13,050	21,328	26,125
<b>Ending Reserve Balance</b>	<b>1,185,032</b>	<b>911,859</b>	<b>970,365</b>	<b>514,441</b>	<b>530,250</b>	<b>721,027</b>	<b>858,521</b>	<b>1,017,549</b>	<b>395,286</b>	<b>312,078</b>	<b>570,980</b>	<b>872,222</b>	<b>895,565</b>
Percentage of Full Funding	58.3%	50.7%	50.5%	33.7%	32.9%	38.5%	41.2%	43.9%	22.3%	17.5%	26.9%	34.6%	33.9%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2049	2050	2051	2052	2053
<b>CURRENT FUNDING PLAN</b>					
Beginning Reserve Balance	2,905,105	2,153,187	2,531,550	3,024,495	3,462,634
Planned Special Assessments					
Regular Reserve Fund Contribution	418,739	431,301	444,240	457,567	471,294
Annual Total Property Contribution to The Reserve Fund	418,739	431,301	444,240	457,567	471,294
Average Monthly Contribution to the Reserve Fund per Unit	42.19	43.46	44.76	46.11	47.49
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	74,753	69,233	82,109	95,869	108,798
<b>Ending Reserve Balance</b>	<b>2,153,187</b>	<b>2,531,550</b>	<b>3,024,495</b>	<b>3,462,634</b>	<b>3,899,372</b>
Percentage of Full Funding	116.7%	116.2%	115.2%	114.9%	114.7%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>IMMEDIATE FULL FUNDING</b>					
Beginning Reserve Balance	2,638,231	1,844,368	2,178,508	2,624,856	3,013,919
Full Funding Annual Maintenance Funding	385,301	396,860	408,766	421,029	433,660
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	385,301	396,860	408,766	421,029	433,660
Average Monthly Contribution to the Reserve Fund per Unit	38.83	39.99	41.19	42.43	43.70
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	66,245	59,451	70,986	83,332	94,772
<b>Full Funding - Ending Reserve Balance</b>	<b>1,844,368</b>	<b>2,178,508</b>	<b>2,624,856</b>	<b>3,013,919</b>	<b>3,398,997</b>
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>THE FUNDING WITHIN 5 YEARS</b>					
Beginning Reserve Balance	2,638,231	1,844,368	2,178,508	2,624,856	3,013,919
Full Funding Annual Maintenance Funding	385,301	396,860	408,766	421,029	433,660
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	385,301	396,860	408,766	421,029	433,660
Average Monthly Contribution to the Reserve Fund per Unit	38.83	39.99	41.19	42.43	43.70
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	66,245	59,451	70,986	83,332	94,772
<b>Ending Reserve Balance</b>	<b>1,844,368</b>	<b>2,178,508</b>	<b>2,624,856</b>	<b>3,013,919</b>	<b>3,398,997</b>
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2049	2050	2051	2052	2053
<b>FULL FUNDING WITHIN 10 YEARS</b>					
Beginning Reserve Balance	2,638,231	1,844,368	2,178,508	2,624,856	3,013,919
Full Funding Annual Maintenance Funding	385,301	396,860	408,766	421,029	433,660
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	385,301	396,860	408,766	421,029	433,660
Average Monthly Contribution to the Reserve Fund per Unit	38.83	39.99	41.19	42.43	43.70
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	66,245	59,451	70,986	83,332	94,772
<b>Ending Reserve Balance</b>	<b>1,844,368</b>	<b>2,178,508</b>	<b>2,624,856</b>	<b>3,013,919</b>	<b>3,398,997</b>
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>FULL FUNDING WITHIN 30 YEARS</b>					
Beginning Reserve Balance	2,573,978	1,792,217	2,138,823	2,598,010	3,000,298
Full Funding Annual Maintenance Funding	385,301	396,860	408,766	421,029	433,660
Planned Special Assessments / Make up Funds	13,823	13,823	13,823	13,823	13,823
Annual Total Property Contribution to The Reserve Fund	399,124	410,683	422,589	434,852	447,482
Average Monthly Contribution to the Reserve Fund per Unit	40.22	41.38	42.58	43.82	45.09
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	64,525	58,094	70,002	82,734	94,571
<b>Ending Reserve Balance</b>	<b>1,792,217</b>	<b>2,138,823</b>	<b>2,598,010</b>	<b>3,000,298</b>	<b>3,398,997</b>
Percentage of Full Funding	97.2%	98.2%	99.0%	99.5%	100.0%
<i>Yellow Highlighted Cells Represent Make-Up Funds</i>					
<b>BASELINE FUNDING</b>					
Beginning Reserve Balance	895,565	1,346	230,678	567,587	842,398
Full Funding Annual Maintenance Funding	337,936	348,074	358,516	369,272	380,350
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	337,936	348,074	358,516	369,272	380,350
Average Monthly Contribution to the Reserve Fund per Unit	34.05	35.07	36.13	37.21	38.33
Annual Capital Expenses	1,245,410	122,171	33,404	115,297	143,354
Interest Income	13,255	3,429	11,797	20,837	28,827
<b>Ending Reserve Balance</b>	<b>1,346</b>	<b>230,678</b>	<b>567,587</b>	<b>842,398</b>	<b>1,108,221</b>
Percentage of Full Funding	0.1%	10.6%	21.6%	28.0%	32.6%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2053

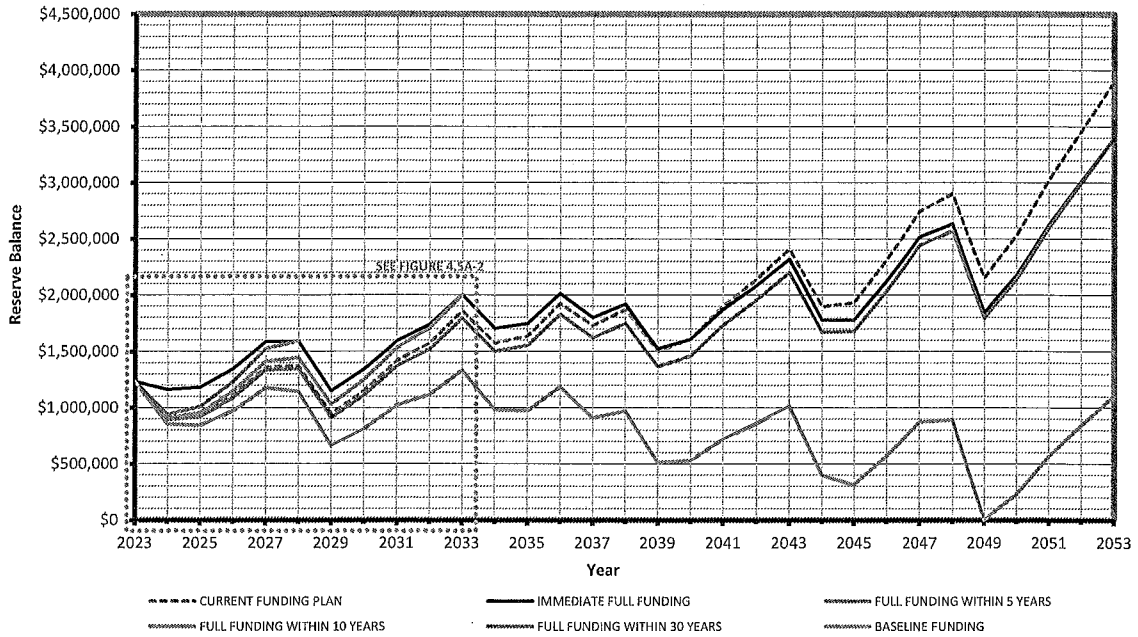


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2033

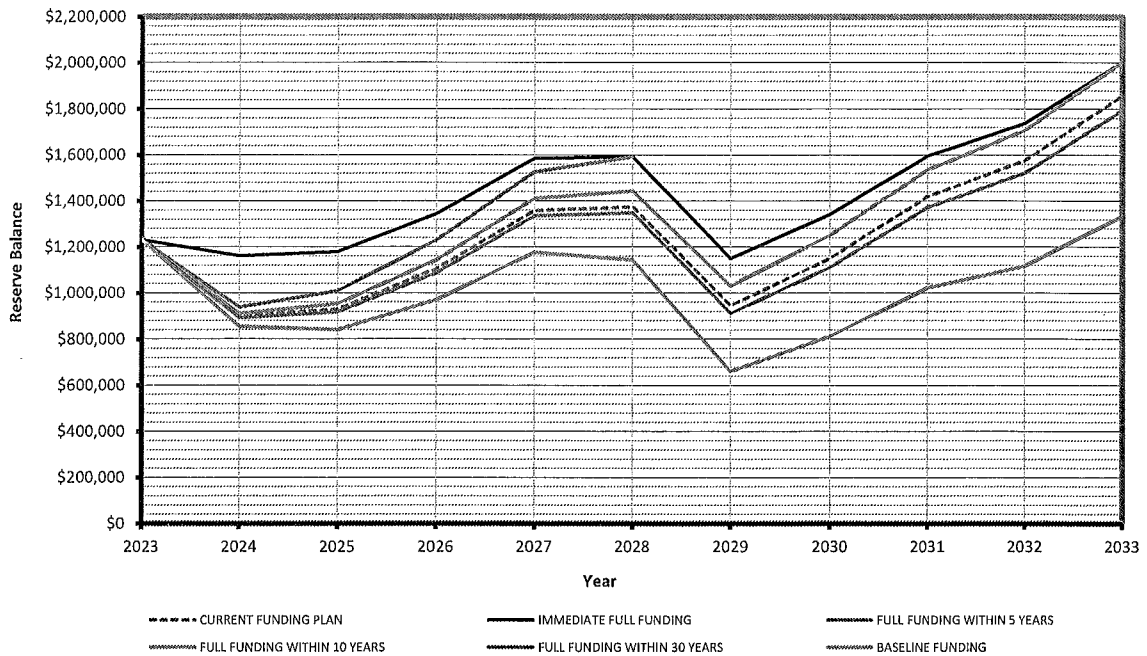




Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

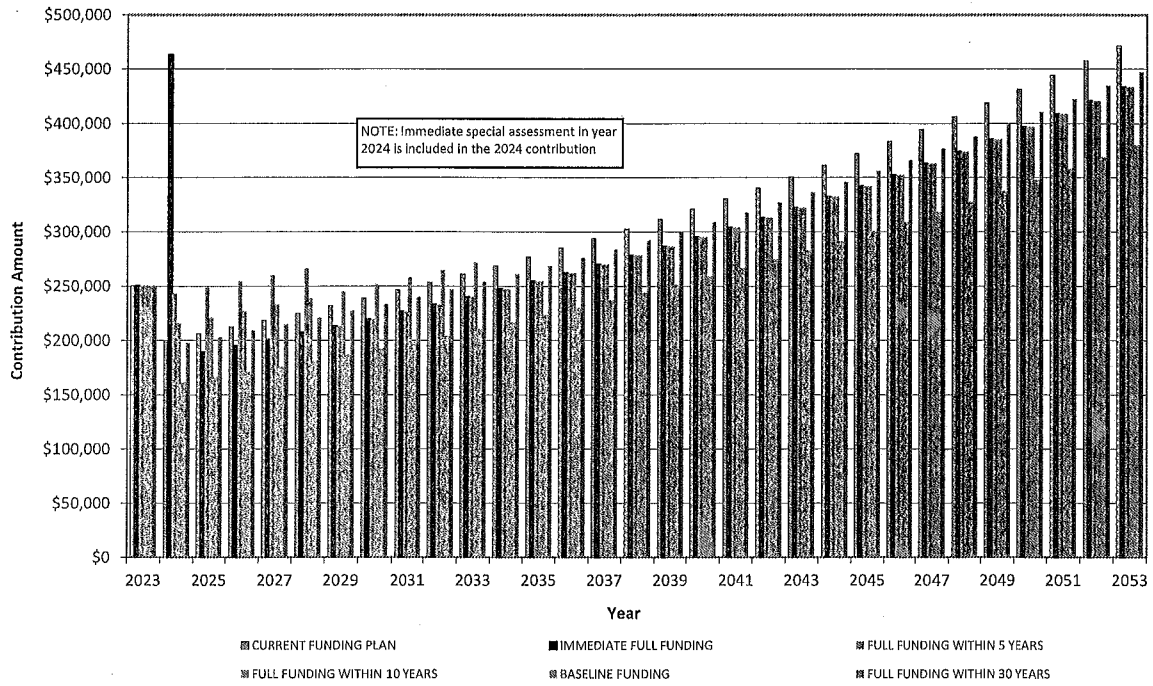
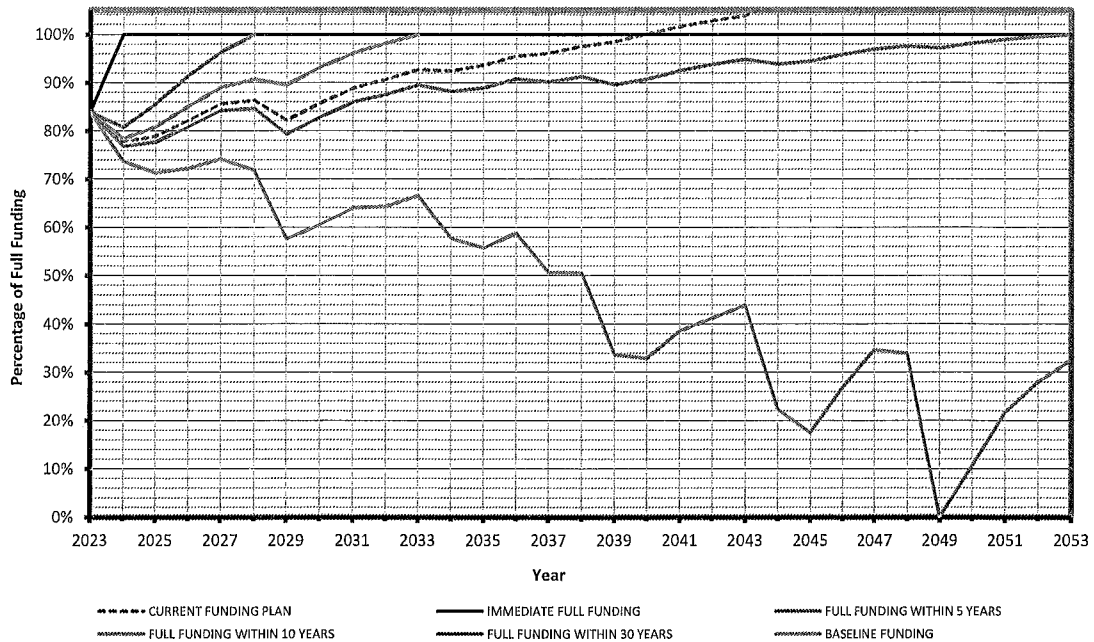


Figure 4.5C Comparison of Funding Plans -- Percentage of Full Funding by Year



#### 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.

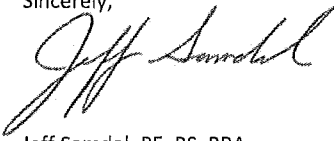
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact 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 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.