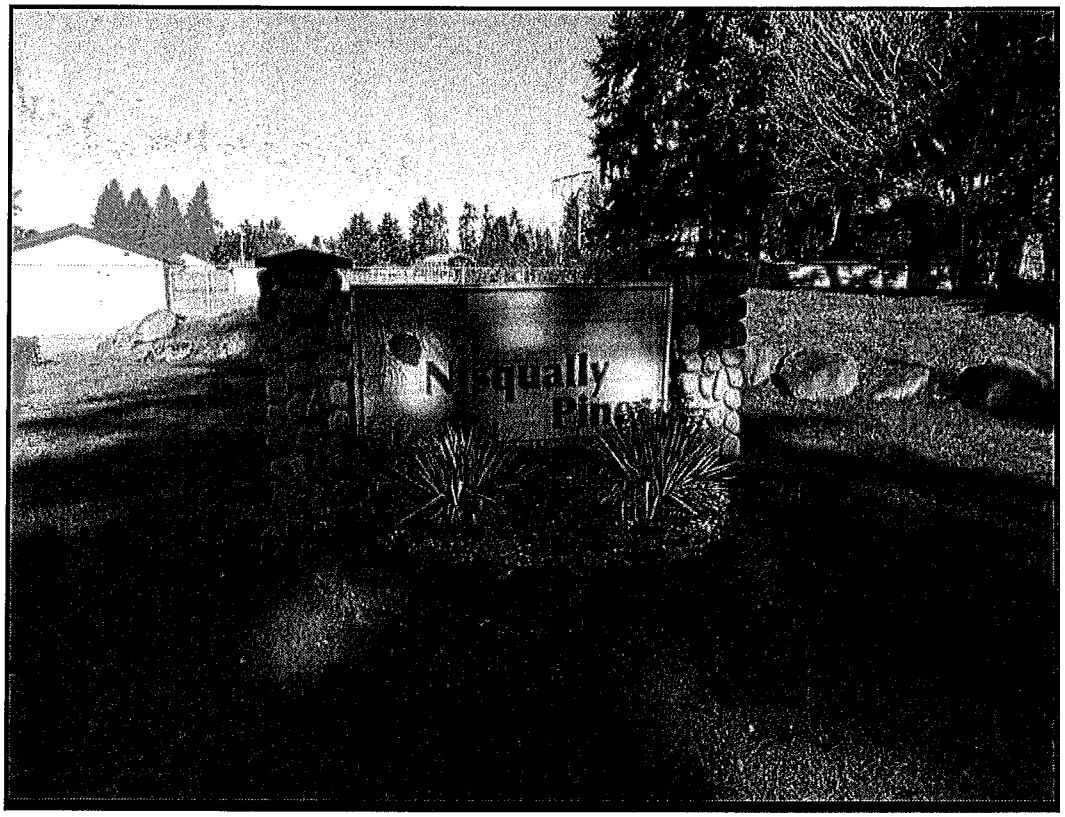
SAMDAL
& ASSOCIATES

PROFESSIONAL RESERVE STUDY



Nisqually Pines Community Club

8903 Pepperidge Lane Southeast, Yelm, WA 98597

For:	Prepared By:	Date Prepared:
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TABLE OF CONTENTS

TABLE OF CONTENTS 2
1.0 EXECUTIVE SUMMARY 4
1.1 Disclosures Required by State of WA RCW 64.90.550 4
1.2 General Description of Property 4
1.3 Immediate Necessary Capital Expenditures 4
Table 1.3: Summary of Immediate Necessary Capital Expenditures 4
1.4 Current Status of Capital Reserve Fund 5
Table 1.4: Current Status of the Reserve Fund 5
1.5 Recommendations and Assumptions for Future Reserve Contributions 6
Table 1.5: Recommendations and Assumptions for Future Reserve Contributions 6
2.0 RESERVE STUDY BACKGROUND 7
2.1 Purpose of This Level 2 Reserve Study 7
2.2 Washington State RCW 64.90.550 7
2.3 Scope and Methodology 8
2.4 Sources of Information 9
2.5 Definitions 9
2.6 Frequently Asked Questions About Reserve Studies 10
3.0 PHYSICAL ANALYSIS 12
3.1 Component Assessment and Valuation 12
Table 3.1A: Component Assessment and Valuation 13
Table 3.1B: Table of Categorized Expenses over the Duration of the Study 16
Figure 3.1B: Pie Chart of Categorized Expenses over the Duration of the Study 16
3.2 Site 17
3.3 Structure 25
3.4 Roofing 26
3.5 Exterior 27
3.6 Electrical Systems 29
3.7 Plumbing Systems 30
3.8 HVAC Systems 35
3.9 Elevators 36
3.10 Fire Detection and Suppression 36
3.11 Common Interior Finishes 37
3.12 Miscellaneous 39
3.13 Amenities 42
3.20 Summary of Annual Anticipated Expenses 43

4.0 FINANCIAL ANALYSIS 53
4.1 Current Financial Information and Current Funding Plan 53
4.2 Recommended Reserve Funding Plan 53
4.3 Other Required Funding Plan Options 54
4.4 Assumptions for Future Interest Rate and Inflation 55
4.5 Annual Fund Balances; Annual Funding Table and Figures 55
Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2055 59
Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2035 59
Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year 60
Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year 60
4.6 Other Common Funding Methods 61
5.0 LIMITATIONS 62
APPENDIX 63

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. We understand that Nisqually Pines was originally 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	Section
Numerous projects listed in Table 3.1A			

1.4 CURRENT STATUS OF CAPITAL RESERVE FUND

Table 1.4 below shows the current status of the Capital Reserve Fund and how it relates to Full Funding. The current Reserve Fund data was provided to us by Charity Mayerl.

Table 1.4: Current Status of the Reserve Fund

Current Reserve Balance	$1,098,070 as of September 30, 2025
Current Annual Reserve Fund Contribution	$167,121
Average Per Unit Per Month	$16.84
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	$926,433
Current Percentage of Full Funding	118.53%

1.5 RECOMMENDATIONS AND ASSUMPTIONS FOR FUTURE RESERVE CONTRIBUTIONS

The following table is a summary of our assumptions and several options that we have provided for funding contributions to the Reserve Fund. This is only a summary table; for a detailed view of our recommended funding plans, please see section 4 of this report.

Table 1.5: Recommendations and Assumptions for Future Reserve Contributions

Assumed Average Future Inflation Rate over 30 Years	3%
Assumed Average Future Interest Rate over 30 Years	3%
Option 1 – Immediate Full Funding	
Immediate Disbursement IF the Association would like to bring down the Reserve Fund to Full Funding Immediately	$171,637
Average Initial Disbursement per Unit	$207.54
Following initial Disbursement, Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	$208,326
Average Contribution per Unit per Year	$20.99
Option 2 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	$171,300
Average Contribution per Unit per Year	$17.26

**These funding levels are required by WA State RCW 64.90.550. They are "bare minimum" funding plans and therefore carry a higher level of risk. Because of this, they are not recommended by Samdal & Associates.*

2.0 RESERVE STUDY BACKGROUND

2.1 PURPOSE OF THIS LEVEL 2 RESERVE STUDY

The primary purpose of this Level 2 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 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;

This reserve study meets the qualifications of WA State RCW 64.90.550

(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;

(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

This Level 2 Reserve Study has been prepared based on Community Associations Institute (CAI) standards and our proposal to the Association dated March 11, 2022, which was based on our correspondence with Charity Mayerl and the previous Reserve Studies that we have prepared for this Association.

Information Gathering

Our initial task was to gather information regarding the property such as financials, drawings, maintenance records, and historical background. This Reserve Study is a reflection of the information provided to us.

Physical Analysis

Following the initial correspondence regarding the property, we performed an inspection of the property on May 16, 2022 so that we may provide an opinion of the current condition of the common building components. This is also the basis for our opinion of the anticipated capital needs that the Association will be responsible for over the next 30 years. This was a visual inspection, and no invasive or destructive testing was performed. This visual inspection focused on the typical features of a building and surrounding property such as structure, drainage, roof, exterior, electrical, plumbing, HVAC systems, and interior finishes. This inspection was limited to accessible and visible areas.

The physical analysis included the following tasks:

1. Identification of Anticipated Capital Expenses: We consider anticipated capital expenses to be major expenses that can be reasonably predicted. Anticipated capital expenses are not considered routine maintenance such as routine landscaping or touch-up paint; routine maintenance should be taken care of through an operating budget. Nor do we consider anticipated capital needs to be expenditures that result from an accident or an unpredictable event, such as flood damage or earthquake damage; these items should be paid for by insurance.

The general criteria that we used to define an anticipated capital expense that warranted inclusion on our itemized capital expenses is the following:

- The component must be a common component that is the responsibility of the Association.
- Repair or replacement of the component is significant and not budgeted for in the operating budget.
- The component repair or replacement occurs within the period of this study.

2. Estimated Replacement Schedule: Our opinions of the various life expectancy estimates that we prepared are based on a combination of the following:

- National Association of Home Builders (NAHB) averages
- Building Owners and Managers (BOMA) averages
- Product vendors and suppliers
- Our company database

3. Estimated Replacement Cost: Our opinions of the various costs for repair or replacement are based on a combination of the following:

- R.S. Means
- Product vendors and suppliers
- Our company database

4. 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 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
- Paulette Howard, Certified Pool Operator
- Robert Moore, Northwest Water Systems

The following documents were viewed as part of this study:

- Map of Property
- Capital Account Ledger

The physical inspection of the property occurred on the following date:

- February 12, 2026

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, them 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 minimalized 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 2026 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 on 1 mile of road every 5 years	105,600	SF	$3.85	4	5	$406,560	$492	$98.32
	Asphalt patching and repairs	5,000	SF	$9.30	4	5	$46,500	$56.23	$11.25
	Asphalt striping	1	LS	$32,000	4	5	$32,000	$38.69	$7.74
	Picnic shelters and picnic assets allotment	1	LS	$20,200	3	7	$20,200	$24.43	$3.49
	Playground equipment replacement in both parks	1	LS	$42,500	15	20	$42,500	$51.39	$2.57
	Replace front entrance signs	2	EA	$7,000	3	20	$14,000	$16.93	$0.85
	Repaint clubhouse and entrance signs	1	LS	$3,400	3	5	$3,400	$4.11	$0.82
	Replace the storage building	1	EA	$10,200	24	25	$10,200	$12.33	$0.49
	Annual tree removal allotment	1	LS	$15,000	1	1	$15,000	$18.14	$18.14
	Basketball court paving	1	LS	$13,300	16	20	$13,300	$16.08	$0.80
3.3	STRUCTURE								
	Replacement of backhoe shed and 5 w ater pump buildings	6	EA	$8,500	7	25	$51,000	$61.67	$2.47
	Replace covered picnic structures	2	EA	$23,400	7	25	$46,800	$56.59	$2.26
3.4	ROOFING								
	Resurface roof of clubhouse	44	SQ	$1,650	43	50	$72,600	$87.79	$1.76
	Resurface roof of office	29	SQ	$610	10	25	$17,690	$21.39	$0.86
	Replace roofs of w ater sheds and backhoe shed	10	SQ	$610	20	25	$6,100	$7.38	$0.30
3.5	EXTERIOR								
	Paint exterior of clubhouse	6,800	SF	$3.15	4	8	$21,420	$25.90	$3.24
	Replace office w indow s	1	LS	$20,000	48	50	$20,000	$24.18	$0.48
	Painting of the office is performed via the main budget outside of the Reserve Fund								
3.6	ELECTRICAL SYSTEMS								
	Replace w ater systems generator #1	1	EA	$95,500	4	30	$95,500	$115.48	$3.85
	Replace w ater systems generator #2	1	EA	$95,500	20	30	$95,500	$115.48	$3.85
	Install streetlights	1	LS	$5,500	23	25	$5,500	$6.65	$0.27

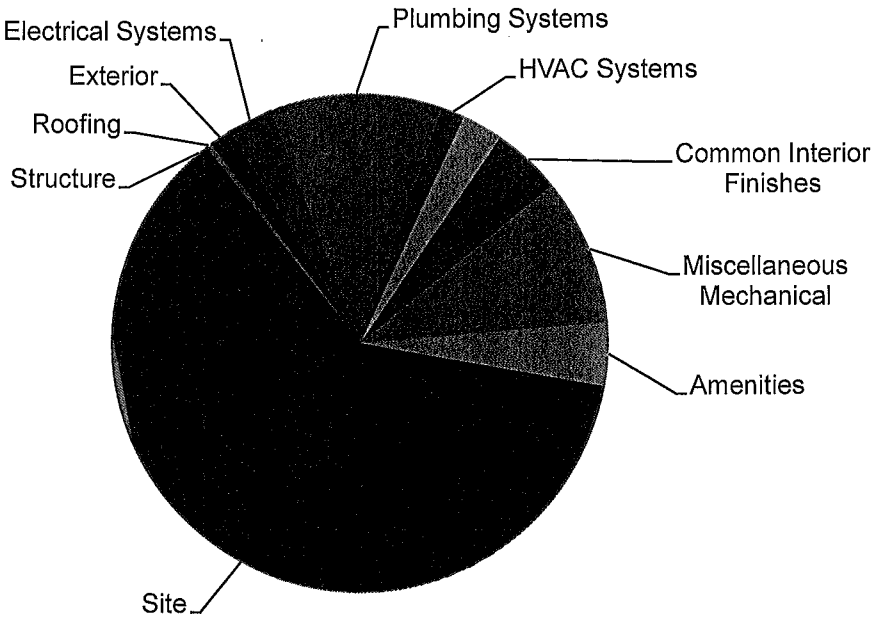
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.7	PLUMBING SYSTEMS								
	Purchase electonic w ater meter readers and new softw are	1	LS	$84,900	13	20	$84,900	$102.66	$5.13
	Replace booster pumps	4	EA	$17,000	18	40	$68,000	$82.22	$2.06
	Upgrade the computer monitoring system	1	LS	$33,950	3	10	$33,950	$41.05	$4.11
	Clean the concrete reservoirs	2	EA	$2,650	2	3	$5,300	$6.41	$2.14
	Caulk and seal the cracks in the concrete reservoirs	2	EA	$7,400	5	6	$14,800	$17.90	$2.98
	Replace the fire hydrants	57	EA	$5,300	12	50	$302,100	$365.30	$7.31
	Replace the office septic tank and drain field	1	LS	$31,900	3	30	$31,900	$38.57	$1.29
	Replace the clubhouse septic tank and drain field	1	LS	$31,900	3	30	$31,900	$38.57	$1.29
3.8	HVAC SYSTEMS								
	Replace the split-system heat pumps in office and clubhouse	2	EA	$20,100	12	15	$40,200	$48.61	$3.24
3.9	ELEVATORS								
	No elevators on property								
3.10	FIRE DETECTION & SUPPRESSION								
	Replace fire suppression system	1	LS	$116,400	28	30	$116,400	$140.75	$4.69
3.11	COMMON INTERIOR FINISHES								
	Replace the office carpet	45	SY	$59	2	15	$2,633	$3.18	$0.21
	Replace the clubhouse flooring	1	LS	$9,000	14	15	$9,000	$10.88	$0.73
	Renovate the clubhouse kitchen and upgrade all appliances	1	LS	$114,100	19	20	$114,100	$137.97	$6.90
	Clubhouse locker room enhancement	2	EA	$36,000	1	15	$72,000	$87.06	$5.80
	Clubhouse interior painting	1	LS	$2,650	9	10	$2,650	$3.20	$0.32
	Interior painting of the office performed via the operating budget								

	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	$11,700	7	20	$11,700	$14.15	$0.71
	Replace mow ers	2	EA	$12,300	3	10	$24,600	$29.75	$2.97
	Truck replacement	1	LS	$47,300	4	5	$47,300	$57.19	$11.44
	Office computer replacement	3	EA	$5,500	4	5	$16,500	$19.95	$3.99
	Server replacement	1	LS	$2,750	3	5	$2,750	$3.33	$0.67
	Sauna renovation	2	EA	$7,850	10	12	$15,700	$18.98	$1.58
	Replace Kubota back hoe	1	EA	$12,700	16	20	$12,700	$15.36	$0.77
	Replace hydraulic trailer	1	EA	$5,950	4	20	$5,950	$7.19	$0.36
	Replace w ater tank trailer	1	EA	$3,400	4	20	$3,400	$4.11	$0.21
	Surveillance system allotment	1	LS	$3,200	6	10	$3,200	$3.87	$0.39
3.13	AMENITIES								
	Re-plaster sw imming pool	3,378	SF	$25.20	24	25	$85,126	$102.93	$4.12
	Re-tile sw imming pool	1	LS	$10,600	24	25	$10,600	$12.82	$0.51
	Replace pool pump	1	EA	$13,300	4	10	$13,300	$16.08	$1.61
	Replace pool heater	1	EA	$30,800	2	20	$30,800	$37.24	$1.86
	Replace sand pool filter system	1	LS	$11,700	5	10	$11,700	$14.15	$1.41
							Average Cost Per Unit Per Year		$245

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

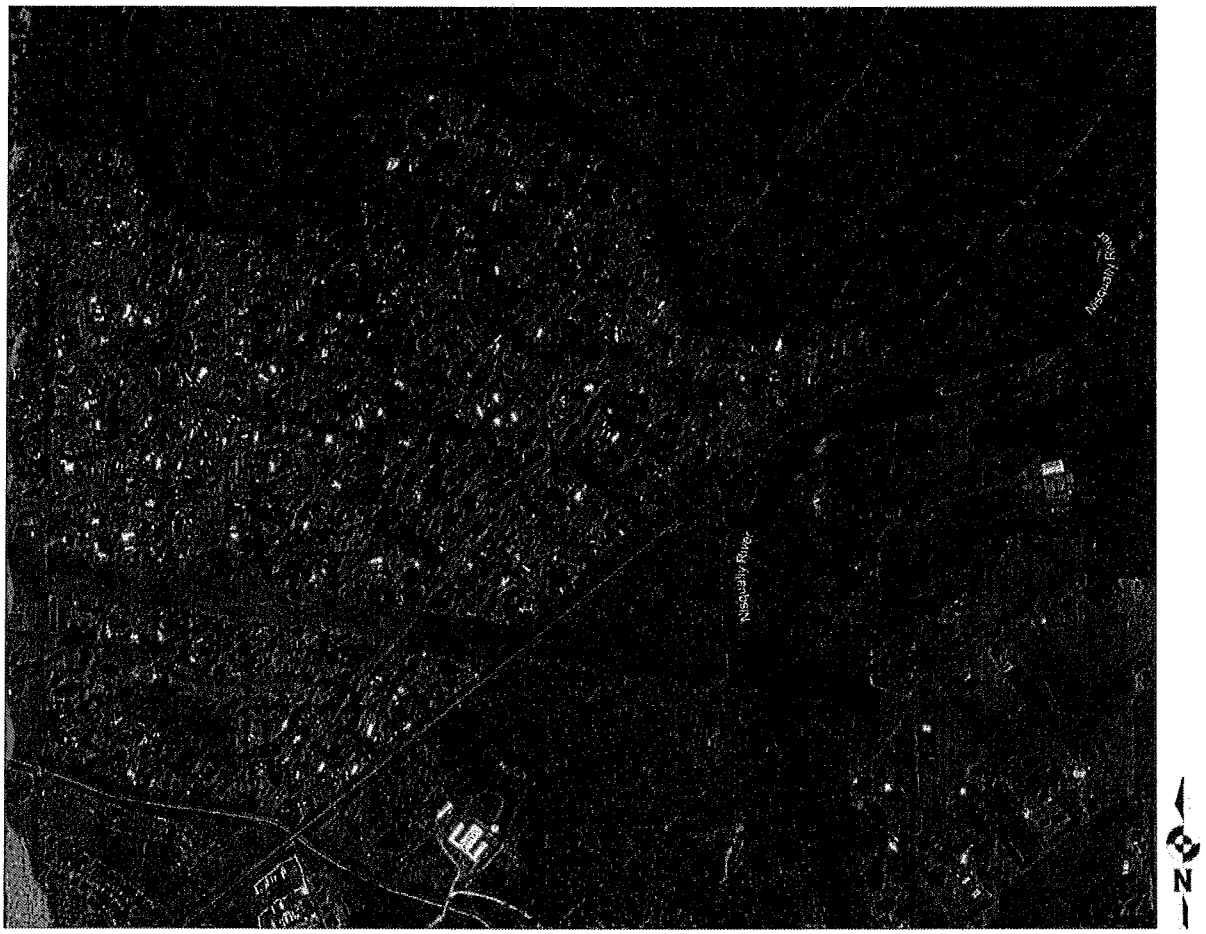
Category	Total Expenditure over 30 Years	Percentage
Site	$5,935,410	60.4%
Structure	$120,282	1.2%
Roofing	$34,791	0.4%
Exterior	$142,343	1.4%
Electrical Systems	$290,824	3.0%
Plumbing Systems	$1,107,579	11.3%
HVAC Systems	$146,611	1.5%
Elevators	$0	0.0%
Fire Detection & Suppresion	$266,315	2.7%
Common Interior Finishes	$446,090	4.5%
Miscellaneous Mechanical	$939,283	9.6%
Amenities	$404,694	4.1%
TOTAL	**$9,834,221**	

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



3.2 SITE

The address of this property is 8903 Pepperidge Lane SE, Yelm, WA 98597.



Aerial image of property (courtesy of Google Earth)

General Description of Site

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. We understand that Nisqually Pines was originally 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.

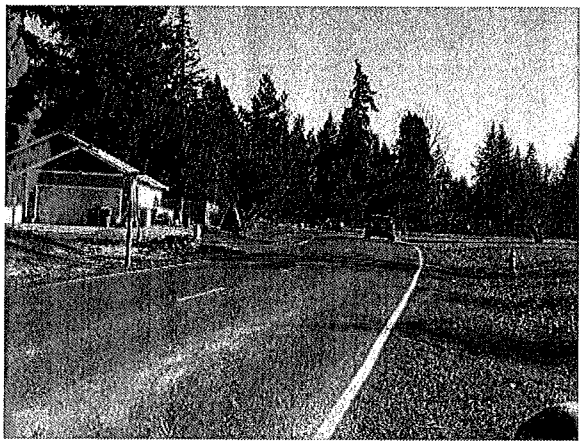
Asphalt

The Homeowners Association is responsible for the maintenance of the approximate 8 miles of private roads in this development. The main thoroughfare through the development is Port Orford Blvd. had an asphalt overlay installed in 2014 from the entrance to the property to the intersection of Briar and Holly. We understand that the Board plans on overlaying one section at a time based on priority and condition. Therefore, we have assumed that the Board will overlay 1 mile of road every 5 years. This will ensure that all asphalt will be overlaid every 40 years.

The asphalt is currently in need of some maintenance, and we have budgeted for the current and future maintenance of this asphalt. Along with a complete overlay of this asphalt, we have also budgeted for periodic patching and other repairs, as necessary.

Storm System

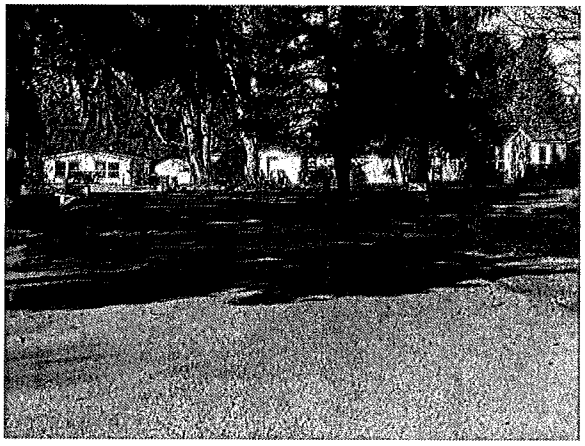
The storm system is maintained by the operating budget on this property. Storm drain cleanout is considered routine maintenance at this property and is not budgeted for in the Reserve Fund.



Port Orford Blvd



Clubhouse Parking Lot



Mulberry Court



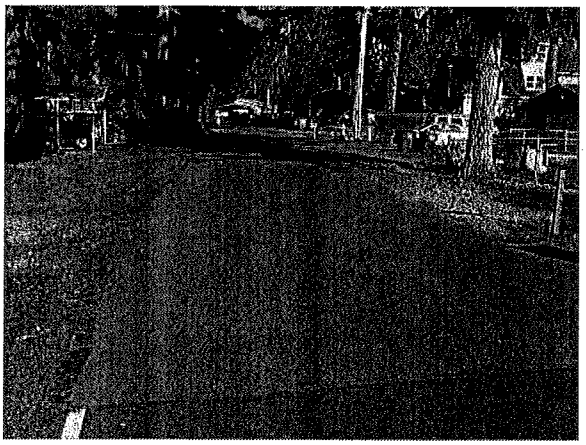
Barberry Court



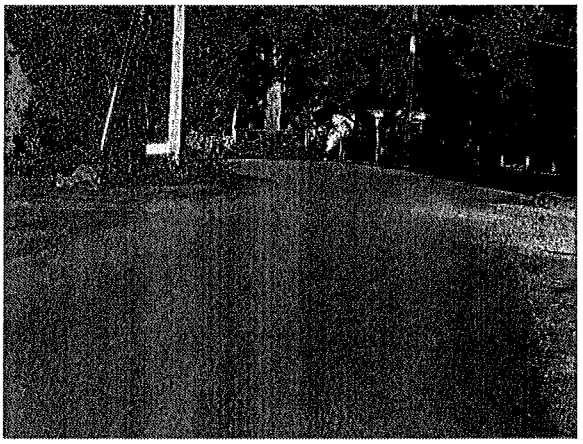
Pepperidge Lane



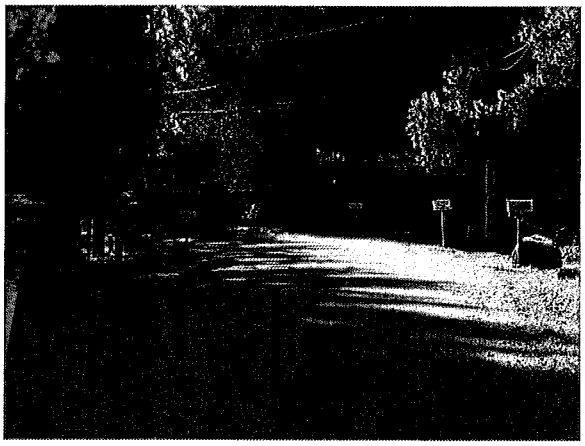
Linden Court



Filbert Court



Cornus Court



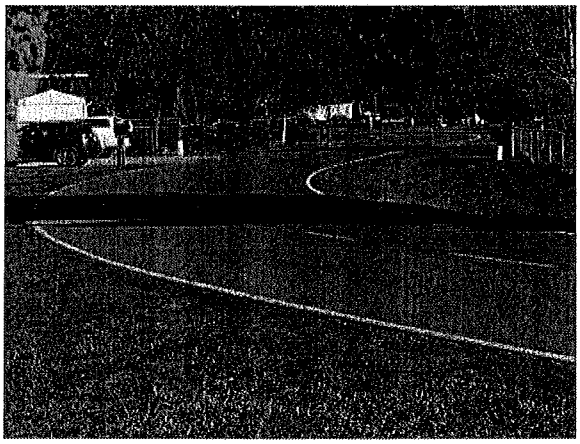
Mariana Court



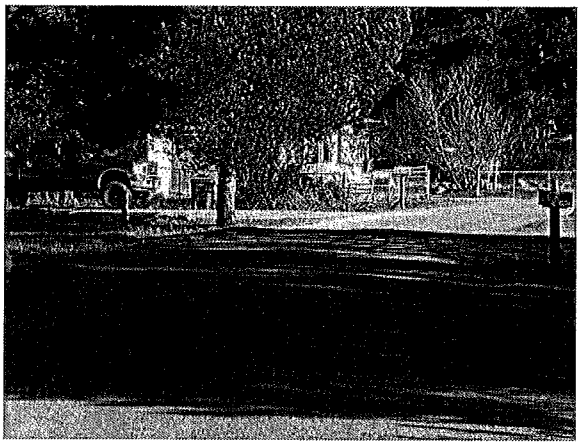
Thuja Avenue



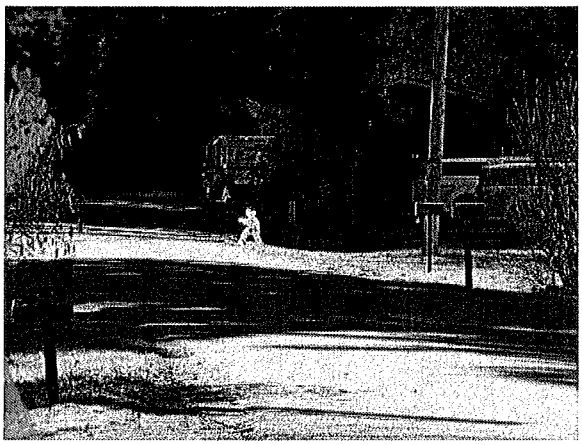
Whitewood Loop



Pepperidge Lane



Mimosa Court



Kalmia Court



Arborvitae Court



Boxwood Court



Holly Street



Sumac Court



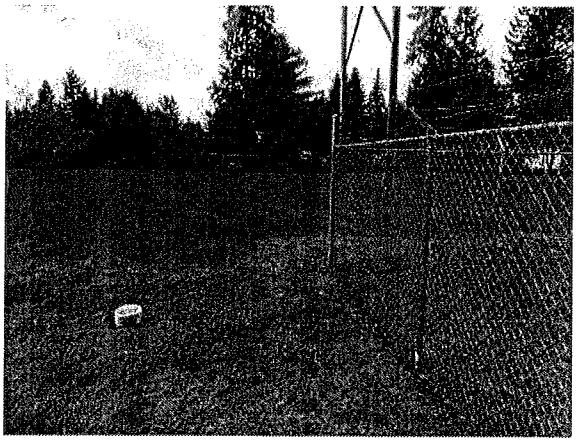
Briar Street



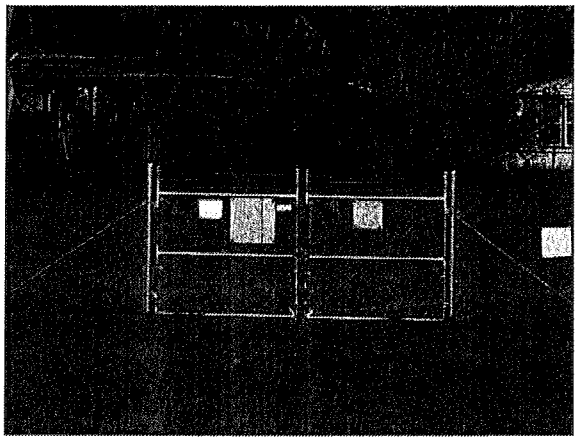
Clubhouse Parking Lot

Fencing

There is a small amount of chain link fencing on this property. There is a high likelihood that the chain link fencing will have a lifespan beyond the duration of this study. Therefore, no Reserve Funding has been allotted for fencing in this study.



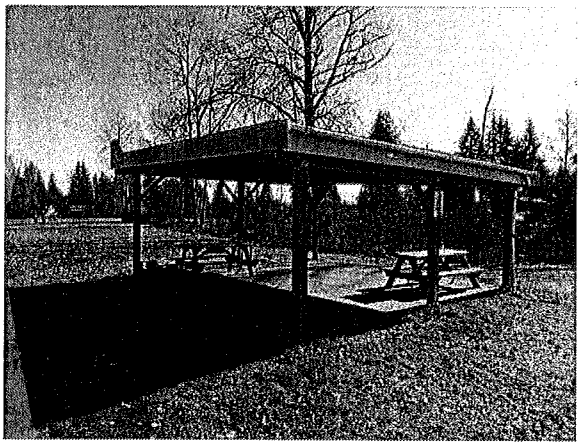
Chain Link Fence



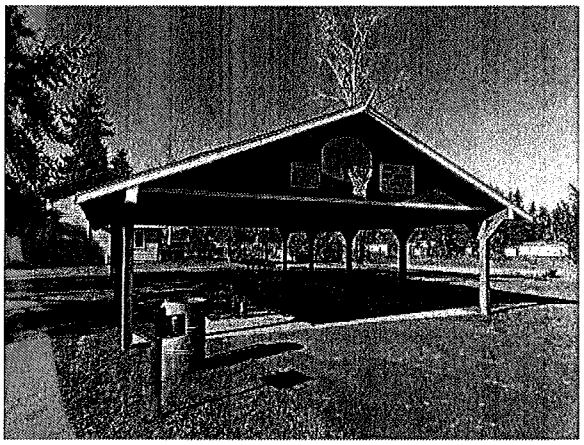
Chain Link Fence

Picnic Shelters and Picnic Assets

We have budgeted for a picnic shelters and picnic assets allotment to be used to add or replace picnic tables and benches and to make repairs to the picnic shelters.



Picnic Shelter



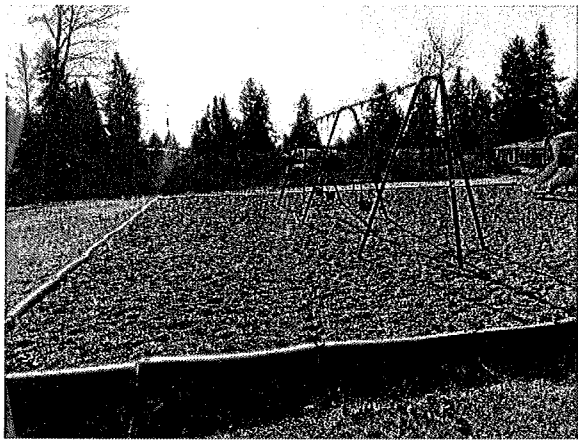
Picnic Shelter

Playground

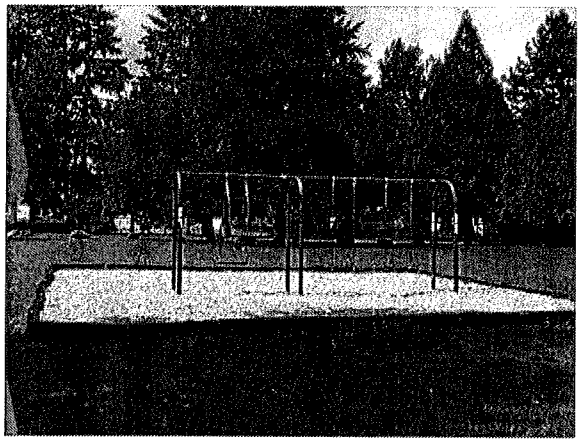
There is a playground in the central private park of this development, with a play set with several slides as well as a large swing set. Additionally, there is a swing set in the park at the intersection of Thuja Avenue and Pepperidge Lane. We have budgeted for a playground equipment allotment every 20 years. The playground equipment is currently in good condition.



Playground Equipment



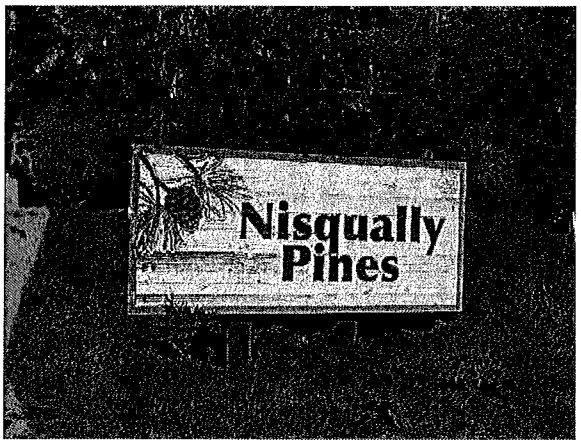
Swing Set



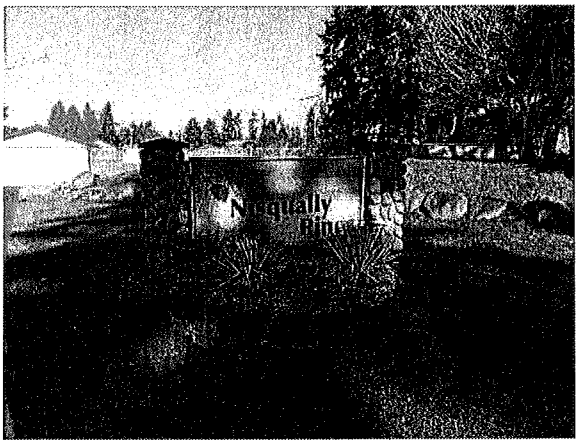
Swing Set

Property Signs

There are two property signs. These signs will need to be repainted within the near future. We have budgeted for painting of these signs every 5 years, and replacement every 20 years.



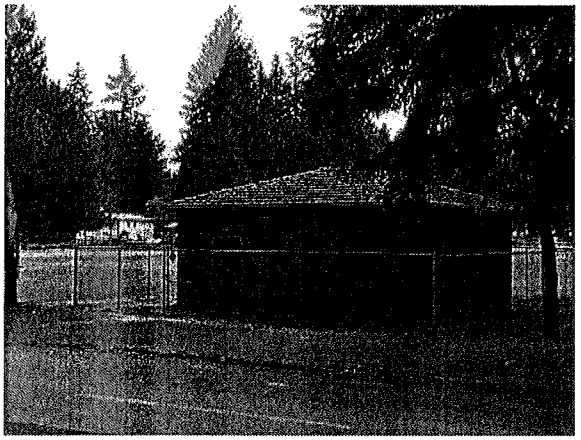
One of Two Signs



Two of Two Signs

Building Owned by Others

There is a building that is east of the office that is not owned by the Homeowners Association. This building is owned by others.



Building Owned by Others

Tree Removal, Landscaping, and Irrigation

Management requested that we budget $15,000 per year for tree removal.

Generally, landscaping and irrigation systems are maintained via the operating budget. Therefore, no Reserve Funding has been allotted for landscaping and irrigation.



River Park



River Park

3.3 STRUCTURE

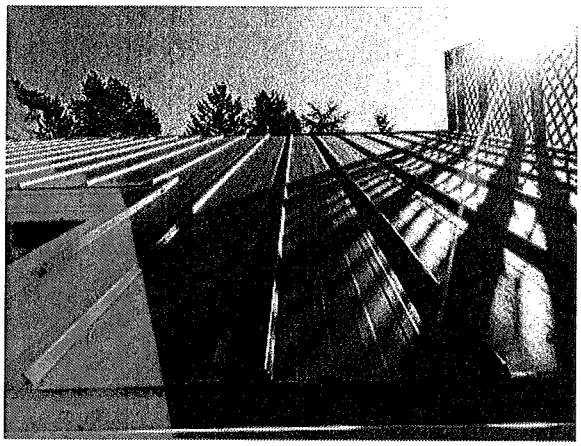
The foundations of the common buildings were only partially visible and no structural drawings were available for our review. Based on the visual evidence, there are no anticipated capital expenditures associated with the structure of these buildings during the next 30 years.

We have also budgeted for the replacement of the covered picnic shelters, the backhoe shed, and the 5 water pump buildings every 25 years.

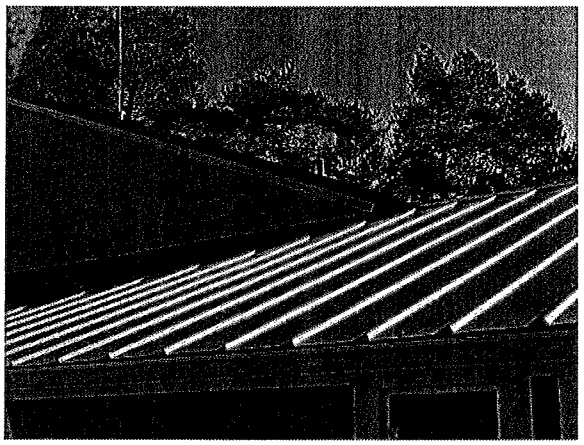
3.4 ROOFING

The roof of the clubhouse is pitched and is surfaced with standing seam metal roof surfacing. This roof was resurfaced in 2018 and should have a total lifespan of 50 years or more.

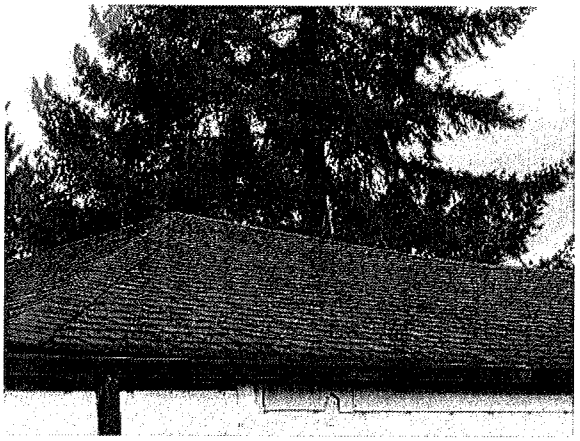
The roof of the office is pitched and is surfaced with asphalt composition roof surfacing. We understand that the office roof surface was installed in 2010 and should have a total lifespan of 25 years.



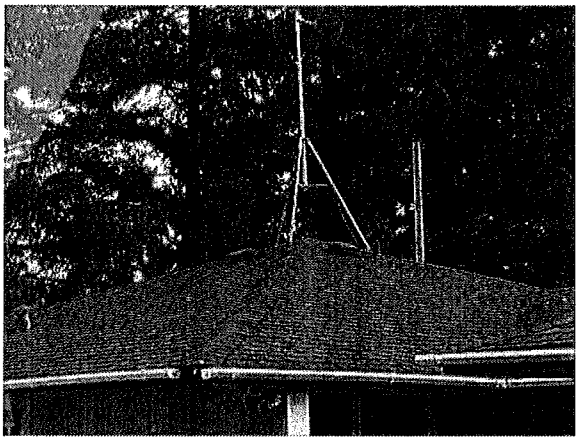
Metal Roof on Clubhouse



Metal Roof on Clubhouse



Asphalt Composition Roof on Office



Asphalt Composition Roof on Office

3.5 EXTERIOR

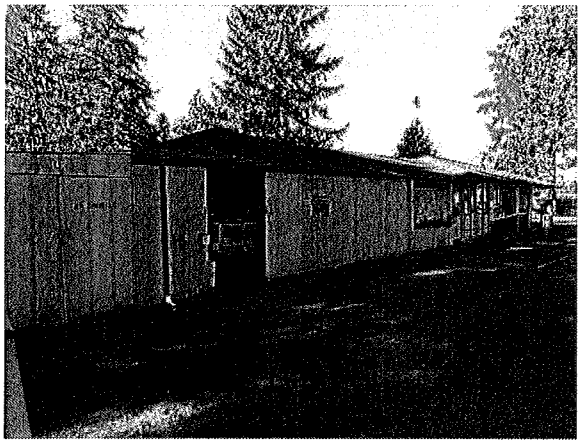
The only building that we have budgeted for the maintenance of the exterior is the clubhouse. We understand that the office and all of the water supply buildings are paid for as part of the water resources operating budget.

Exterior Re-Painting and Re-Caulking

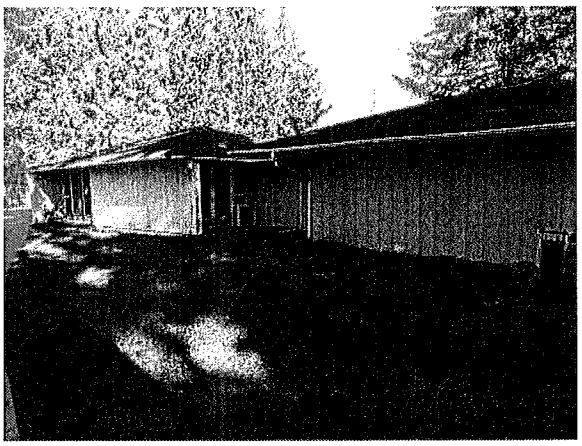
The exterior of the clubhouse was painted in 2021. Typically, we recommend that owners should clean, caulk, and repaint the exterior siding and trim every 7 to 10 years, depending on how the caulk and paint is holding up. We have scheduled repainting of the clubhouse to occur every 8 years in the Reserve Study. Often, the painting schedule is dictated by the south and west sides of the buildings, as that is typically hit by weather hardest in our area. Prior to repainting, the exteriors should be properly prepared for painting by scraping all loose paint off and spot replacing areas of siding and trim where necessary.

Office/Garage

The office is sided with wood siding and is in need of paint; however, the exterior of the office is painted as part of the main budget outside of the Reserve Fund. Spot siding and trim replacement will likely be necessary at each painting cycle.



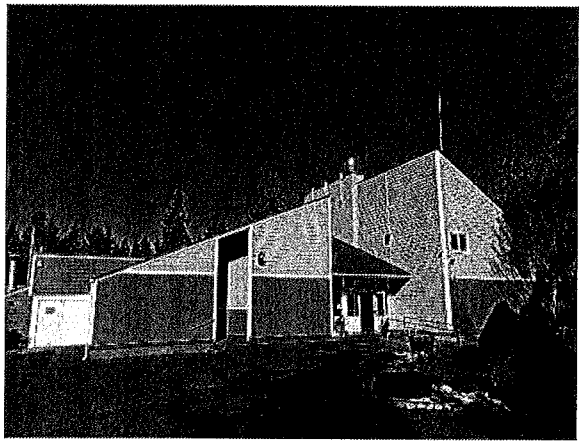
Front of Office/Garage



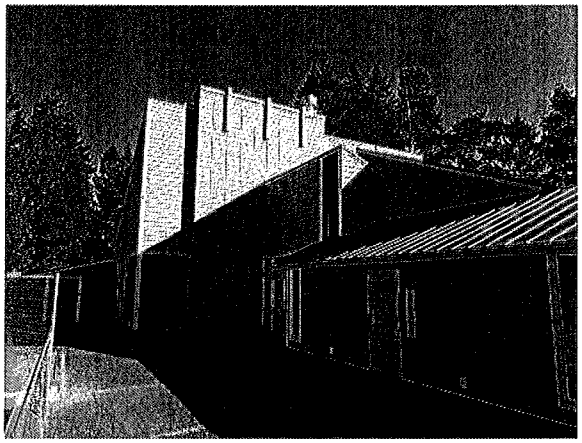
Rear of Office/Garage

Clubhouse

We understand that the clubhouse was re-clad in 2010 with fiber-cement siding and wood trim per modern architectural design. The exterior of this clubhouse is in good condition. The fiber-cement siding and wood trim should have a lifespan well beyond the duration of this study. Therefore, all that we have scheduled for the exterior of this clubhouse is repainting and recaulking every 8 years.



Front of Clubhouse

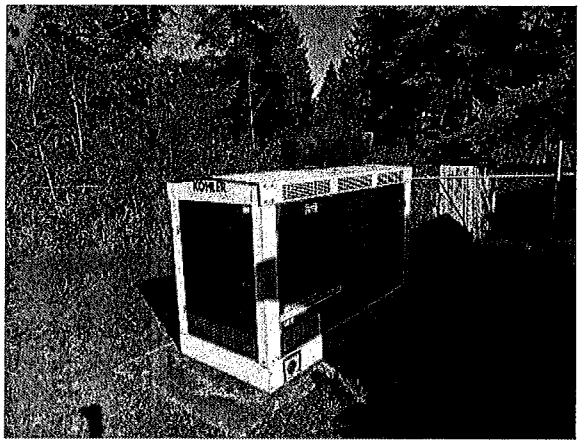


Rear of Clubhouse

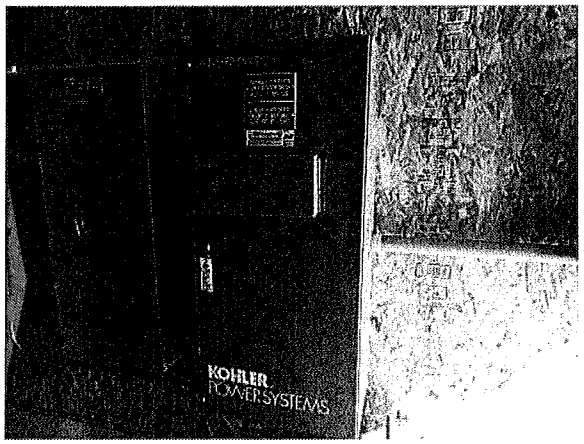
3.6 ELECTRICAL SYSTEMS

The electrical system infrastructure on this property should have a lifespan outside the duration of this study. Therefore, the replacement of the main distribution lines and electrical equipment has not been allotted for in this study.

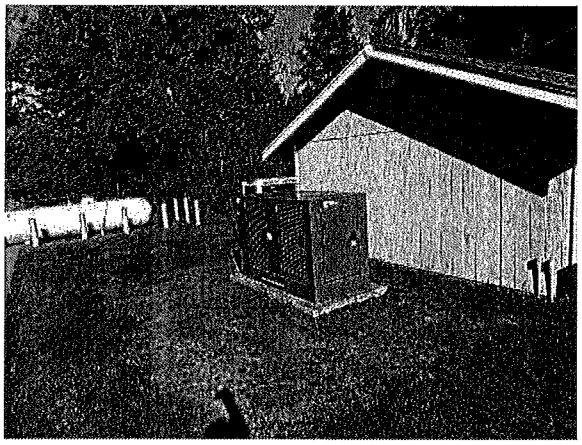
There are two generators that are associated with the water supply system. We have budgeted for replacement of the generators every 30 years.



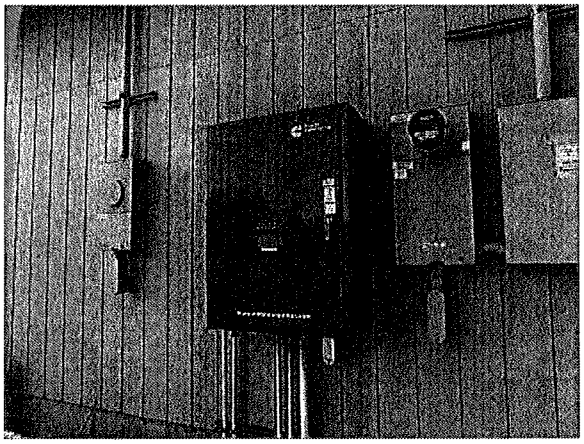
Older Generator #1



Old Generator Transfer Switch #1



Newer Generator #2



New Generator Transfer Switch #2

3.7 PLUMBING SYSTEMS

Along with the private roadways, the water supply system is the primary common expense in this development. The water distribution system is managed by Northwest Water Systems. Robert Moore of Northwest Water Systems met with us to review the entire water distribution system and the numerous improvements that have been made over the past 20 years and the improvements that will likely be made within the near future.

We understand that well #1, well #3, and well #4 are decommissioned and no longer exist. The development is supplied with water primarily from wells 5, 6, and 7. Well #2 is available but only as a back-up well. We understand that well #7 was installed in 2018, while well #4 was decommissioned at the same time.

We understand that in 1999 E.Coli was discovered in the water supply system. Following this discovery, the WA State Dept. of Health required that Nisqually Pines implement significant upgrades to their water supply system. The following improvements have been performed through loans the State of WA Water Resources Fund:

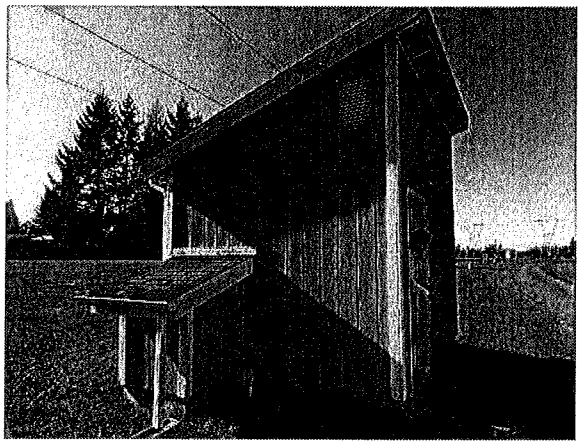
- In 2002, new water mains were installed on all of the arterials with adequate fire supply capacity. These water mains should have a lifespan of 50 to 100 years and have not been budgeted for in the Reserve Fund.
- In 2003, four 25 horsepower variable speed booster pumps were installed to provide adequate water pressure to the system. These booster pumps should have a lifespan of 40 years or more if routine maintenance is performed.
- In 2004, the water treatment building was constructed, and the new water treatment equipment was installed in this building. We understand that all of this equipment is maintained entirely by the operating budget. Therefore, no Reserve Funding has been allotted for the water treatment equipment.
- In 2012, the branch water supply lines on the auxiliary streets were replaced so that all of the water distribution lines in this development are now relatively new. These branch water supply lines should have a lifespan of 50 to 100 years and have not been budgeted for in the Reserve Fund.

We understand that the Board maintains a significant annually operating budget that allows the water resources staff to properly maintain the buildings and perform all appropriate operations and maintenance on the water supply equipment. Based on our conversation with Julie Baumann and our previous investigation, the only items that would be appropriate to include in the Reserve Fund are the following:

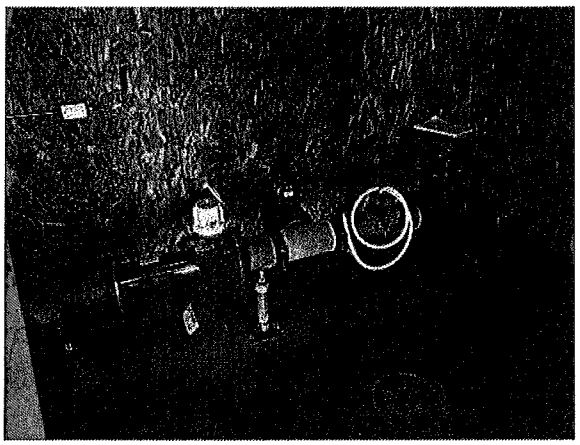
- We understand that all meters have been replaced within the past 10 years, in 8 separate phases.
- In 2016, electric water reading equipment and software were purchased to read the new meters.
- In 2018, a new computer monitoring system was purchased. We assume that this new system will have a lifespan of 10 years before it needs replacement once again.
- There are two 100,000-gallon concrete reservoirs. The reservoirs were cleaned in 2025; these reservoirs should be cleaned every 3 years. Additionally, the reservoirs were sealed with caulking in 2025; these reservoirs should be caulked and sealed every 6 years thereafter.

The majority of the septic systems in this development are private systems paid by individual owners. The exceptions are the clubhouse septic tank and drain field and the office septic tank and drain field, which have been budgeted for in the study.

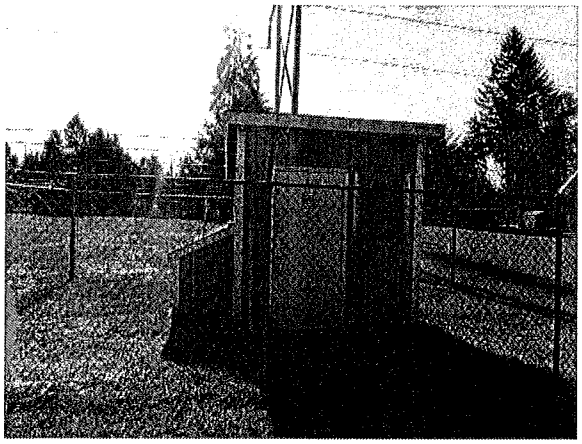
We have not budgeted for the replacement of the water heaters as this is a relatively small expense.



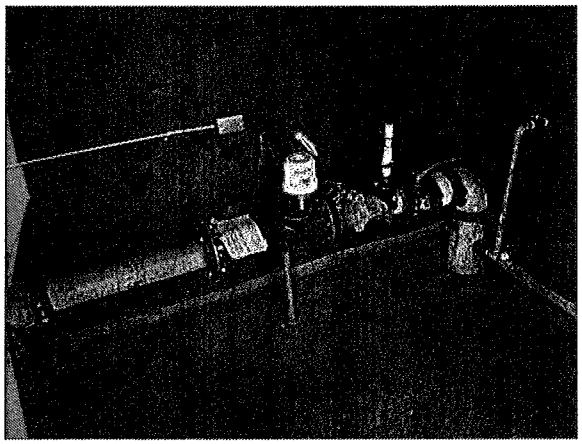
Pump House #5



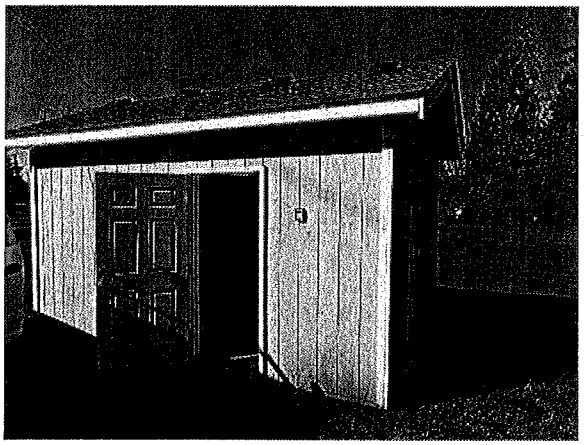
Piping and Valves in Pump House #5



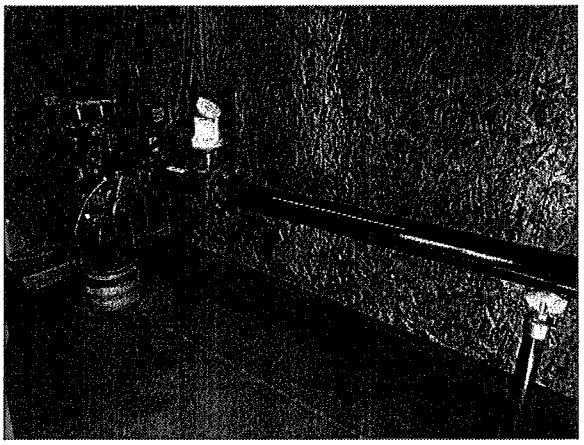
Pump House #6



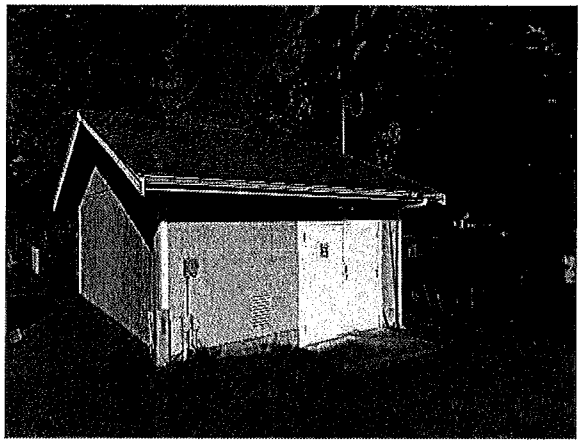
Piping and Valves in Pump House #6



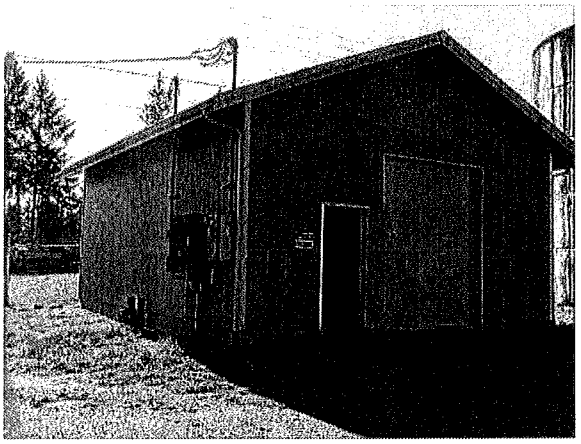
Pump House #7



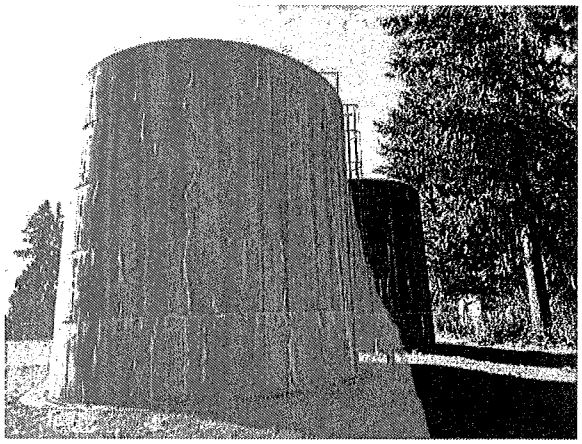
Piping and Valves in Pump House #7



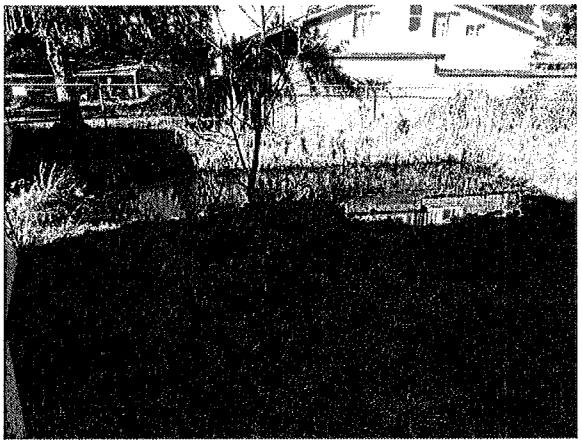
Booster House Building



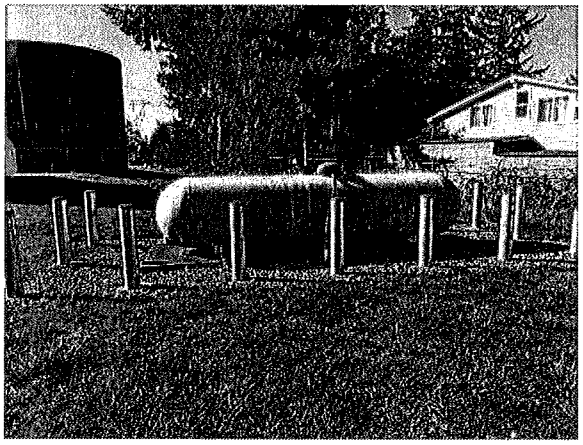
Water Treatment House



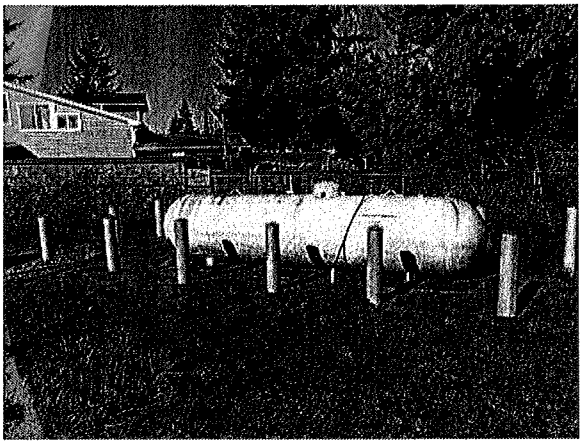
Concrete Water Towers



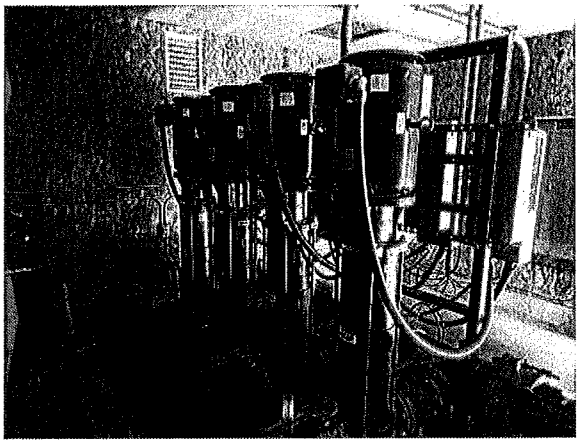
Overflow Pond



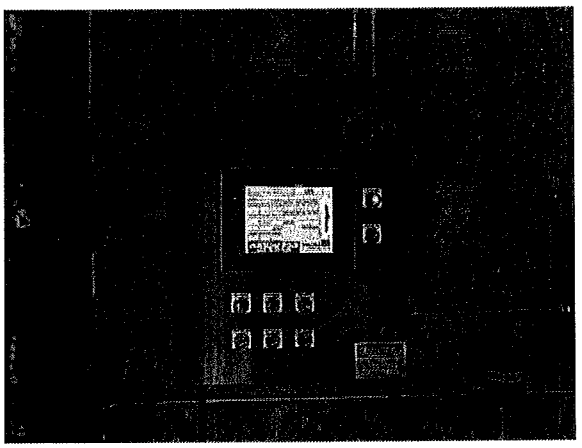
Propane Tank #1 for Generator #1



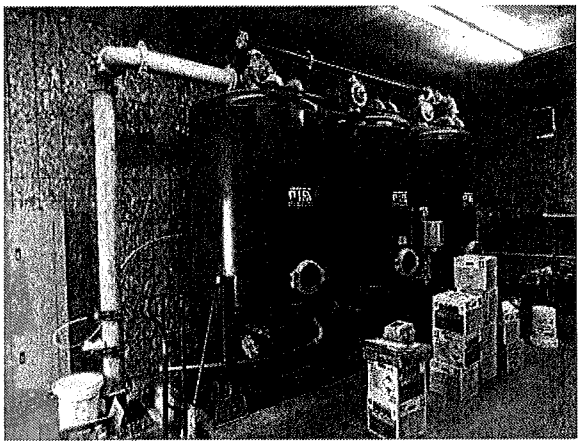
Propane Tank #2 for Generator #2



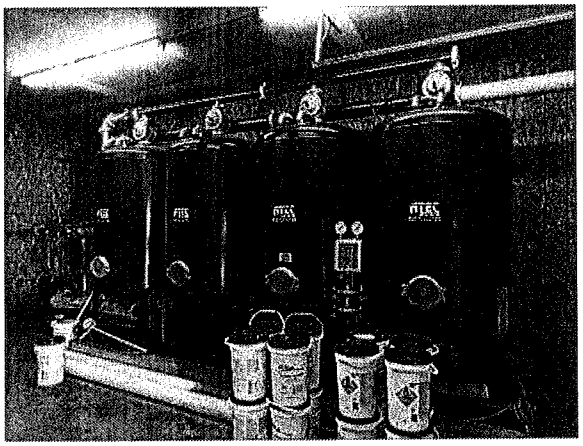
Booster Pumps



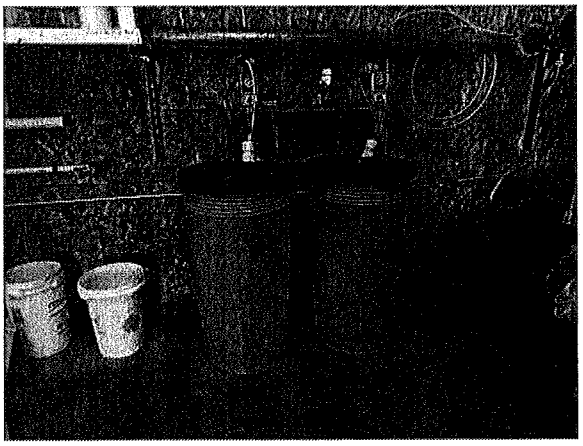
Control System



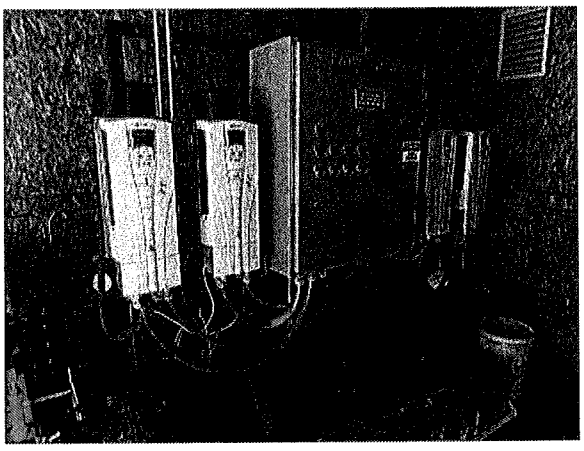
3 ATEC Filters



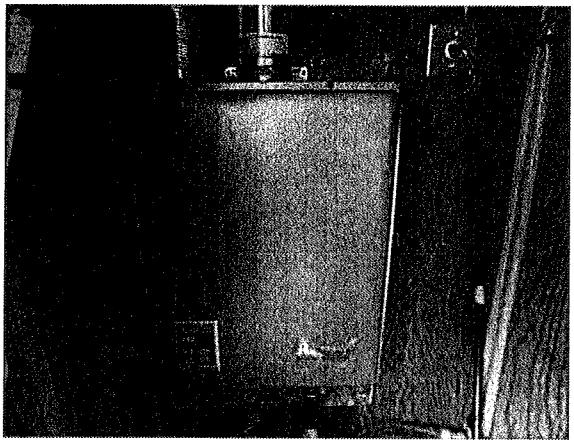
4 ATEC Filters



Chlorination Tanks



Goulds Aquavar Centrifugal Pump



Clubhouse Water Heater



Office Water Heater

3.8 HVAC SYSTEMS

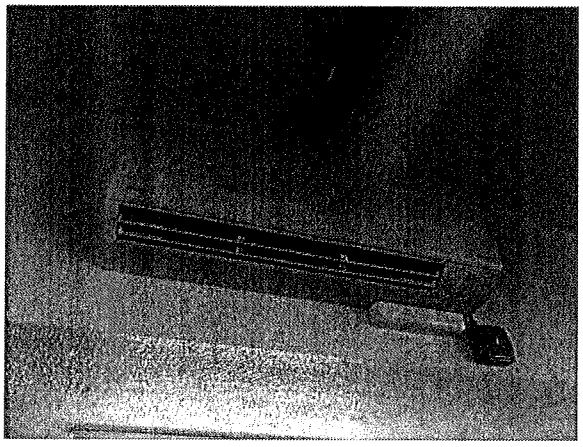
The common HVAC systems on this property are relatively simple. The HVAC systems consist of simple electric heaters in the office that can be paid for via the operating budget and one electric furnace in the clubhouse. This furnace appears to be older units. We have budgeted for the electric furnace to be replaced in the clubhouse every 20 years.



Furnace in Clubhouse



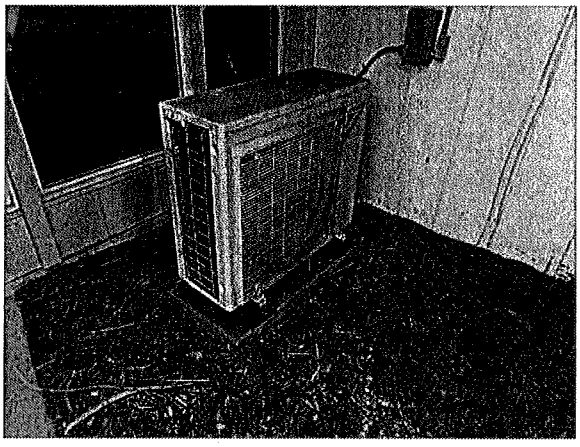
Clubhouse Heat Pump



One of Two Mini-Split Heat Pump Air Handlers in Office



Two of Two Mini-Split Heat Pump Air Handlers in Office



Mini-Split Heat Pump Compressor/Condenser

Clubhouse Heat Pump

3.9 ELEVATORS

There are no elevators in this development.

3.10 FIRE DETECTION AND SUPPRESSION

The only localized fire suppression system is at the hood in the clubhouse kitchen that was installed in 2023. We have assumed a 20-year life for this hood.

There are no other common fire detection and suppression systems in the common buildings beyond smoke detectors.

3.11 COMMON INTERIOR FINISHES

Office

The office has typical office finishes with carpeted floors and painted drywall on the ceiling and floors. We understand that the carpet was replaced, and the interior was painted in the office around 2010. We have scheduled carpeting to be replaced every 15 years.

We have assumed that all interior painting in the office will be done via the operating budget.

Clubhouse

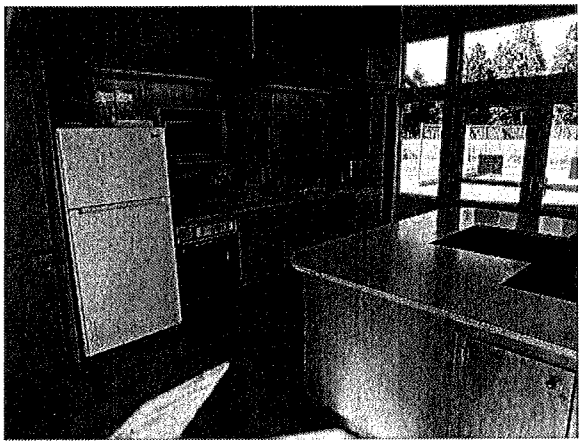
The interior of the clubhouse consists of a banquet room with open ceiling rafters, a kitchen, a women's locker room, and a men's locker room in this building. The vinyl flooring in the kitchen was replaced in 2024. Additionally, interior cabinets of the clubhouse were stained in 2024 and the laminate flooring in the clubhouse was installed in 2024.

The kitchen was renovated in 2024. We have budgeted for a similar renovation every 20 years.

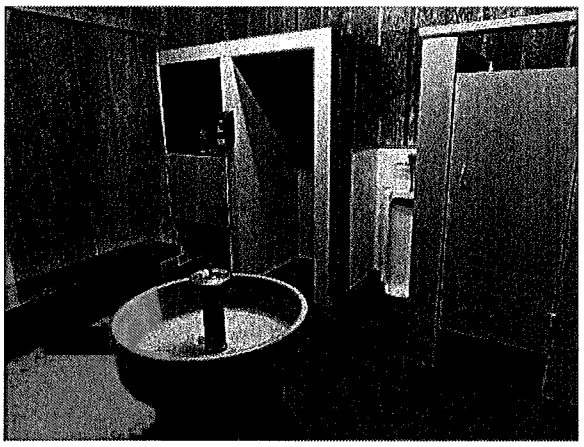
The locker rooms were in process of being renovated while we were on this property; we assume that this renovation will be paid for in 2026. Finally, we have scheduled a locker room upgrade every 15 years.



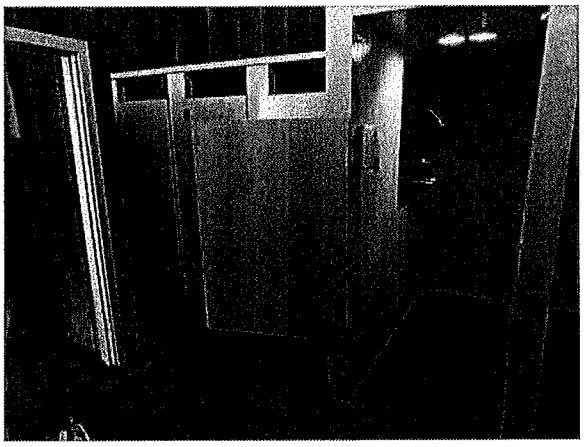
Banquet Room in Clubhouse



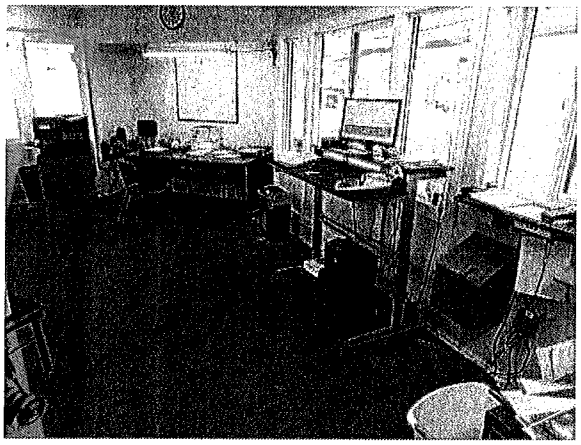
Clubhouse Kitchen



Men's Locker Room in Clubhouse



Women's Locker Room in Clubhouse



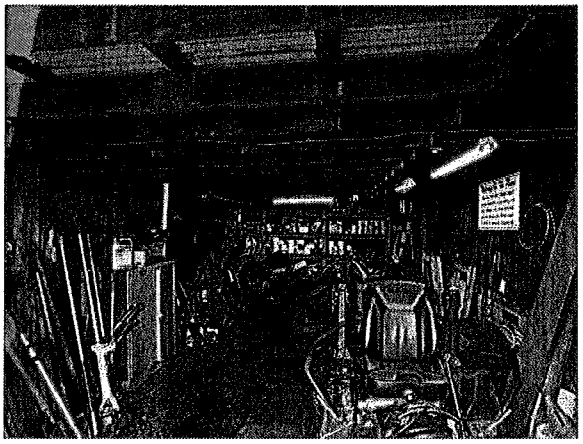
Interior of Office



Interior of Office



Office Restroom

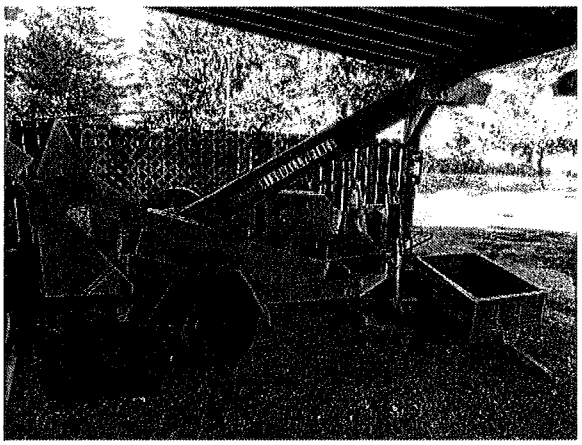


Interior of Garage Adjacent Office

3.12 MISCELLANEOUS

Maintenance Equipment

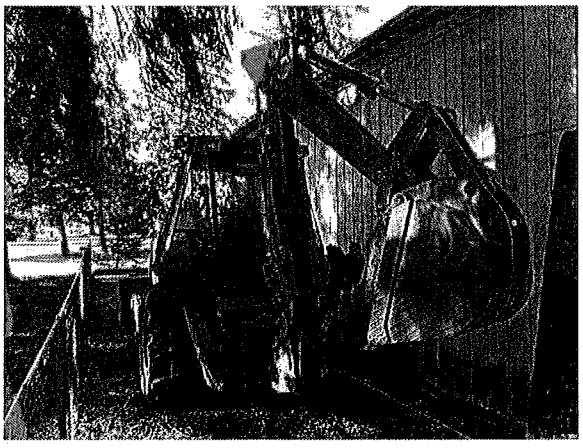
There are several pieces of maintenance equipment on this property. The majority of the maintenance equipment are purchased and maintained via the operating budget; however, we have budgeted for eventual replacement of the backhoe, the hydraulic trailer, the water tank trailer, the diesel tank, the chipper, and the mower.



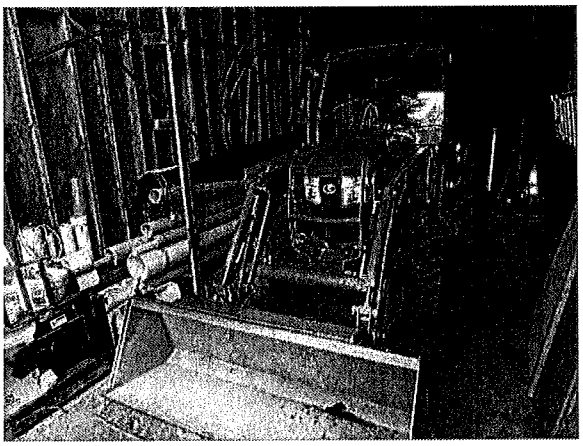
Chipper in the Back Hoe Shed



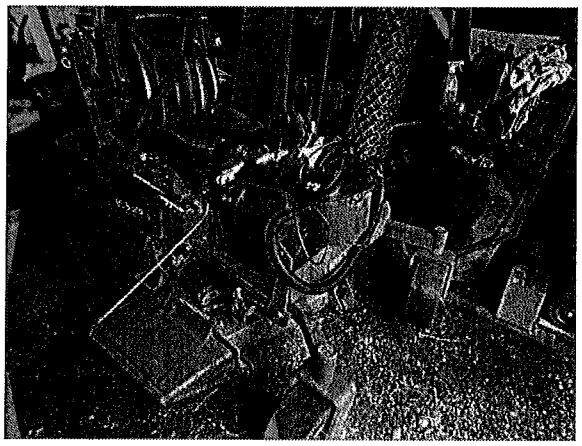
Kubota Small Vehicle



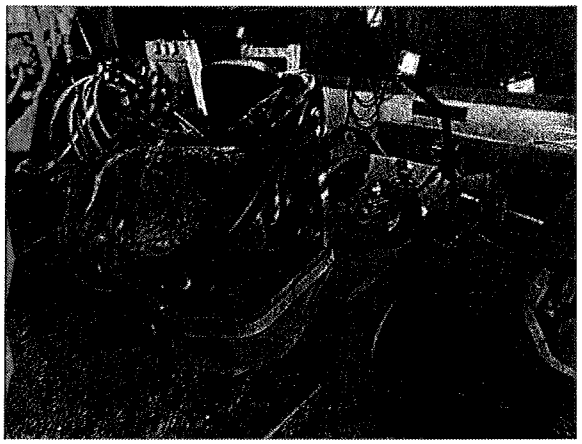
Backhoe



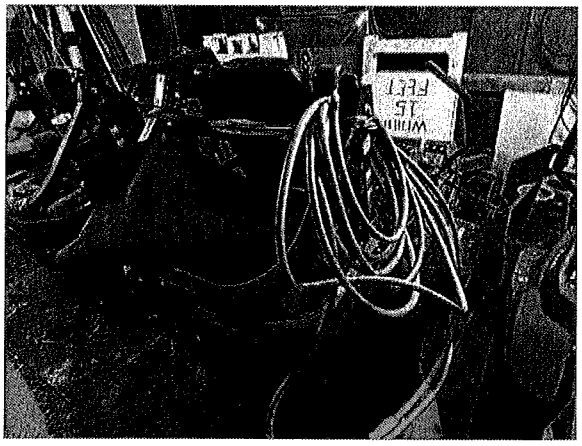
Kubota Tractor



One of Four Mowers



Two of Four Mowers



Three of Four Mowers



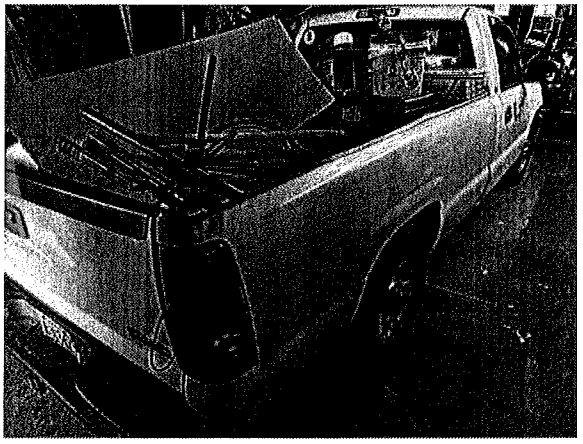
Four of Four Mowers

Maintenance Trucks

There are 3 maintenance trucks that are owned by the Association. One of these trucks is new. We have budgeted for one used truck to be purchased every 5 years.



Maintenance Truck



Maintenance Truck

Computers

There are 3 computers in the office. We have budgeted for the office computers to be upgraded every 5 years.



Maintenance Office



Maintenance Office

Saunas

There are two saunas in the clubhouse; one for men and one for women. We have budgeted for renovation of these saunas every 12 years. We have budgeted for renovation of these saunas in the future; however, we understand that the membership voted not to renovate these saunas at this time.

3.13 AMENITIES

Swimming Pool

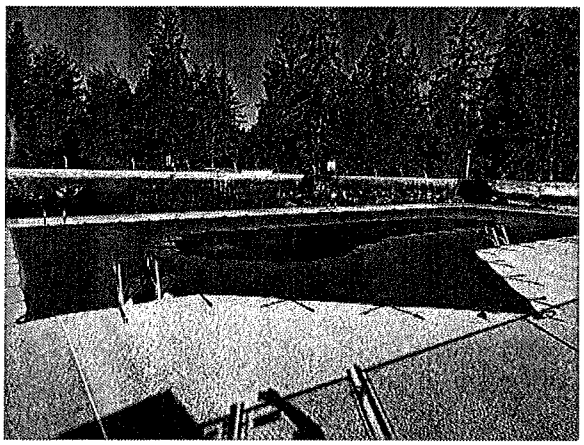
There is a common swimming pool in this development that we understand was re-plastered and re-tiled in 2024. Going forward, we have budgeted for this swimming pool to be re-plastered and re-tiled every 25 years.

The pool is surrounded on 3 sides by a concrete wall was painted by a local artist. This was not a Reserve expense.

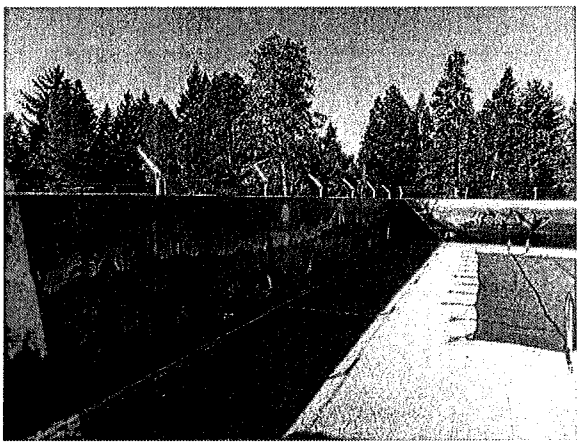
The pool heating furnace is old; however, we understand from Robert Moore that this furnace is working well and that the pool technician stated that it has a few years of life remaining. Therefore, we have budgeted for this unit to be replaced in 2027 and every 20 years thereafter.

There are 3 pool filters that we understand were installed 2020. We have budgeted for these pool filters to be replaced every 10 years.

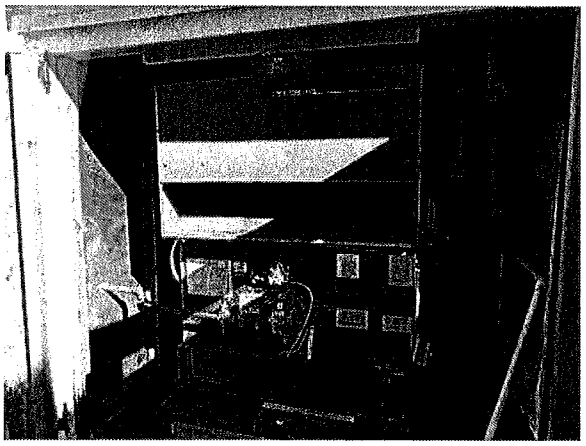
The main pool pump was replaced in 2019. We assume that this pump will have a 10-year life on average.



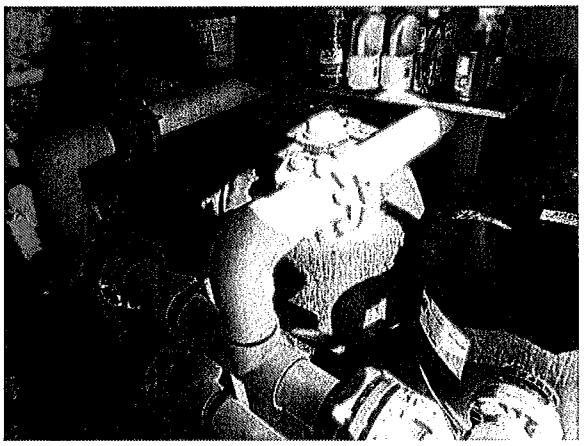
Swimming Pool Area



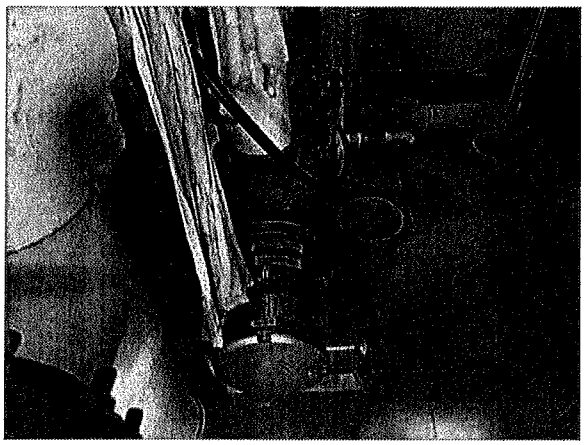
Swimming Pool Area



Old Swimming Pool Furnace



Swimming Pool Filters



Swimming Pool Pump

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."

AL EXPENSES

ed	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ery 5 years					$457,587					$530,469	
					$52,336					$60,672	
					$36,016					$41,753	
tment				$22,073							$27,147
in both parks											
				$15,298							
ns				$3,715					$4,307		
		$15,450	$15,914	$16,391	$16,883	$17,389	$17,911	$18,448	$19,002	$19,572	$20,159
5 water pump buildings								$62,724			
								$57,558			
											$23,774
ackhoe shed											
					$24,108						
					$107,486						
2											

AL EXPENSES

ed	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ders and new software											
stem				$37,098							
			$5,623			$6,144			$6,714		
crete reservoirs						$17,157					
ain field				$34,858							
nd drain field				$34,858							
s in office and clubhouse											
N											
			$2,793								
upgrade all appliances											
nt		$74,160									
										$3,458	

AL EXPENSES

ed	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
								$14,390			
				$26,881							
					$53,237					$61,716	
					$18,571					$21,529	
				$3,005					$3,484		
											$21,099
					$6,697						
					$3,827						
							$3,821				
					$14,969						
			$32,676								
						$13,564					
NUAL EXPENSES BY YEAR	**$0**	**$89,610**	**$57,005**	**$194,178**	**$791,717**	**$54,254**	**$21,732**	**$153,119**	**$33,506**	**$739,167**	**$92,179**

AL EXPENSES

ed	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
ery 5 years				$614,958					$712,905		
				$70,335					$81,538		
				$48,403					$56,112		
ıtment							$33,388				
in both parks					$66,214						
ns			$4,993					$5,788			
	$20,764	$21,386	$22,028	$22,689	$23,370	$24,071	$24,793	$25,536	$26,303	$27,092	$27,904
						$21,343					
; water pump buildings											
ackhoe shed										$11,017	
		$30,540								$38,687	
l											
?										$172,484	

AL EXPENSES

ed	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
lers and new software			$124,679								
								$115,765			
stem			$49,857								
	$7,336			$8,017			$8,760			$9,572	
crete reservoirs	$20,487						$24,462				
		$430,722									
ain field											
nd drain field											
s in office and clubhouse		$57,316									
N											
							$4,351				
				$13,613							
upgrade all appliances									$200,075		
nt						$115,539					
									$4,647		

AL EXPENSES

ed	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
			$36,126								
				$71,545					$82,941		
				$24,958					$28,933		
			$4,038					$4,682			
						$20,380					
						$5,135					
				$20,117							
					$18,228						
NUAL EXPENSES BY YEAR	**$48,587**	**$539,964**	**$241,721**	**$894,636**	**$107,811**	**$186,467**	**$95,754**	**$151,772**	**$1,193,454**	**$258,852**	**$27,904**

AL EXPENSES

ed	2047	2048	2049	2050	2051	2052	2053	2054	2055
ery 5 years			$826,453					$958,085	
			$94,525					$109,580	
			$65,049					$75,410	
tment			$41,062						
in both parks									
		$27,630							
ns		$6,710					$7,779		
			$20,734						
	$28,742	$29,604	$30,492	$31,407	$32,349	$33,319	$34,319	$35,348	$36,409
5 water pump buildings									
ackhoe shed									
							$49,007		
2									
		$10,855							

AL EXPENSES

ed	2047	2048	2049	2050	2051	2052	2053	2054	2055
ders and new software									
stem		$67,003							
		$10,460			$11,430			$12,490	
crete reservoirs		$29,209						$34,877	
ain field									
nd drain field									
s in office and clubhouse						$89,296			
N									
							$266,315		
								$21,209	
upgrade all appliances									
nt									
								$6,245	

AL EXPENSES

ed	2047	2048	2049	2050	2051	2052	2053	2054	2055
						$25,989			
		$48,550							
			$96,151					$111,466	
			$33,541					$38,883	
		$5,427					$6,292		
	$30,083								
			$12,095						
			$6,911						
					$6,901				
			$173,043						
			$21,548						
			$27,036						
	$59,016								
				$24,497					
NUAL EXPENSES BY YEAR	**$117,840**	**$235,449**	**$1,448,641**	**$55,904**	**$50,680**	**$148,604**	**$363,712**	**$1,403,594**	**$36,409**

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 $1,098,070 as of September 30, 2025 (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 $926,433. Therefore, the property is 118.5% funded.

The current annual contribution to the reserve fund is $167,121, which averages $16.84 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
118.5%
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 $171,637 from the Reserve Fund to the owners. This translates to an average disbursement of $207.54 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 $208,326 per year in the initial year, which translates to $20.99 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:

$207.54

Avg. Contribution Thereafter Per Unit Per Month:

2026 $20.99

(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 $171,300 per year in the initial year, which translates to $17.26 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).

Option Two

Average Contributions Per Unit Per Month:

$17.26

(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 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 2055". 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 2035". 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"

NCE SHEET

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
	1,098,070	1,165,534	1,346,885	1,573,890	1,675,809	1,181,837	1,429,351	1,725,314	1,905,051	2,220,091	1,837,092	2,108,316	2,441,213
	58,938	233,831	240,846	248,071	255,513	263,179	271,074	279,206	287,583	296,210	305,096	314,249	323,677
ınd	58,938	233,831	240,846	248,071	255,513	263,179	271,074	279,206	287,583	296,210	305,096	314,249	323,677
per Unit	23.56	23.56	24.27	25.00	25.75	26.52	27.32	28.13	28.98	29.85	30.74	31.67	32.62
	-	89,610	57,005	194,178	791,717	54,254	21,732	153,119	33,506	739,167	92,179	48,587	539,964
	8,526	37,129	43,164	48,025	42,231	38,589	46,621	53,651	60,963	59,958	58,307	67,234	69,992
	1,165,534	***1,346,885***	***1,573,890***	***1,675,809***	***1,181,837***	***1,429,351***	***1,725,314***	***1,905,051***	***2,220,091***	***1,837,092***	***2,108,316***	***2,441,213***	***2,294,918***
	125.8%	114.8%	115.1%	116.7%	130.3%	128.0%	125.6%	126.0%	124.5%	135.7%	133.7%	131.3%	138.3%

	1,098,070	1,190,834	1,172,845	1,367,964	1,436,240	906,793	1,116,918	1,373,497	1,511,769	1,783,171	1,354,270	1,577,231	1,859,405
	58,938	208,326	214,575	221,013	227,643	234,472	241,506	248,752	256,214	263,901	271,818	279,972	288,371
		(171,637)											
ınd	58,938	36,689	214,575	221,013	227,643	234,472	241,506	248,752	256,214	263,901	271,818	279,972	288,371
per Unit	23.56	20.99	21.62	22.27	22.94	23.63	24.34	25.07	25.82	26.59	27.39	28.21	29.06
	-	89,610	57,005	194,178	791,717	54,254	21,732	153,119	33,506	739,167	92,179	48,587	539,964
	33,826	34,931	37,549	41,441	34,626	29,907	36,804	42,639	48,694	46,366	43,323	50,788	52,008
	1,190,834	***1,172,845***	***1,367,964***	***1,436,240***	***906,793***	***1,116,918***	***1,373,497***	***1,511,769***	***1,783,171***	***1,354,270***	***1,577,231***	***1,859,405***	***1,659,820***
	128.5%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

	1,098,070	1,190,834	1,308,866	1,468,730	1,499,514	930,233	1,098,079	1,309,820	1,400,580	1,621,678	1,139,555	1,306,245	1,528,965
	58,938	170,700	175,821	181,096	186,528	192,124	197,888	203,825	209,939	216,238	222,725	229,407	236,289
ınd	58,938	170,700	175,821	181,096	186,528	192,124	197,888	203,825	209,939	216,238	222,725	229,407	236,289
per Unit	23.56	17.20	17.72	18.25	18.80	19.36	19.94	20.54	21.15	21.79	22.44	23.12	23.81
	-	89,610	57,005	194,178	791,717	54,254	21,732	153,119	33,506	739,167	92,179	48,587	539,964
	33,826	36,941	41,048	43,866	35,908	29,975	35,585	40,055	44,664	40,806	36,145	41,900	41,314
	1,190,834	***1,308,866***	***1,468,730***	***1,499,514***	***930,233***	***1,098,079***	***1,309,820***	***1,400,580***	***1,621,678***	***1,139,555***	***1,306,245***	***1,528,965***	***1,266,603***
	128.5%	111.6%	107.4%	104.4%	102.6%	98.3%	95.4%	92.6%	90.9%	84.1%	82.8%	82.2%	76.3%

NCE SHEET

	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050
	2,294,918	2,456,807	1,970,995	2,279,692	2,528,584	2,888,110	3,212,989	2,502,076	2,730,578	3,212,832	3,631,129	3,955,847	3,072,560
	333,387	343,389	353,690	364,301	375,230	386,487	398,082	410,024	422,325	434,995	448,044	461,486	475,330
ınd	333,387	343,389	353,690	364,301	375,230	386,487	398,082	410,024	422,325	434,995	448,044	461,486	475,330
per Unit	33.59	34.60	35.64	36.71	37.81	38.94	40.11	41.32	42.56	43.83	45.15	46.50	47.90
	241,721	894,636	107,811	186,467	95,754	151,772	1,193,454	258,852	27,904	117,840	235,449	1,448,641	55,904
	70,223	65,435	62,818	71,058	80,050	90,164	84,459	77,330	87,834	101,142	112,123	103,868	98,468
	2,456,807	***1,970,995***	***2,279,692***	***2,528,584***	***2,888,110***	***3,212,989***	***2,502,076***	***2,730,578***	***3,212,832***	***3,631,129***	***3,955,847***	***3,072,560***	***3,590,454***
	139.1%	161.4%	155.3%	153.0%	148.6%	146.2%	177.1%	174.7%	163.6%	158.1%	156.3%	197.7%	181.9%

	1,659,820	1,765,746	1,221,185	1,468,229	1,652,445	1,944,145	2,197,916	1,412,478	1,562,897	1,963,364	2,296,017	2,531,078	1,553,955
	297,022	305,933	315,111	324,564	334,301	344,330	354,660	365,300	376,259	387,547	399,173	411,149	423,483
ınd	297,022	305,933	315,111	324,564	334,301	344,330	354,660	365,300	376,259	387,547	399,173	411,149	423,483
per Unit	29.93	30.83	31.75	32.71	33.69	34.70	35.74	36.81	37.91	39.05	40.22	41.43	42.67
	241,721	894,636	107,811	186,467	95,754	151,772	1,193,454	258,852	27,904	117,840	235,449	1,448,641	55,904
	50,624	44,142	39,745	46,118	53,152	61,213	53,356	43,971	52,112	62,947	71,336	60,370	52,132
	1,765,746	***1,221,185***	***1,468,229***	***1,652,445***	***1,944,145***	***2,197,916***	***1,412,478***	***1,562,897***	***1,963,364***	***2,296,017***	***2,531,078***	***1,553,955***	***1,973,667***
	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%

	1,266,603	1,306,283	691,854	865,253	971,881	1,181,880	1,349,661	473,760	529,051	829,528	1,057,121	1,181,839	88,868
	243,377	250,679	258,199	265,945	273,923	282,141	290,605	299,323	308,303	317,552	327,079	336,891	346,998
ınd	243,377	250,679	258,199	265,945	273,923	282,141	290,605	299,323	308,303	317,552	327,079	336,891	346,998
per Unit	24.52	25.26	26.02	26.80	27.60	28.43	29.28	30.16	31.07	32.00	32.96	33.95	34.97
	241,721	894,636	107,811	186,467	95,754	151,772	1,193,454	258,852	27,904	117,840	235,449	1,448,641	55,904
	38,023	29,529	23,011	27,150	31,829	37,412	26,947	14,820	20,078	27,882	33,088	18,779	7,032
	1,306,283	***691,854***	***865,253***	***971,881***	***1,181,880***	***1,349,661***	***473,760***	***529,051***	***829,528***	***1,057,121***	***1,181,839***	***88,868***	***386,994***
	74.0%	56.7%	58.9%	58.8%	60.8%	61.4%	33.5%	33.9%	42.3%	46.0%	46.7%	5.7%	19.6%

NCE SHEET

	2051	2052	2053	2054	2055
	3,590,454	4,143,662	4,628,980	4,925,880	4,192,021
	489,590	504,278	519,406	534,988	551,038
ınd	489,590	504,278	519,406	534,988	551,038
per Unit	49.33	50.81	52.34	53.91	55.53
	50,680	148,604	363,712	1,403,594	36,409
	114,297	129,645	141,205	134,747	133,480
	4,143,662	***4,628,980***	***4,925,880***	***4,192,021***	***4,840,131***
	170.9%	165.2%	164.9%	196.3%	181.9%
	1,973,667	2,424,167	2,802,071	2,986,658	2,135,393
	436,187	449,273	462,751	476,634	490,933
ınd	436,187	449,273	462,751	476,634	490,933
per Unit	43.95	45.27	46.63	48.03	49.47
	50,680	148,604	363,712	1,403,594	36,409
	64,993	77,235	85,548	75,695	70,880
	2,424,167	***2,802,071***	***2,986,658***	***2,135,393***	***2,660,797***
	100.0%	100.0%	100.0%	100.0%	100.0%
	386,994	709,933	954,050	998,365	76
	357,408	368,130	379,174	390,549	402,266
ınd	357,408	368,130	379,174	390,549	402,266
per Unit	36.01	37.09	38.21	39.35	40.53
	50,680	148,604	363,712	1,403,594	36,409
	16,211	24,591	28,853	14,755	5,490
	709,933	***954,050***	***998,365***	***76***	***371,423***
	29.3%	34.0%	33.4%	0.0%	14.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2055

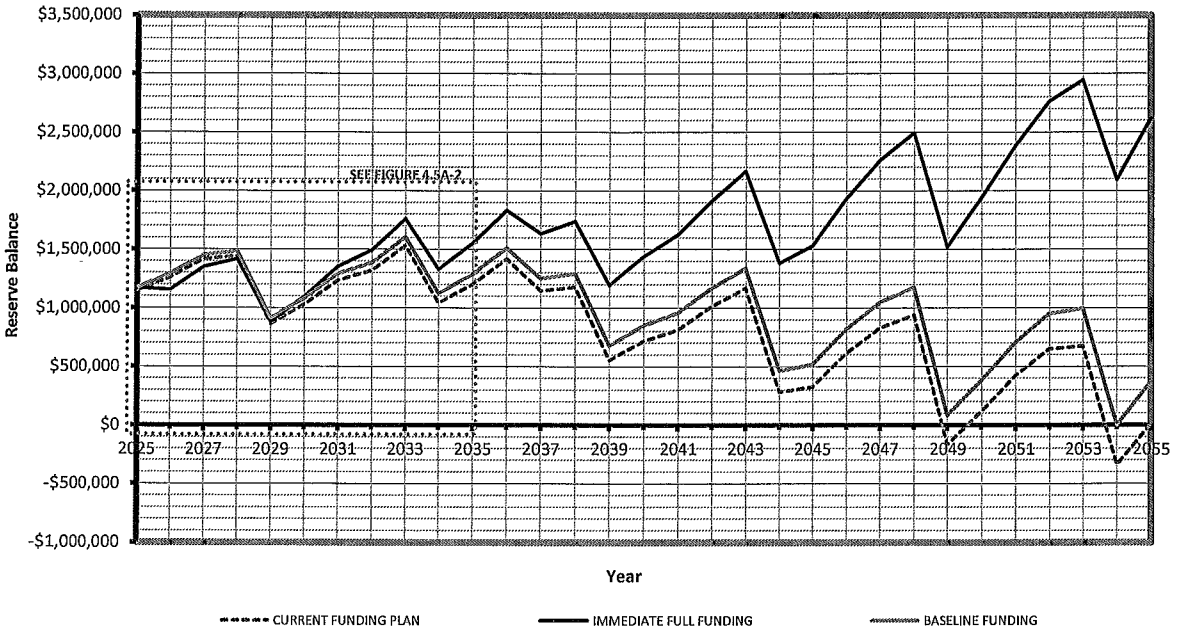


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2035

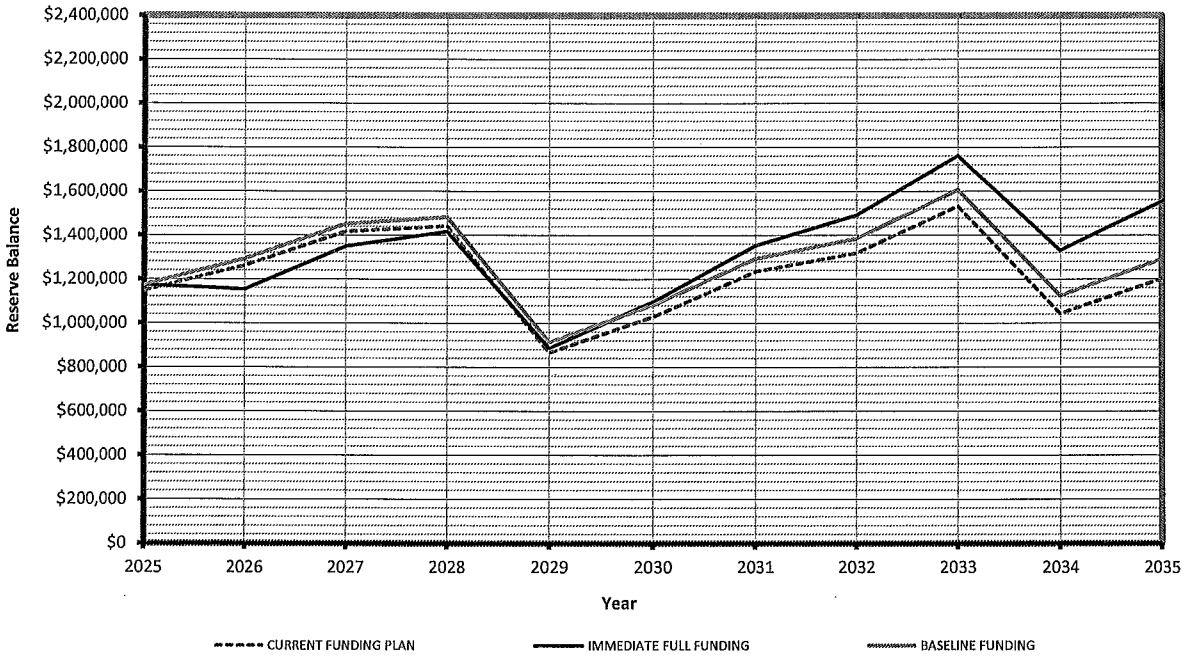


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

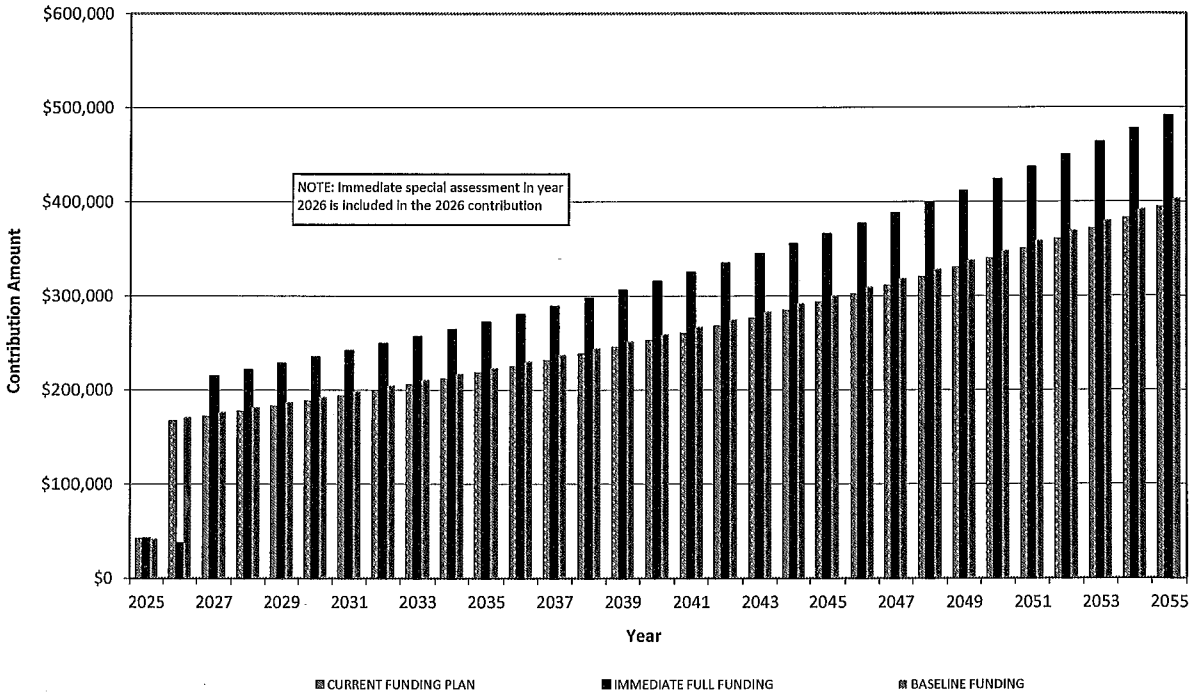
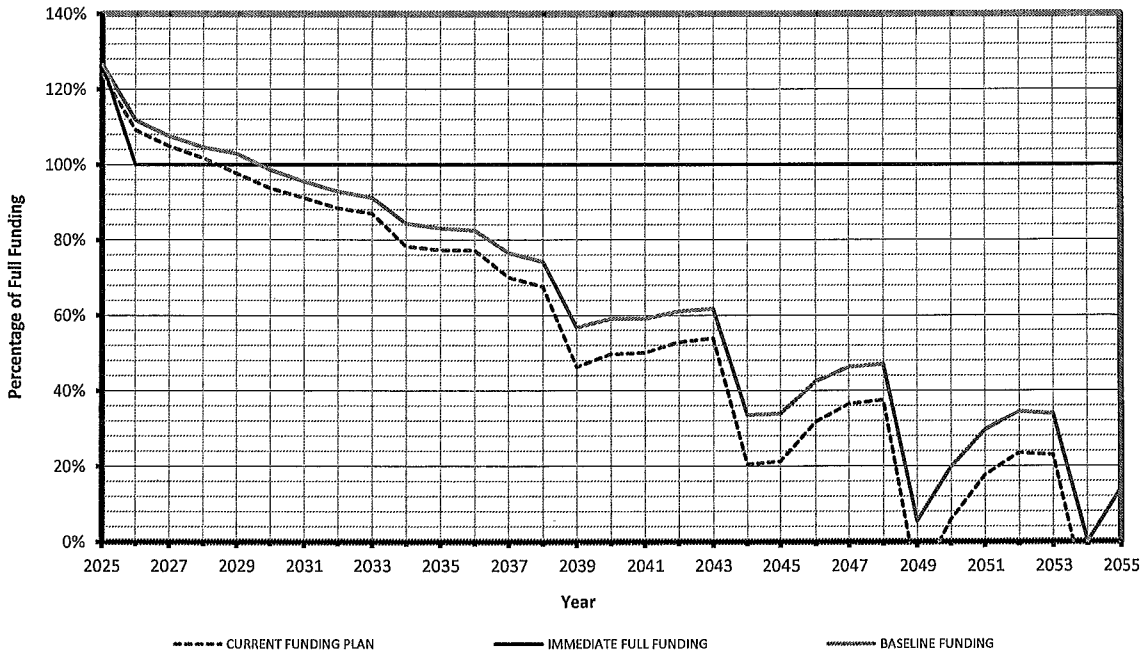


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



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 2 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.

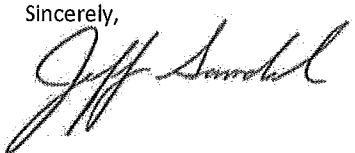
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact 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 2 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.