SAMDAL
& ASSOCIATES

PROFESSIONAL RESERVE STUDY

Nisqually Pines Community Club

8903 Pepperidge Lane Southeast, Yelm, WA 98597

For:

Nisqually Pines Homeowners Association
c/o Charity Mayerl
Office Manager
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1.0 EXECUTIVE SUMMARY

1.1 DISCLOSURES REQUIRED BY STATE OF WA RCW 64.90.550

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

a. This Reserve Study was prepared with the assistance of a reserve study professional, and that professional was independent;

b. This Reserve Study includes all information required by RCW 64.90.550 Reserve Study – Contents; and

c. This reserve study should be reviewed carefully. It may not include all common and limited common element components that will require major maintenance, repair, or replacement in future years, and may not include regular contributions to a reserve account for the cost of such maintenance, repair, or replacement. The failure to include a component in a reserve study, or to provide contributions to a reserve account for a component, may, under some circumstances, require the association to (1) defer major maintenance, repair, or replacement, (2) increase future reserve contributions, (3) borrow funds to pay for major maintenance, repair, or replacement, or (4) impose special assessments for the cost of major maintenance, repair, or replacement.

1.2 GENERAL DESCRIPTION OF PROPERTY

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

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

1.3 IMMEDIATE NECESSARY CAPITAL EXPENDITURES

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

Table 1.3: Summary of Immediate Necessary Capital Expenditures

Component	Cost	Urgency	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	$1,139,833 as of September 30, 2021
Current Annual Reserve Fund Contribution	$149,455
Average Per Unit Per Month	$15.06
Planned Special Assessment(s)	N/A
Balance Required for Full Funding	$1,265,648
Current Percentage of Full Funding	90.1%

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 Special Assessment Required IF the Association is to be Fully Funded Immediately	$125,815
Average Initial Special Assessment per Unit	$152
Annual Reserve Fund Contribution Required for the Reserve Fund to remain Fully Funded	$171,398
Average Contribution per Unit per Month	$17.27
Option 2 – Path to Full Funding in 5 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in 5 years	$198,070 of which $26,672 will be "make-up" funding
Average Contribution per Unit per Month	$19.96
Option 3 - Path to Full Funding in 10 Years	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in 10 years	$185,718 of which $14,320 will be "make-up" funding
Average Contribution per Unit per Month	$18.71
Option 4 - Path to Full Funding in 30 Years*	
Annual Reserve Fund Contribution Required for the Reserve Fund to be Fully Funded in 30 years	$177,630 of which $6,232 will be "make-up" funding
Average Contribution per Unit per Month	$17.90
Option 5 – Baseline Funding*	
Annual Reserve Fund Contribution Required for Baseline Funding (Keeping the Reserve Fund above Zero over the 30 Year Period)	$144,530
Average Contribution per Unit per Month	$14.56

**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, these options 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
- Julie Baumann, On-Site Maintenance Supervisor

The following documents were viewed as part of this study:

- Map of Property
- Transaction Log, Dated March 24, 2022
- Long Range Plan for Future Expenses
- Monkey Tree Service LLC Invoice for Tree Removal
- J&I Power Equipment Inc. Invoice for Kubota Tractor, dated February 11, 2022
- Bob Howard Jr. Construction Proposal for Exterior Painting of Clubhouse, dated June 15, 2021
- Timberland Bank Reserve Expense Breakdown for 2020-2021

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

- May 16, 2022

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 2022 dollars. Exact numbers may vary.

	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.2	**SITE**								
	Asphalt overlay	105,600	SF	$3.35	1	5	$353,760	$428	$85.55
	Asphalt patching and repairs	5,000	SF	$8.50	1	5	$42,500	$51.39	$10.28
	Asphalt striping	1	LS	$19,000	1	5	$19,000	$22.97	$4.59
	Playground equipment replacement in both parks	1	LS	$38,000	18	20	$38,000	$45.95	$2.30
	Picnic shelters and picnic assets allotment	1	LS	$17,500	6	7	$17,500	$21.16	$3.02
	Replace front entrance signs	2	EA	$6,200	6	20	$12,400	$14.99	$0.75
	Repaint clubhouse and entrance signs	1	LS	$3,000	1	5	$3,000	$3.63	$0.73
	Install a storage building	1	EA	$15,000	2	25	$15,000	$18.14	$0.73
	Clubhouse landscaping project	1	LS	$1,200	3	10	$1,200	$1.45	$0.15
	Tree removal project	1	LS	$65,000	6	7	$65,000	$78.60	$11.23
	Basketball court paving	1	LS	$12,000	19	20	$12,000	$14.51	$0.73
3.3	**STRUCTURE**								
	Replacement of backhoe shed and 5 water pump buildings	6	EA	$7,000	10	25	$42,000	$50.79	$2.03
	Replace covered picnic structures	2	EA	$20,000	10	25	$40,000	$48.37	$1.93
3.4	**ROOFING**								
	Resurface roof of office	29	SQ	$550	13	25	$15,950	$19.29	$0.77
	Resurface roof of clubhouse	44	SQ	$1,500	47	50	$66,000	$79.81	$1.60
	Replace roofs of water sheds and backhoe shed	10	SQ	$550	23	25	$5,500	$6.65	$0.27
3.5	**EXTERIOR**								
	Paint exterior of clubhouse	6,800	SF	$2.86	7	8	$19,440	$23.51	$2.94
	Replace office windows	1	LS	$26,000	5	50	$26,000	$31.44	$0.63
	Painting of the office is performed via the main budget outside of the Reserve Fund								
3.6	**ELECTRICAL SYSTEMS**								
	Replace water systems generator #1	1	EA	$85,000	7	30	$85,000	$102.78	$3.43
	Replace water systems generator #2	1	EA	$85,000	23	30	$85,000	$102.78	$3.43

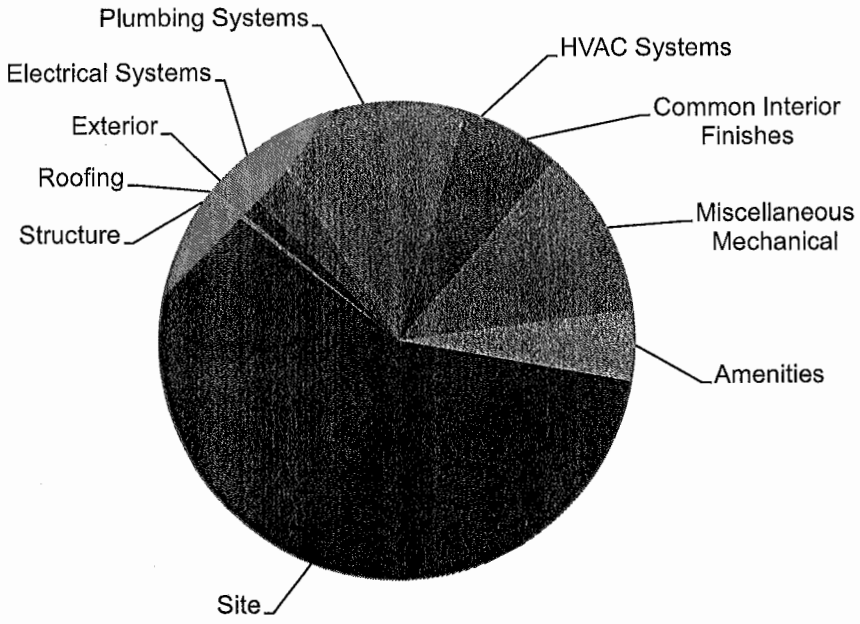
	Component	Quantity	Units	Cost/Unit	Remaining Life (Years)	Useful Life (Years)	Total Cost	Cost per Unit	Avg. Cost per Unit per Year
3.7	**PLUMBING SYSTEMS**								
	Purchase electonic water meter readers and new software	1	LS	$75,000	16	20	$75,000	$90.69	$4.53
	Replace booster pumps	4	EA	$14,400	21	40	$57,600	$69.65	$1.74
	Replace meters with new electronic meters - Phase 5 of 8	1	LS	$24,000	0	N/A	$24,000	$29.02	N/A
	Replace meters with new electronic meters - Phase 6 of 8	1	LS	$24,000	1	N/A	$24,000	$29.02	N/A
	Replace meters with new electronic meters - Phase 7 of 8	1	LS	$24,000	2	N/A	$24,000	$29.02	N/A
	Replace meters with new electronic meters - Phase 8 of 8	1	LS	$24,000	3	N/A	$24,000	$29.02	N/A
	Upgrade the computer monitoring system	1	LS	$30,000	6	10	$30,000	$36.28	$3.63
	Clean the concrete reservoirs	2	EA	$1,920	0	3	$3,840	$4.64	$1.55
	Caulk and seal the cracks in the concrete reservoirs	2	EA	$6,303	0	6	$12,606	$15.24	$2.54
	Replace the fire hydrants	57	EA	$4,440	15	50	$253,080	$306.02	$6.12
	Replace the office septic tank and drain field	1	LS	$28,000	6	30	$28,000	$33.86	$1.13
	Replace the clubhouse septic tank and drain field	1	LS	$28,000	6	30	$28,000	$33.86	$1.13
3.8	**HVAC SYSTEMS**								
	Install ductless heat pumps in office and clubhouse	2	EA	$18,200	0	15	$36,400	$44.01	$2.93
3.9	**ELEVATORS**								
	No elevators on property								
3.10	**FIRE DETECTION & SUPPRESSION**								
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers								
3.11	**COMMON INTERIOR FINISHES**								
	Replace the office carpet	45	SY	$48	3	15	$2,160	$2.61	$0.17
	Replace the clubhouse flooring	1	LS	$5,000	2	15	$5,000	$6.05	$0.40
	Renovate the clubhouse kitchen and upgrade all appliances	1	LS	$60,000	2	20	$60,000	$72.55	$3.63
	Clubhouse locker room enhancement	2	EA	$30,000	3	15	$60,000	$72.55	$4.84
	Clubhouse interior painting	1	LS	$2,000	2	10	$2,000	$2.42	$0.24
	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	$10,500	10	20	$10,500	$12.70	$0.63
	Replace mow ers	2	EA	$18,000	4	10	$36,000	$43.53	$4.35
	Truck replacement	1	LS	$48,000	3	5	$48,000	$58.04	$11.61
	Office computer replacement	3	EA	$2,500	4	5	$7,500	$9.07	$1.81
	Server replacement	1	LS	$2,400	1	3	$2,400	$2.90	$0.97
	Sauna renovation	2	EA	$7,200	3	12	$14,400	$17.41	$1.45
	Replace Kubota back hoe	1	EA	$11,530	19	20	$11,530	$13.94	$0.70
	Replace hydraulic trailer	1	EA	$5,400	7	20	$5,400	$6.53	$0.33
	Replace w ater tank trailer	1	EA	$3,000	7	20	$3,000	$3.63	$0.18
	Replace diesel tank	1	EA	$3,840	1	25	$3,840	$4.64	$0.19
	Surveillance system allotment	1	LS	$2,500	9	10	$2,500	$3.02	$0.30
3.13	**AMENITIES**								
	Sw imming pool leak repairs	1	LS	$20,000	0	N/A	$20,000	$24.18	N/A
	Re-plaster sw imming pool	3,378	SF	$16.50	0	25	$55,737	$67.40	$2.70
	Re-tile sw imming pool	1	LS	$5,760	0	25	$5,760	$6.96	$0.28
	Replace pool pump	1	EA	$12,000	7	10	$12,000	$14.51	$1.45
	Replace pool furnace	1	EA	$28,900	3	20	$28,900	$34.95	$1.75
	Replace sand pool filter system	1	LS	$7,200	3	10	$7,200	$8.71	$0.87
							Average Cost Per Unit Per Year		**$201**

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

Category	Total Expenditure over 30 Years	Percentage
Site	$4,594,370	56.4%
Structure	$110,201	1.4%
Roofing	$34,278	0.4%
Exterior	$122,703	1.5%
Electrical Systems	$272,294	3.3%
Plumbing Systems	$1,129,473	13.9%
HVAC Systems	$181,462	2.2%
Elevators	$0	0.0%
Fire Detection & Suppresion	$0	0.0%
Common Interior Finishes	$374,742	4.6%
Miscellaneous Mechanical	$936,595	11.5%
Amenities	$392,774	4.8%
TOTAL	**$8,148,892**	

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

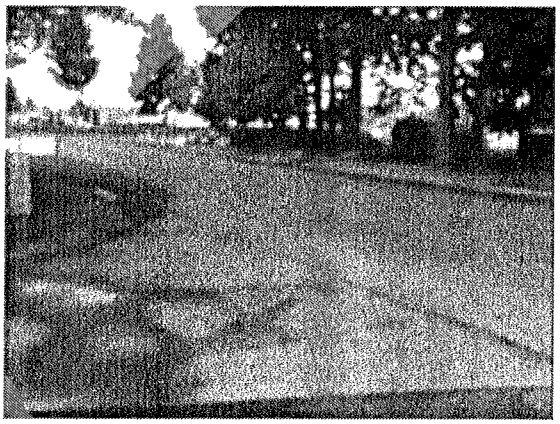
Asphalt

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.

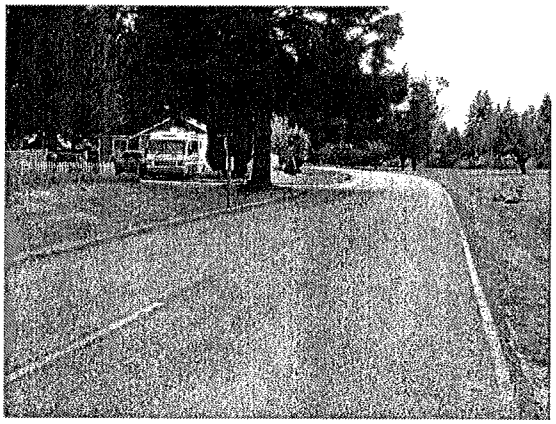
The asphalt is currently in need of some maintenance, and we have budgeted for the current and future maintenance of this asphalt. Along with a complete overlay of this asphalt, we have also budgeted for periodic patching and other repairs, as necessary.

Storm System

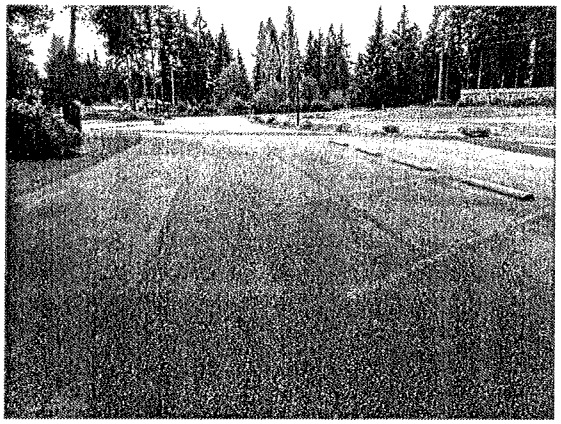
The storm system is maintained by the operating budget on this property. Storm drain cleanout is considered routine maintenance at this property and is not budgeted for in the Reserve Fund.



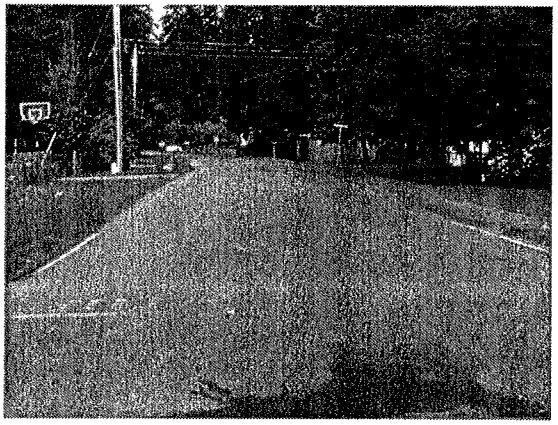
Port Orford Blvd



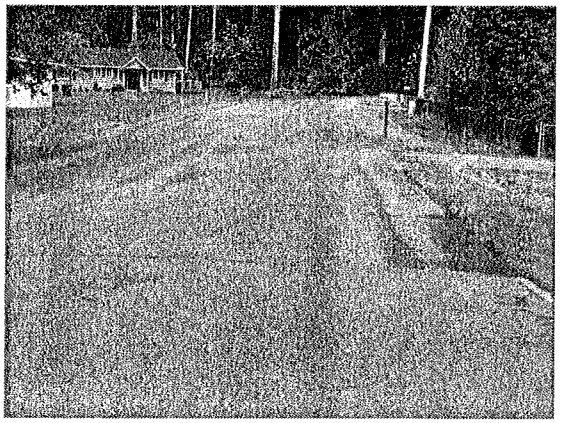
Port Orford Blvd



Clubhouse Parking Lot

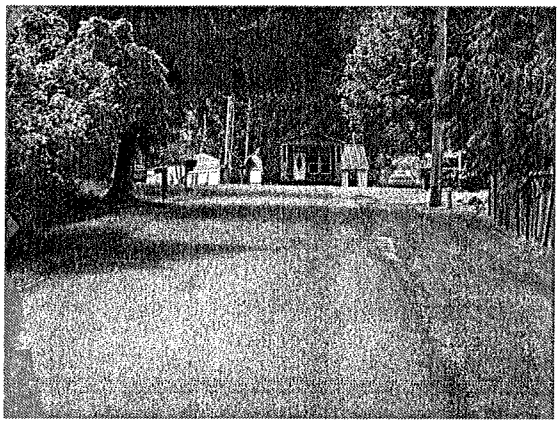


Heather Lane

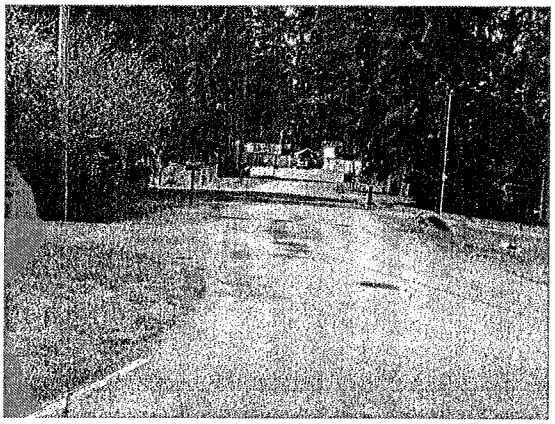


Holly Street

Briar Street

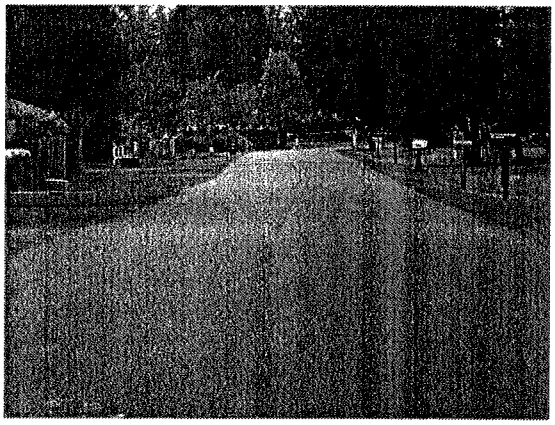


Abelia Court



Deodar Court

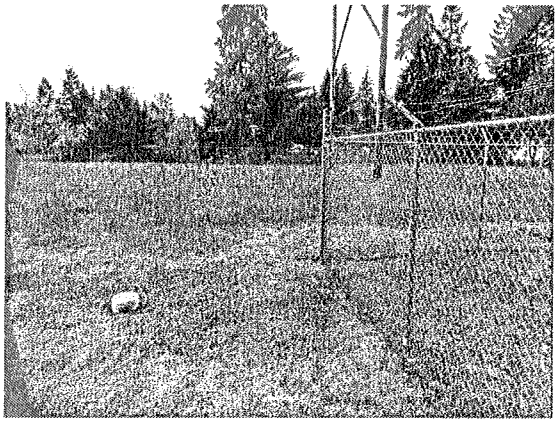
Thuja Court



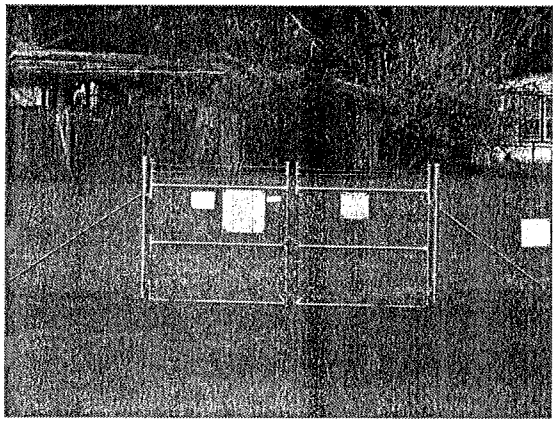
Pepperidge Lane

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

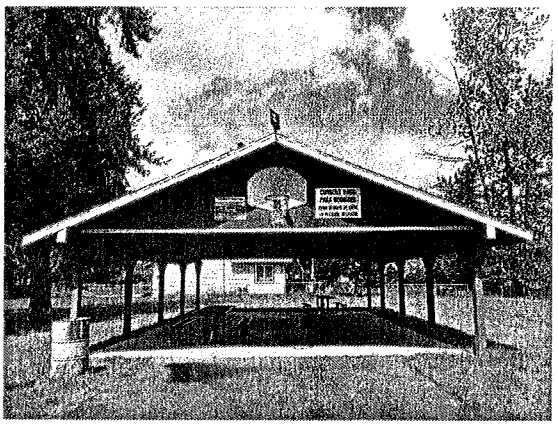


Chain Link Fence

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



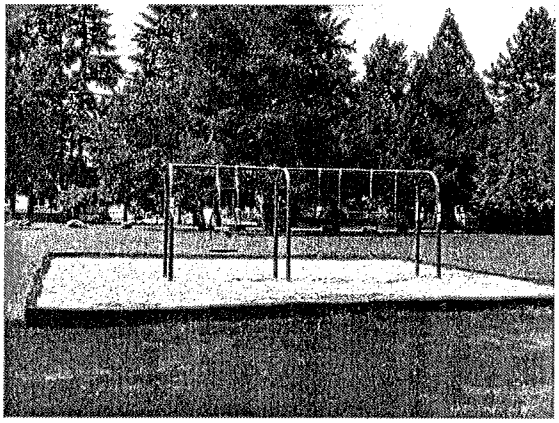
Picnic Shelter

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

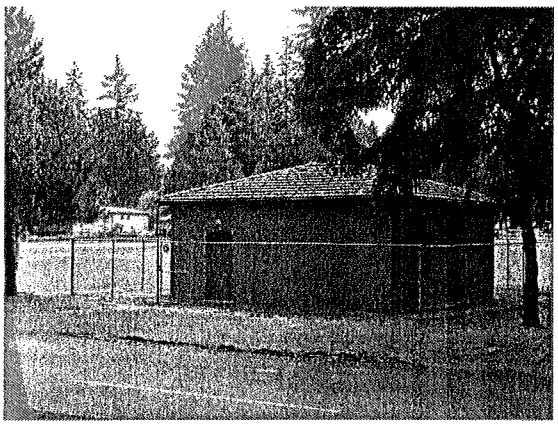
Property Signs

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

Building Owned by Others

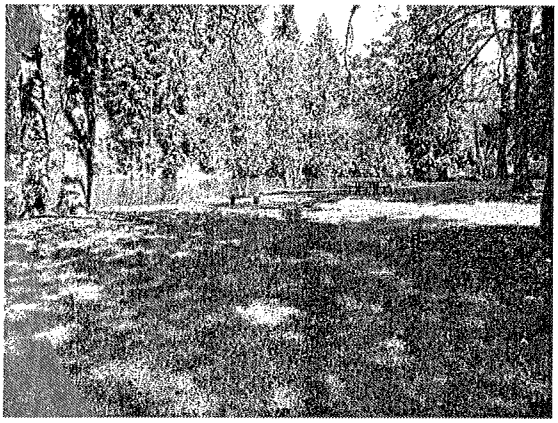
There is a building that is east of the office that is not owned by the Homeowners Association. This building is owned by others.



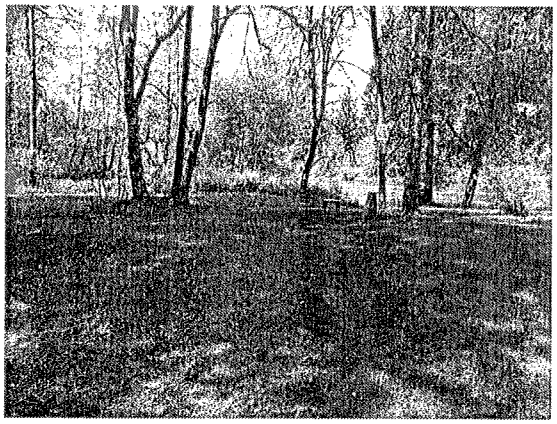
Building Owned by Others

Landscaping and Irrigation

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

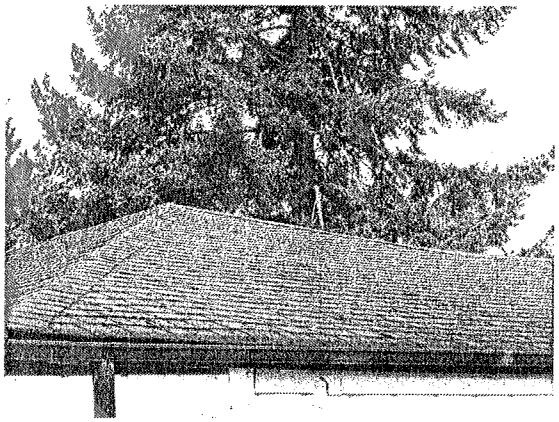
The foundations of the common buildings were only partially visible and no structural drawings were available for our review. Based on the visual evidence, there are no anticipated capital expenditures associated with the structure of these buildings during the next 30 years.

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

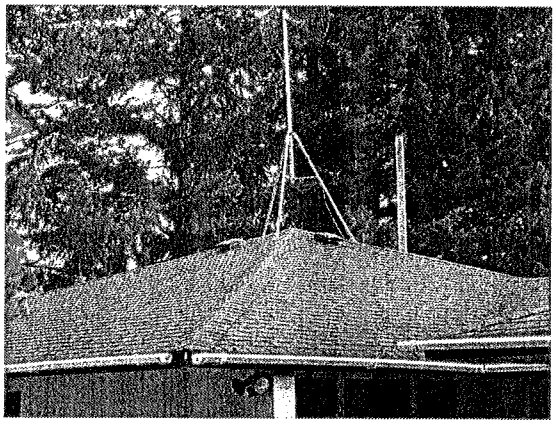
3.4 ROOFING

The roof of the 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.

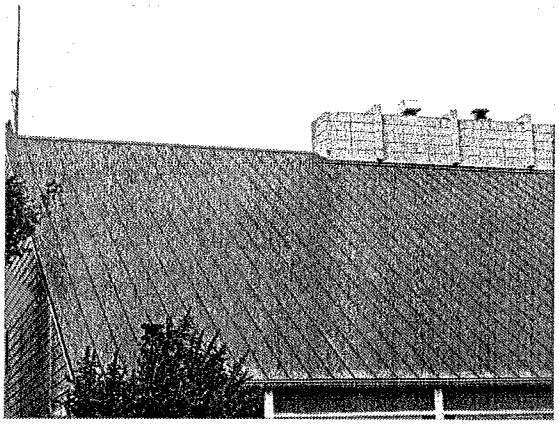
The roof of the clubhouse is pitched and is surfaced with standing seam metal roof surfacing. This roof was resurfaced in 2018 and should have a total lifespan of 50 years or more.



Asphalt Composition Roof on Office



Asphalt Composition Roof on Office



Metal Roof on Clubhouse

Metal Roof on Clubhouse

3.5 EXTERIOR

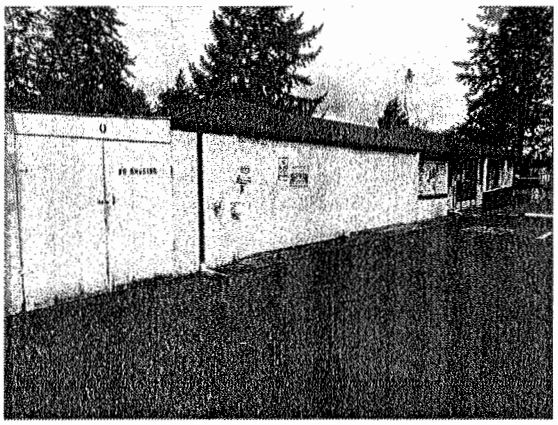
The only building that we have budgeted for the maintenance of the exterior is the clubhouse. We understand that the office and all of the water supply buildings are paid for as part of the water resources operating budget.

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.

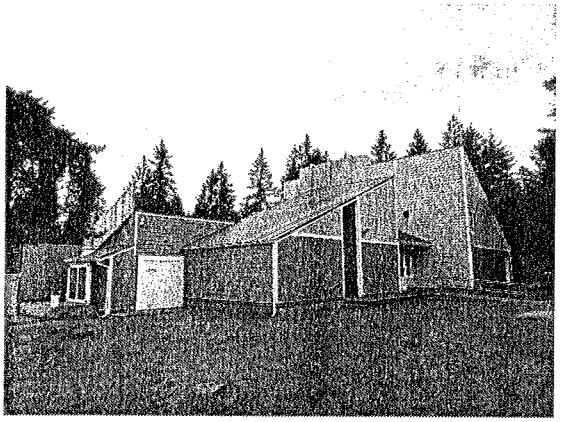


Front of Office/Garage

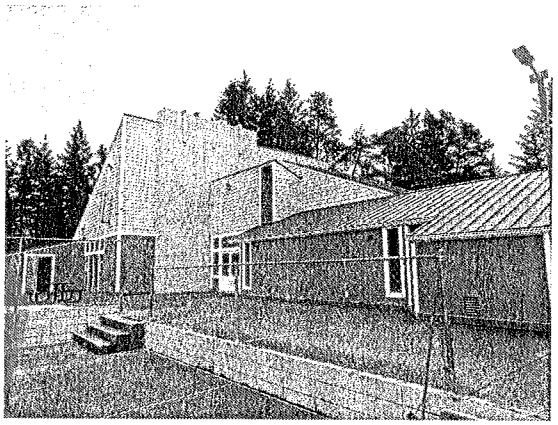
Rear of Office/Garage

Clubhouse

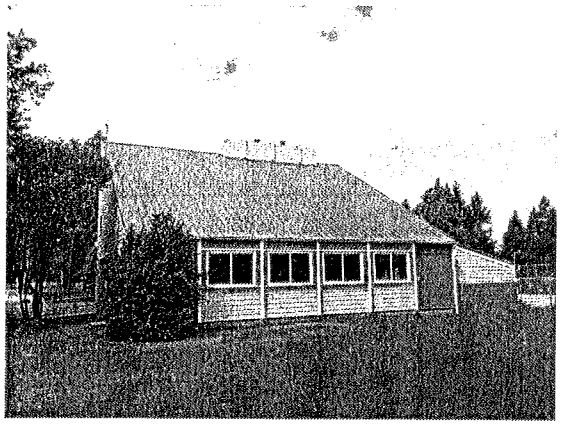
We understand that the clubhouse was re-clad in 2010 with fiber-cement siding and wood trim per modern architectural design. The exterior of this clubhouse is in good condition. The fiber-cement siding and wood trim should have a lifespan well beyond the duration of this study. Therefore, all that we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



Exterior of Clubhouse



Exterior of Clubhouse

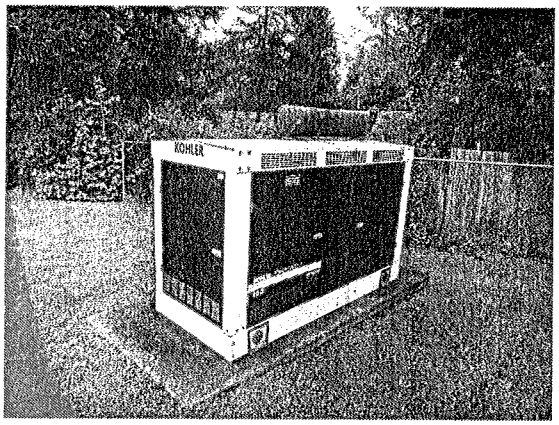


Exterior of Clubhouse

3.6 ELECTRICAL SYSTEMS

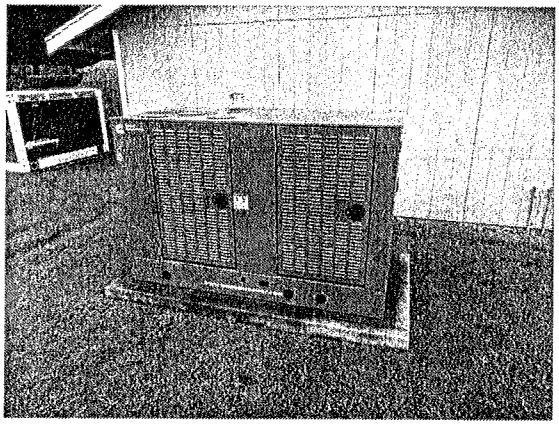
The electrical system infrastructure on this property should have a lifespan outside the duration of this study. Therefore, the replacement of the main distribution lines and electrical equipment has not been allotted for in this study.

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

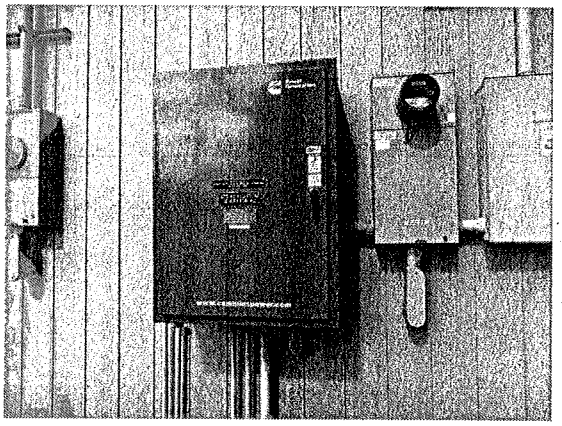


Older Generator #1

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 Julie Baumann. She 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 from Julie Baumann that well #7 was recently 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:

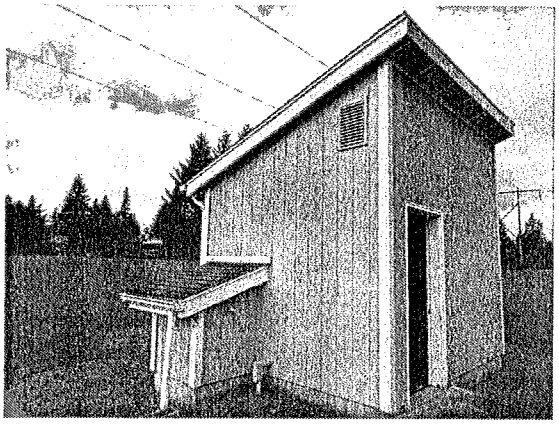
- In 2002, new water mains were installed on all of the arterials with adequate fire supply capacity. These water mains should have a lifespan of 50 to 100 years and have not been budgeted for in the Reserve Fund.
- In 2003, four 25 horsepower variable speed booster pumps were installed to provide adequate 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:

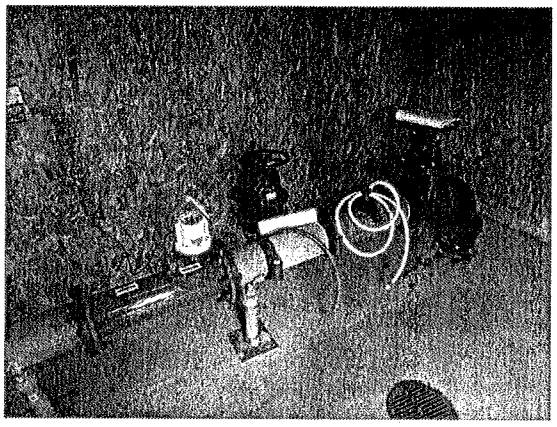
- Approximately 102 meters will be replaced every year until they are all replaced. The Association has already completed the first 4 phases of 8 total phases of meter replacement.
- Additionally, in 2016 equipment and software was purchased to read the new meters.
- In 2018, a new computer monitoring 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. Starting in 2020, the reservoirs should be cleaned every 3 years. Additionally, these reservoirs should be caulked and sealed in 2022 and 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.

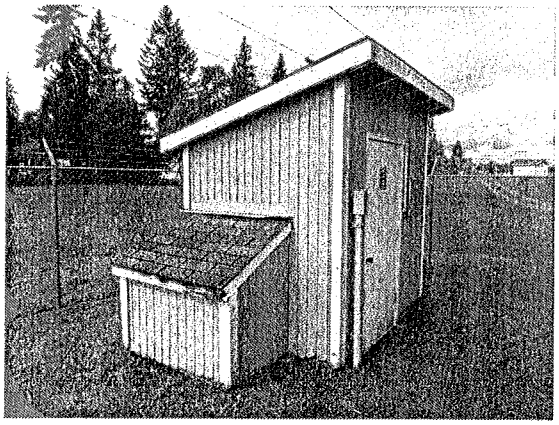
We have not budgeted for the replacement of the water heaters as this is a relatively small expense.



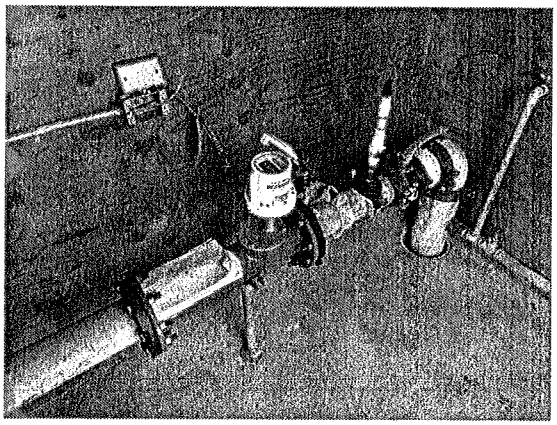
Pump House #5



Piping and Valves in Pump House #5

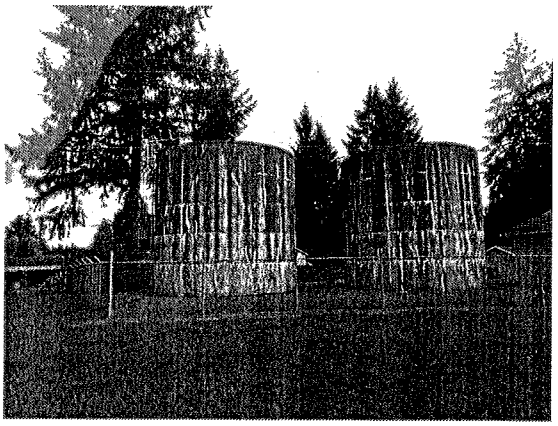


Pump House #6

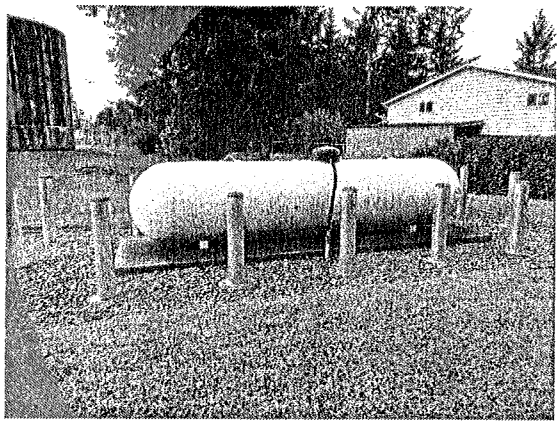


Piping and Valves in Pump House #6

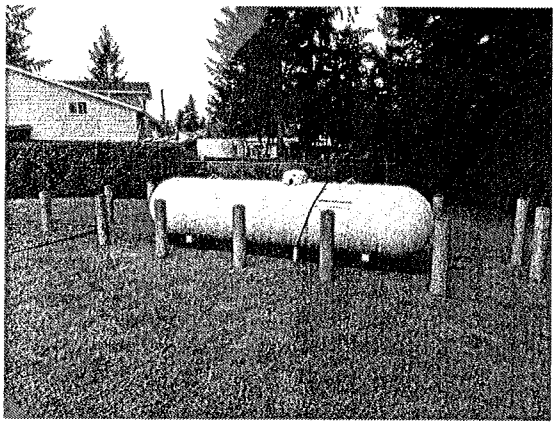
Booster House Building



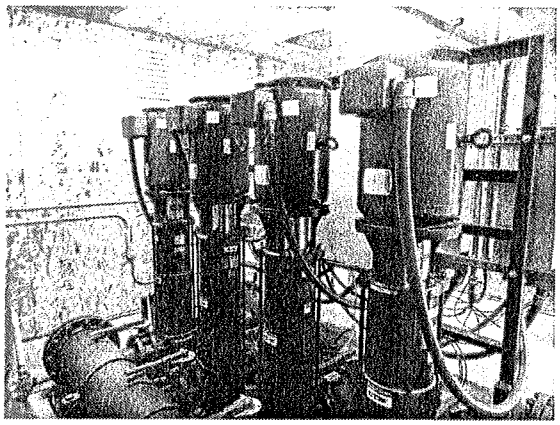
Concrete Water Towers



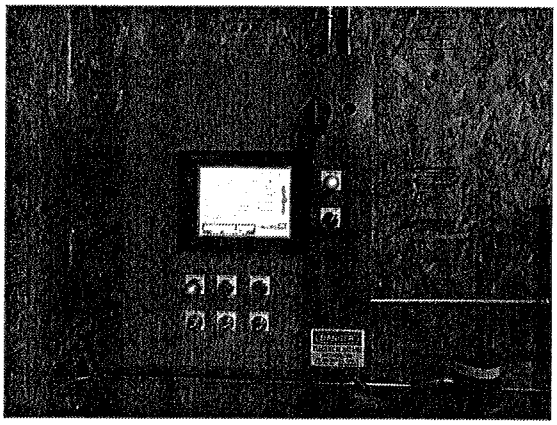
Propane Tank #1 for Generator #1



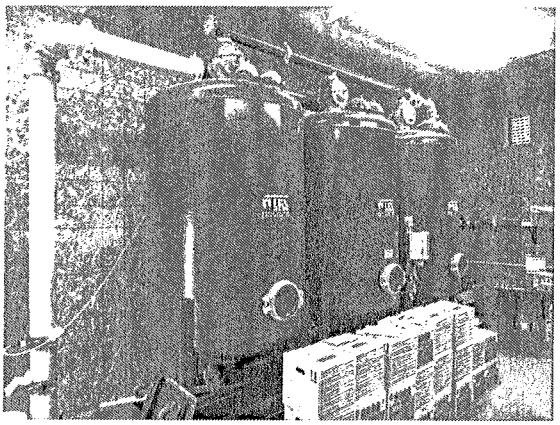
Propane Tank #2 for Generator #2



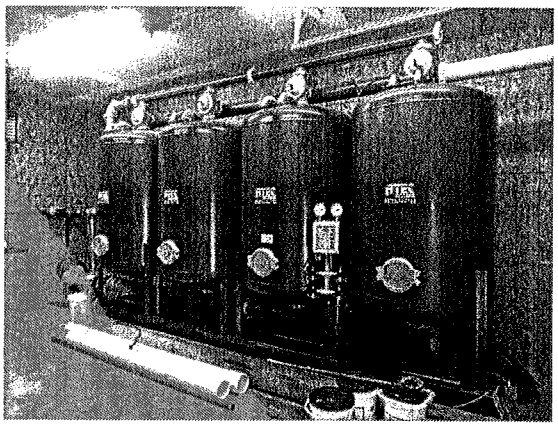
Booster Pumps



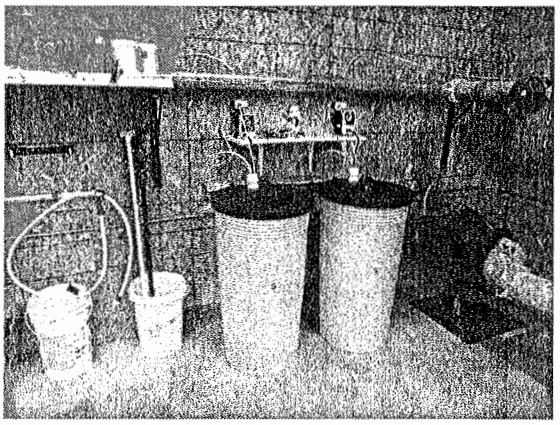
Control System



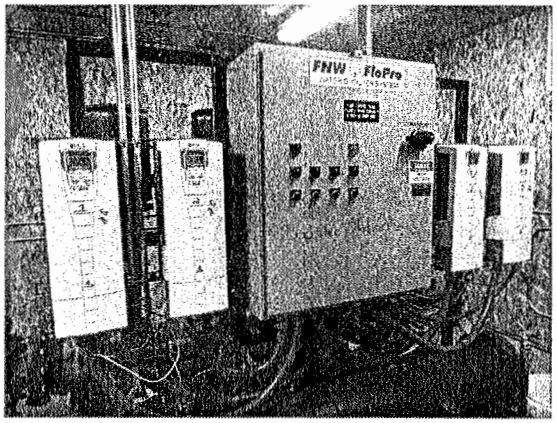
3 ATEC Filters



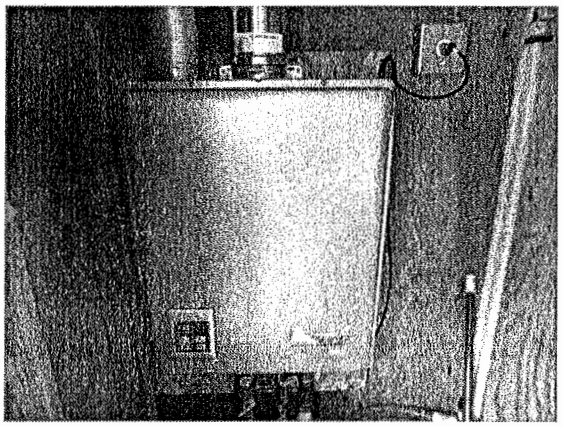
4 ATEC Filters



Chlorination Tanks



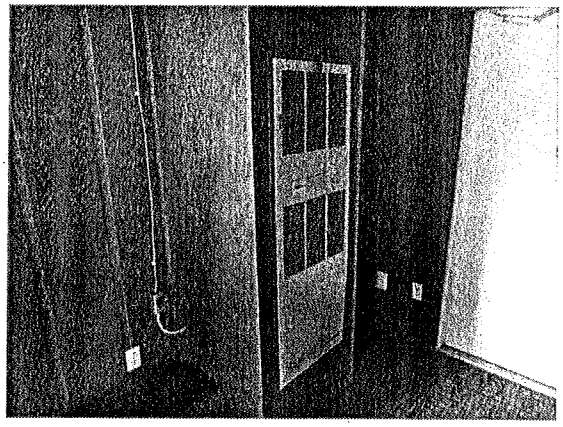
Goulds Aquavar Centrifugal Pump



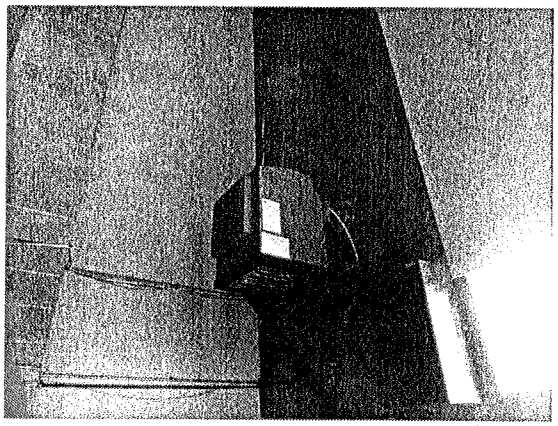
Clubhouse Water Heater

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



Electric Heater

3.9 ELEVATORS

There are no elevators in this development.

3.10 FIRE DETECTION AND SUPPRESSION

There are no 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.

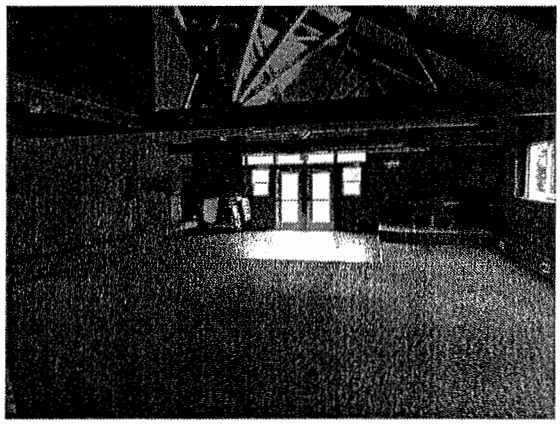
Clubhouse

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 2015. Additionally, the carpet in the clubhouse was also replaced in 2015. We understand that the Board plans to renovate the majority of the clubhouse in 2024 and the locker rooms in 2025.

Some of the kitchen appliances are old and will most likely need to be updated within the near future.

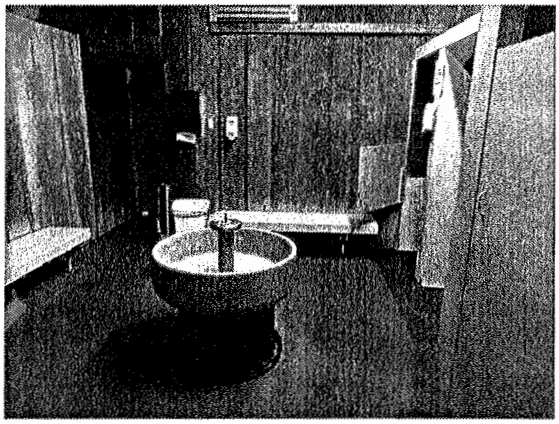
Since the walls and ceilings are clad with cedar, there will be little painting that will be necessary. We have assumed that all interior painting can be done via the operating budget.

Finally, we have scheduled a locker room upgrade every 15 years.

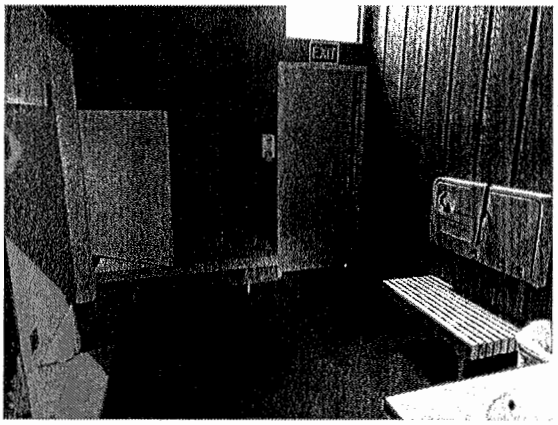


Banquet Room in Clubhouse

Clubhouse Kitchen

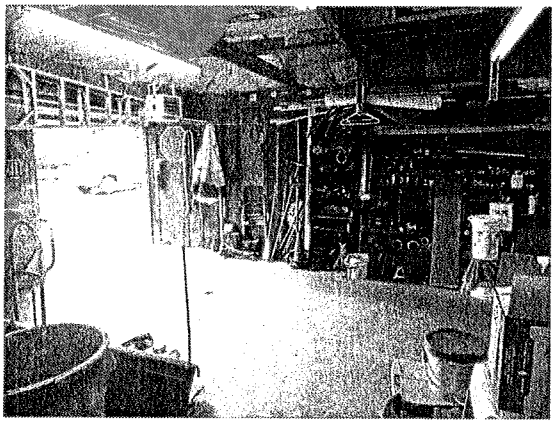


Men's Locker Room in Clubhouse



Women's Locker Room in Clubhouse

Interior of Office

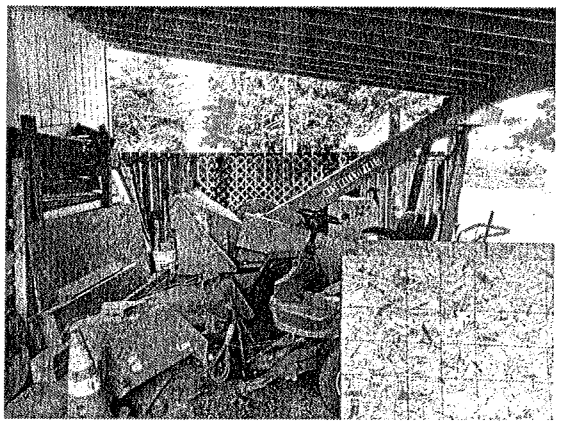


Interior of Garage Adjacent Office

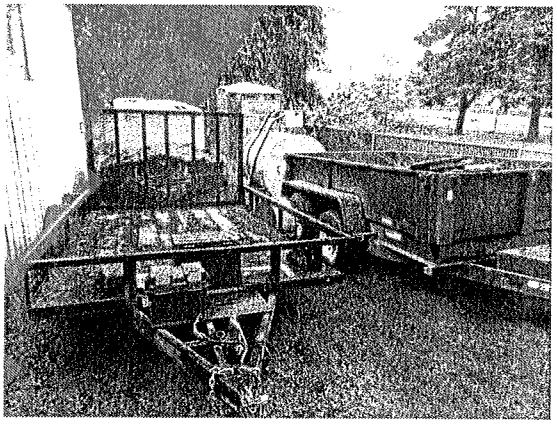
3.12 MISCELLANEOUS

Maintenance Equipment

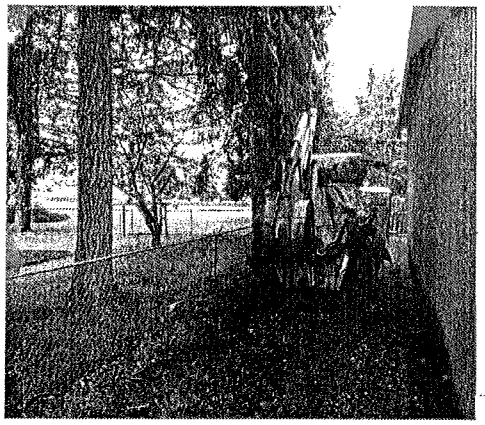
There are several pieces of maintenance equipment on this property. The majority of the maintenance equipment are purchased and maintained via the operating budget; however, we have budgeted for eventual replacement of the backhoe, the hydraulic trailer, the water tank trailer, the diesel tank, the chipper,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



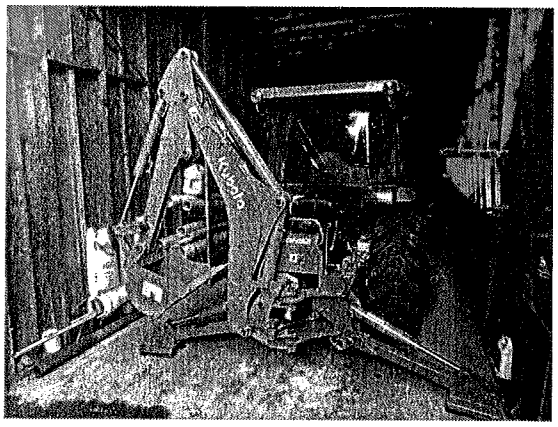
Mower and Chipper in the Back Hoe Shed



Trailers



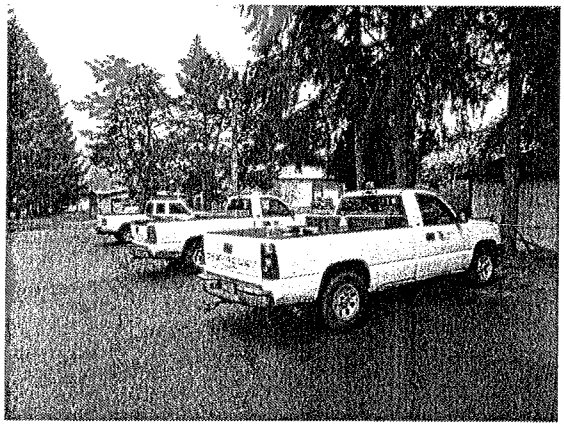
Backhoe



New Kubota Tractor

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.



3 Maintenance Trucks

Computers

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

Maintenance Office

Saunas

There are two saunas in this building; one for men and one for women. We have budgeted for renovation of these saunas every 12 years. We assume that they will be renovated in 2025 with the rest of the locker rooms.

3.13 AMENITIES

Swimming Pool

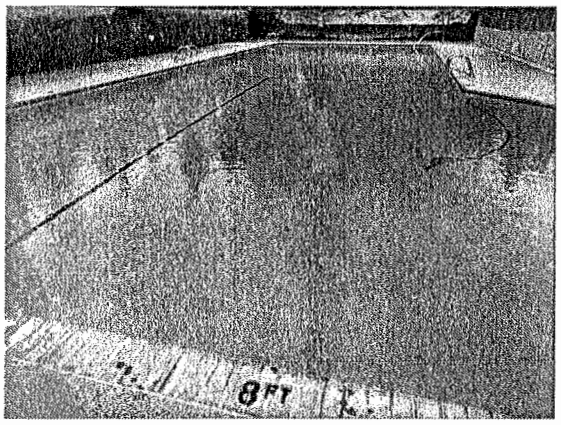
There is a common swimming pool in this development that we understand was re-plastered and re-tiled in 2008. We understand that there is a leak present below the swimming pool that will need to be replaced in 2022. Repairs of this leak will likely require the swimming pool to be replastered and retiled in 2022. 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.

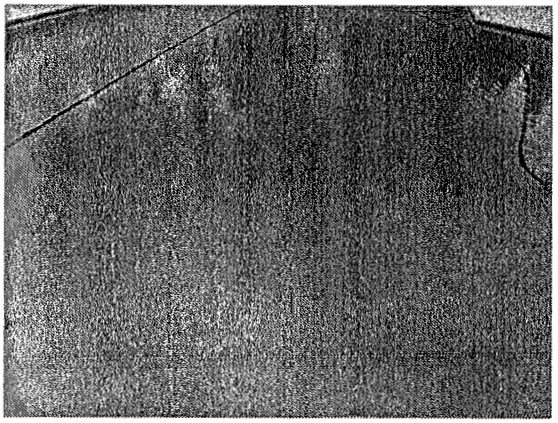
The pool heating furnace is old; however, we understand from Paulette Howard that this furnace is working well and that the pool technician stated that it has a few years of life remaining. Therefore, we have budgeted for this unit to be replaced in 2022 and every 20 years thereafter.

There are 3 pool filters that we understand were installed 2010. We have budgeted for these pool filters to be replaced every 12 years.

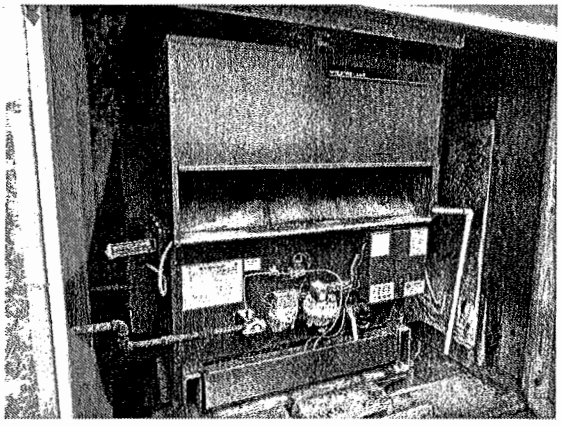
The main pool pump was replaced in 2019. We assume that this pump will have a 10-year life on average.



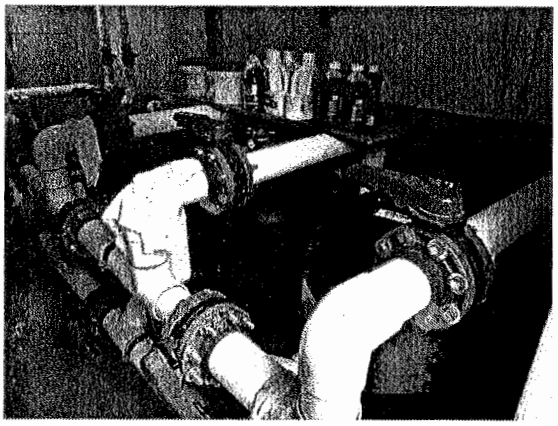
Swimming Pool



Close-up of Swimming Pool Plaster



Old Swimming Pool Furnace



Swimming Pool Filters

3.20 SUMMARY OF ANNUAL ANTICIPATED EXPENSES

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

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
3.2	**SITE**											
	Asphalt overlay		$364,373					$422,408				
	Asphalt patching and repairs		$43,775					$50,747				
	Asphalt striping		$19,570					$22,687				
	Playground equipment replacement in both parks											
	Picnic shelters and picnic assets allotment							$20,896				
	Replace front entrance signs							$14,806				
	Repaint clubhouse and entrance signs		$3,090					$3,582				
	Install a storage building			$15,914								
	Clubhouse landscaping project				$1,311							
	Tree removal project							$77,613				
	Basketball court paving											
3.3	**STRUCTURE**											
	Replacement of backhoe shed and 5 water pump buildings											$56,444
	Replace covered picnic structures											$53,757
3.4	**ROOFING**											
	Resurface roof of office											
	Resurface roof of clubhouse											
	Replace roofs of water sheds and backhoe shed											
3.5	**EXTERIOR**											
	Paint exterior of clubhouse								$23,909			
	Replace office windows						$30,141					
3.6	**ELECTRICAL SYSTEMS**											
	Replace water systems generator #1								$104,539			
	Replace water systems generator #2											

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
3.7	**PLUMBING SYSTEMS**											
	Purchase electonic water meter readers and new software											
	Replace booster pumps											
	Replace meters with new electronic meters - Phase 5 of 8	$24,000										
	Replace meters with new electronic meters - Phase 6 of 8		$24,720									
	Replace meters with new electronic meters - Phase 7 of 8			$25,462								
	Replace meters with new electronic meters - Phase 8 of 8				$26,225							
	Upgrade the computer monitoring system							$35,822				
	Clean the concrete reservoirs	$3,840			$4,196			$4,585			$5,010	
	Caulk and seal the cracks in the concrete reservoirs	$12,606						$15,052				
	Replace the fire hydrants											
	Replace the office septic tank and drain field							$33,433				
	Replace the clubhouse septic tank and drain field							$33,433				
3.8	**HVAC SYSTEMS**											
	Install ductless heat pumps in office and clubhouse	$36,400										
3.9	**ELEVATORS**											
	No elevators on property											
3.10	**FIRE DETECTION & SUPPRESSION**											
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers											
3.11	**COMMON INTERIOR FINISHES**											
	Replace the office carpet				$2,360							
	Replace the clubhouse flooring			$5,305								
	Renovate the clubhouse kitchen and upgrade all appliances			$63,654								
	Clubhouse locker room enhancement				$65,564							
	Clubhouse interior painting			$2,122								

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
3.12	**MISCELLANEOUS**											
	Replace chipper											$14,111
	Replace mowers					$40,518						
	Truck replacement				$52,451					$60,805		
	Office computer replacement					$8,441					$9,786	
	Server replacement		$2,472			$2,701			$2,952			$3,225
	Sauna renovation				$15,735							
	Replace Kubota back hoe											
	Replace hydraulic trailer								$6,641			
	Replace water tank trailer								$3,690			
	Replace diesel tank		$3,955									
	Surveillance system allotment										$3,262	
3.13	**AMENITIES**											
	Swimming pool leak repairs	$20,000										
	Re-plaster swimming pool	$55,737										
	Re-tile swimming pool	$5,760										
	Replace pool pump								$14,758			
	Replace pool furnace				$31,580							
	Replace sand pool filter system				$7,868							
	ANNUAL EXPENSES BY YEAR	**$158,343**	**$461,955**	**$112,455**	**$207,290**	**$51,661**	**$30,141**	**$735,066**	**$156,489**	**$60,805**	**$18,058**	**$127,538**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
3.2	**SITE**											
	Asphalt overlay	$489,687					$567,681					$658,098
	Asphalt patching and repairs	$58,830					$68,200					$79,063
	Asphalt striping	$26,300					$30,489					$35,346
	Playground equipment replacement in both parks								$64,692			
	Picnic shelters and picnic assets allotment			$25,699							$31,607	
	Replace front entrance signs											
	Repaint clubhouse and entrance signs	$4,153					$4,814					$5,581
	Install a storage building											
	Clubhouse landscaping project			$1,762								
	Tree removal project			$95,455							$117,397	
	Basketball court paving									$21,042		
3.3	**STRUCTURE**											
	Replacement of backhoe shed and 5 water pump buildings											
	Replace covered picnic structures											
3.4	**ROOFING**											
	Resurface roof of office			$23,423								
	Resurface roof of clubhouse											
	Replace roofs of water sheds and backhoe shed											
3.5	**EXTERIOR**											
	Paint exterior of clubhouse					$30,287						
	Replace office windows											
3.6	**ELECTRICAL SYSTEMS**											
	Replace water systems generator #1											
	Replace water systems generator #2											

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
3.7	**PLUMBING SYSTEMS**											
	Purchase electonic water meter readers and new software						$120,353					
	Replace booster pumps											$107,153
	Replace meters with new electronic meters - Phase 5 of 8											
	Replace meters with new electronic meters - Phase 6 of 8											
	Replace meters with new electronic meters - Phase 7 of 8											
	Replace meters with new electronic meters - Phase 8 of 8											
	Upgrade the computer monitoring system						$48,141					
	Clean the concrete reservoirs		$5,475			$5,983			$6,537			$7,144
	Caulk and seal the cracks in the concrete reservoirs		$17,973						$21,461			
	Replace the fire hydrants					$394,290						
	Replace the office septic tank and drain field											
	Replace the clubhouse septic tank and drain field											
3.8	**HVAC SYSTEMS**											
	Install ductless heat pumps in office and clubhouse					$56,710						
3.9	**ELEVATORS**											
	No elevators on property											
3.10	**FIRE DETECTION & SUPPRESSION**											
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers											
3.11	**COMMON INTERIOR FINISHES**											
	Replace the office carpet								$3,677			
	Replace the clubhouse flooring							$8,264				
	Renovate the clubhouse kitchen and upgrade all appliances											
	Clubhouse locker room enhancement								$102,146			
	Clubhouse interior painting		$2,852									

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
3.12	**MISCELLANEOUS**											
	Replace chipper											
	Replace mowers				$54,453							
	Truck replacement			$70,490					$81,717			
	Office computer replacement				$11,344					$13,151		
	Server replacement			$3,524			$3,851			$4,208		
	Sauna renovation					$22,435						
	Replace Kubota back hoe									$20,219		
	Replace hydraulic trailer											
	Replace water tank trailer											
	Replace diesel tank											
	Surveillance system allotment									$4,384		
3.13	**AMENITIES**											
	Swimming pool leak repairs											
	Re-plaster swimming pool											
	Re-tile swimming pool											
	Replace pool pump							$19,834				
	Replace pool furnace											
	Replace sand pool filter system			$10,573								
	ANNUAL EXPENSES BY YEAR	**$578,970**	**$26,300**	**$230,927**	**$65,798**	**$509,705**	**$843,530**	**$28,098**	**$280,231**	**$63,004**	**$149,004**	**$892,383**

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2044	2045	2046	2047	2048	2049	2050	2051	2052
3.2	**SITE**									
	Asphalt overlay					$762,916				
	Asphalt patching and repairs					$91,655				
	Asphalt striping					$40,975				
	Playground equipment replacement in both parks									
	Picnic shelters and picnic assets allotment						$38,873			
	Replace front entrance signs					$26,742				
	Repaint clubhouse and entrance signs					$6,470				
	Install a storage building						$33,319			
	Clubhouse landscaping project		$2,368							
	Tree removal project						$144,384			
	Basketball court paving									
3.3	**STRUCTURE**									
	Replacement of backhoe shed and 5 water pump buildings									
	Replace covered picnic structures									
3.4	**ROOFING**									
	Resurface roof of office									
	Resurface roof of clubhouse									
	Replace roofs of water sheds and backhoe shed		$10,855							
3.5	**EXTERIOR**									
	Paint exterior of clubhouse		$38,367							
	Replace office windows									
3.6	**ELECTRICAL SYSTEMS**									
	Replace water systems generator #1									
	Replace water systems generator #2		$167,755							

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2044	2045	2046	2047	2048	2049	2050	2051	2052
3.7	**PLUMBING SYSTEMS**									
	Purchase electonic water meter readers and new software									
	Replace booster pumps									
	Replace meters with new electronic meters - Phase 5 of 8									
	Replace meters with new electronic meters - Phase 6 of 8									
	Replace meters with new electronic meters - Phase 7 of 8									
	Replace meters with new electronic meters - Phase 8 of 8									
	Upgrade the computer monitoring system					$64,698				
	Clean the concrete reservoirs			$7,806			$8,530			$9,321
	Caulk and seal the cracks in the concrete reservoirs			$25,625						$30,598
	Replace the fire hydrants									
	Replace the office septic tank and drain field									
	Replace the clubhouse septic tank and drain field									
3.8	**HVAC SYSTEMS**									
	Install ductless heat pumps in office and clubhouse									$88,352
3.9	**ELEVATORS**									
	No elevators on property									
3.10	**FIRE DETECTION & SUPPRESSION**									
	No fire detection and suppression systems on this property beyond smoke detectors and fire extinguishers									
3.11	**COMMON INTERIOR FINISHES**									
	Replace the office carpet									
	Replace the clubhouse flooring									
	Renovate the clubhouse kitchen and upgrade all appliances	$114,966								
	Clubhouse locker room enhancement									
	Clubhouse interior painting	$3,832								

TABLE 3.20: ANNUAL CAPITAL EXPENSES

	Action Required	2044	2045	2046	2047	2048	2049	2050	2051	2052
3.12	**MISCELLANEOUS**									
	Replace chipper									$25,486
	Replace mowers			$73,181						
	Truck replacement		$94,732					$109,821		
	Office computer replacement			$15,246					$17,674	
	Server replacement	$4,599			$5,025			$5,491		
	Sauna renovation						$31,987			
	Replace Kubota back hoe									
	Replace hydraulic trailer						$11,995			
	Replace water tank trailer						$6,664			
	Replace diesel tank					$8,281				
	Surveillance system allotment								$5,891	
3.13	**AMENITIES**									
	Swimming pool leak repairs									
	Re-plaster swimming pool				$116,701					
	Re-tile swimming pool				$12,060					
	Replace pool pump						$26,655			
	Replace pool furnace		$57,037							
	Replace sand pool filter system		$14,210							
	ANNUAL EXPENSES BY YEAR	**$123,397**	**$385,323**	**$121,858**	**$133,786**	**$1,001,737**	**$302,406**	**$115,312**	**$23,566**	**$153,757**

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 $1,139,833 as of September 30, 2021 (Balance provided by Charity Mayerl). According to our calculations detailed in this report, the Reserve Fund balance required for "Full Funding" of this property at this time is $1,265,648. Therefore, the property is 90.1% funded.

The current annual contribution to the reserve fund is $149,455, which averages $15.06 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 90.1% funded.

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

4.2 RECOMMENDED RESERVE FUNDING PLAN

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

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

Our funding recommendations are as follows:

Option One: Immediate Full Funding

If the Association desires to be Fully Funded immediately, then based on the anticipated expenditures the Association will need to immediately contribute a total of $125,815 to the Reserve Fund. This translates to an average of $152 per unit. Following this initial contribution, the funding plan necessary to maintain a Fully Funded Capital Reserve Fund for the duration of this study will be a total property contribution of $171,398 per year in the initial year, which translates to $17.27 per unit per month. This annual contribution will need to be increased 3% each subsequent year to maintain Full Funding and to account for inflation.

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

-OR-

Option One

Average Immediate Contribution Per Unit:

$152

Avg. Contribution Thereafter Per Unit Per Month:

2023 $17.27

(with 3% annual increase thereafter)

Option Two: Full Funding Within Five Years

There is currently a "full funding" deficiency of $125,815. This option makes up this deficiency over the next five years. Starting in 2023 for five years through 2027, the Association will make up their Reserve Fund deficiency by contributing $198,070 annually (which includes $26,672 in make-up funds and $171,398 in capital maintenance funds that will increase annually with inflation). This translates to an average of $19.96 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2028. From this point on, the funding plan will be identical to funding plan listed above in the "Immediate Full Funding" option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to $198,697 in 2028, which translates to $20.02 per unit per month. This 2028 annual contribution will need to be increased 3% each subsequent year (to account for inflation) for the duration of this 30-year study to maintain Full Funding and to account for inflation.

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

Option Two

Average Contributions Per Unit Per Month:

2023 $19.96

Increasing at 3% per year through:

2027 $22.13

At year end, full funding will be achieved. Then:

2028 $20.02

(with 3% annual increase thereafter)

-OR-

Option Three: Full Funding Within Ten Years

There is currently a "full funding" deficiency of $125,815. This option makes up this deficiency over the next ten years. Starting in 2023 for ten years through 2032, the Association will make up their Reserve Fund deficiency by contributing $185,718 annually (which includes $14,320 in make-up funds and $171,398 in capital maintenance funds that will increase annually with inflation). This translates to an average of $18.71 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2033. From this point on, the funding plan will be identical to funding plan listed above in the "Immediate Full Funding" option to maintain Full Funding. This means that the Association will reduce their Reserve Fund contribution to $230,344 in 2033, which translates to $23.21 per unit per month. This 2033 annual contribution will need to be increased 3% each subsequent year for the duration of this 30-year study to maintain Full Funding and to account for inflation.

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

Option Three

Average Contributions Per Unit Per Month:

2023 $18.71

Increasing at 3% per year through:

2032 $23.98

At year end, full funding will be achieved. Then:

2037 $23.21

(plus 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 RCW 64.90.550, our Reserve Study is required to provide the following funding plans:

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

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

These required options are as follows:

Option Four: Full Funding in 30 Years

There is currently a "full funding" deficiency of $125,815. This option makes up this deficiency over the next thirty years. Starting in 2023 for thirty years through 2052, the Association will make up their Reserve Fund deficiency by contributing $177,630 annually (which includes $6,232 in make-up funds and $171,398 in capital maintenance funds that will increase annually with inflation). This translates to an average of $17.90 per unit per month in the initial year.

If this plan is followed, the Association will be Fully Funded by the start of 2052.

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

Option Four

Average Contributions Per Unit Per Month:

2023 $17.90

Increasing at 3% per year through:

2052 $41.33

-OR-

Option Five: Baseline Funding – Keeping Reserve Balance above Zero

The funding plan necessary to maintain the Reserve Fund above zero for the duration of this study will be an annual contribution of $144,530 per year in the initial year, which translates to $14.56 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 Five

Average Contributions Per Unit Per Month:

$14.56

(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 2052". 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 2032". This line graph focuses on the next ten years, comparing the proposed plans to get the Association to a Full Funding status.

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

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

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
CURRENT FUNDING PLAN													
Beginning Reserve Balance	1,139,833	1,211,971	931,143	1,001,183	981,755	1,124,535	1,298,415	767,134	812,446	961,671	1,164,358	1,267,768	922,016
Planned Special Assessments													
Regular Reserve Fund Contribution	187,126	149,455	153,939	158,557	163,314	168,213	173,260	178,458	183,811	189,326	195,005	200,856	206,881
Annual Total Property Contribution to The Reserve Fund	187,126	149,455	153,939	158,557	163,314	168,213	173,260	178,458	183,811	189,326	195,005	200,856	206,881
Average Monthly Contribution to the Reserve Fund per Unit	15.06	15.06	15.51	15.98	16.46	16.95	17.46	17.98	18.52	19.08	19.65	20.24	20.85
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	43,355	31,672	28,557	29,305	31,127	35,807	30,525	23,344	26,218	31,419	35,943	32,361	30,369
Ending Reserve Balance	***1,211,971***	***931,143***	***1,001,183***	***981,755***	***1,124,535***	***1,298,415***	***767,134***	***812,446***	***961,671***	***1,164,358***	***1,267,768***	***922,016***	***1,132,967***
Percentage of Full Funding	95.8%	86.9%	85.6%	83.3%	83.2%	83.4%	72.4%	71.2%	72.5%	74.2%	74.0%	65.4%	68.0%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	1,139,833	1,203,243	1,072,127	1,169,337	1,178,580	1,351,602	1,557,361	1,059,667	1,140,349	1,326,802	1,568,655	1,713,254	1,410,797
Full Funding Annual Maintenace Funding	187,126	171,398	176,540	181,836	187,291	192,910	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Planned Special Assessments / Make up Funds		125,815											
Annual Total Property Contribution to The Reserve Fund	187,126	297,213	176,540	181,836	187,291	192,910	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Average Monthly Contribution to the Reserve Fund per Unit	15.06	17.27	17.79	18.32	18.87	19.44	20.02	20.62	21.24	21.88	22.53	23.21	23.91
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	34,627	33,626	33,125	34,698	37,392	42,990	38,675	32,513	36,460	42,790	48,501	46,168	45,488
Full Funding - Ending Reserve Balance	***1,203,243***	***1,072,127***	***1,169,337***	***1,178,580***	***1,351,602***	***1,557,361***	***1,059,667***	***1,140,349***	***1,326,802***	***1,568,655***	***1,713,254***	***1,410,797***	***1,667,240***
Percentage of Full Funding	95.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
FULL FUNDING WITHIN 5 YEARS													
Beginning Reserve Balance	1,139,833	1,203,243	971,497	1,092,760	1,126,779	1,325,319	1,557,361	1,059,667	1,140,349	1,326,802	1,568,655	1,713,254	1,410,797
Full Funding Annual Maintenace Funding	187,126	171,398	176,540	181,836	187,291	192,910	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Planned Special Assessments / Make up Funds		26,672	26,672	26,672	26,672	26,672							
Annual Total Property Contribution to The Reserve Fund	187,126	198,070	203,212	208,508	213,963	219,582	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Average Monthly Contribution to the Reserve Fund per Unit	15.06	19.96	20.48	21.01	21.56	22.13	20.02	20.62	21.24	21.88	22.53	23.21	23.91
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	34,627	32,139	30,506	32,801	36,238	42,601	38,675	32,513	36,460	42,790	48,501	46,168	45,488
Ending Reserve Balance	***1,203,243***	***971,497***	***1,092,760***	***1,126,779***	***1,325,319***	***1,557,361***	***1,059,667***	***1,140,349***	***1,326,802***	***1,568,655***	***1,713,254***	***1,410,797***	***1,667,240***
Percentage of Full Funding	95.1%	90.6%	93.5%	95.6%	98.1%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
FULL FUNDING WITHIN 10 YEARS													
Beginning Reserve Balance	1,139,833	1,203,243	958,959	1,067,308	1,088,026	1,272,866	1,490,797	1,005,641	1,099,236	1,298,990	1,554,544	1,713,254	1,410,797
Full Funding Annual Maintenace Funding	187,126	171,398	176,540	181,836	187,291	192,910	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Planned Special Assessments / Make up Funds		14,320	14,320	14,320	14,320	14,320	14,320	14,320	14,320	14,320	14,320		
Annual Total Property Contribution to The Reserve Fund	187,126	185,718	190,860	196,156	201,611	207,230	213,017	218,978	225,117	231,441	237,955	230,344	237,255
Average Monthly Contribution to the Reserve Fund per Unit	15.06	18.71	19.23	19.77	20.32	20.88	21.46	22.07	22.68	23.32	23.98	23.21	23.91
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	34,627	31,954	29,945	31,852	34,890	40,842	36,893	31,107	35,442	42,170	48,293	46,168	45,488
Ending Reserve Balance	***1,203,243***	***958,959***	***1,067,308***	***1,088,026***	***1,272,866***	***1,490,797***	***1,005,641***	***1,099,236***	***1,298,990***	***1,554,544***	***1,713,254***	***1,410,797***	***1,667,240***
Percentage of Full Funding	95.1%	89.4%	91.3%	92.3%	94.2%	95.7%	94.9%	96.4%	97.9%	99.1%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
FULL FUNDING WITHIN 30 YEARS													
Beginning Reserve Balance	1,139,833	1,203,243	950,750	1,050,644	1,062,653	1,238,522	1,447,214	952,541	1,036,335	1,225,993	1,471,147	1,619,146	1,320,192
Full Funding Annual Maintenace Funding	187,126	171,398	176,540	181,836	187,291	192,910	198,697	204,658	210,798	217,122	223,635	230,344	237,255
Planned Special Assessments / Make up Funds		6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232
Annual Total Property Contribution to The Reserve Fund	187,126	177,630	182,772	188,068	193,523	199,142	204,929	210,890	217,030	223,354	229,867	236,576	243,487
Average Monthly Contribution to the Reserve Fund per Unit	15.06	17.90	18.42	18.95	19.50	20.07	20.65	21.25	21.87	22.51	23.16	23.84	24.54
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	34,627	31,832	29,577	31,231	34,008	39,691	35,464	29,392	33,433	39,859	45,669	43,438	42,864
Ending Reserve Balance	***1,203,243***	***950,750***	***1,050,644***	***1,062,653***	***1,238,522***	***1,447,214***	***952,541***	***1,036,335***	***1,225,993***	***1,471,147***	***1,619,146***	***1,320,192***	***1,580,242***
Percentage of Full Funding	95.1%	88.7%	89.8%	90.2%	91.6%	92.9%	89.9%	90.9%	92.4%	93.8%	94.5%	93.6%	94.8%
Yellow Highlighted Cells Represent Make-Up Funds													
BASELINE FUNDING													
Beginning Reserve Balance	1,139,833	1,203,243	917,154	981,625	956,306	1,092,861	1,260,163	721,939	759,926	901,427	1,095,973	1,190,809	836,029
Full Funding Annual Maintenace Funding	187,126	144,530	148,866	153,332	157,932	162,670	167,550	172,576	177,754	183,086	188,579	194,236	200,063
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	187,126	144,530	148,866	153,332	157,932	162,670	167,550	172,576	177,754	183,086	188,579	194,236	200,063
Average Monthly Contribution to the Reserve Fund per Unit	15.06	14.56	15.00	15.45	15.91	16.39	16.88	17.39	17.91	18.45	19.00	19.57	20.16
Annual Capital Expenses	158,343	461,955	112,455	207,290	51,661	30,141	735,066	156,489	60,805	18,058	127,538	578,970	26,300
Interest Income	34,627	31,336	28,061	28,639	30,283	34,774	29,292	21,899	24,552	29,518	33,795	29,953	27,687
Ending Reserve Balance	***1,203,243***	***917,154***	***981,625***	***956,306***	***1,092,861***	***1,260,163***	***721,939***	***759,926***	***901,427***	***1,095,973***	***1,190,809***	***836,029***	***1,037,480***
Percentage of Full Funding	95.1%	85.5%	83.9%	81.1%	80.9%	80.9%	68.1%	66.6%	67.9%	69.9%	69.5%	59.3%	62.2%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
CURRENT FUNDING PLAN													
Beginning Reserve Balance	1,132,967	1,148,849	1,339,302	1,091,587	504,491	734,535	722,870	938,861	1,081,790	482,456	653,884	573,065	765,959
Planned Special Assessments													
Regular Reserve Fund Contribution	213,088	219,480	226,065	232,847	239,832	247,027	254,438	262,071	269,933	278,031	286,372	294,963	303,812
Annual Total Property Contribution to The Reserve Fund	213,088	219,480	226,065	232,847	239,832	247,027	254,438	262,071	269,933	278,031	286,372	294,963	303,812
Average Monthly Contribution to the Reserve Fund per Unit	21.47	22.12	22.78	23.46	24.17	24.89	25.64	26.41	27.20	28.02	28.86	29.72	30.61
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	33,721	36,771	35,924	23,587	18,311	21,538	24,558	29,862	23,117	16,793	18,132	19,789	25,529
Ending Reserve Balance	***1,148,849***	***1,339,302***	***1,091,587***	***504,491***	***734,535***	***722,870***	***938,861***	***1,081,790***	***482,456***	***653,884***	***573,065***	***765,959***	***961,514***
Percentage of Full Funding	66.4%	67.9%	61.4%	40.5%	47.9%	45.7%	50.4%	52.2%	31.3%	36.6%	32.2%	37.3%	41.2%
Yellow Highlighted Cells Represent Make-Up Funds													
IMMEDIATE FULL FUNDING													
Beginning Reserve Balance	1,667,240	1,730,905	1,971,526	1,776,465	1,244,614	1,532,601	1,581,689	1,861,361	2,071,017	1,541,586	1,786,219	1,782,044	2,055,163
Full Funding Annual Maintenace Funding	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Average Monthly Contribution to the Reserve Fund per Unit	24.62	25.36	26.12	26.91	27.71	28.55	29.40	30.28	31.19	32.13	33.09	34.09	35.11
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	50,219	54,716	55,389	44,646	41,043	46,024	50,883	58,114	53,388	49,179	52,733	56,707	64,874
Full Funding - Ending Reserve Balance	***1,730,905***	***1,971,526***	***1,776,465***	***1,244,614***	***1,532,601***	***1,581,689***	***1,861,361***	***2,071,017***	***1,541,586***	***1,786,219***	***1,782,044***	***2,055,163***	***2,334,667***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
FULL FUNDING WITHIN 5 YEARS													
Beginning Reserve Balance	1,667,240	1,730,905	1,971,526	1,776,465	1,244,614	1,532,601	1,581,689	1,861,360	2,071,017	1,541,586	1,786,219	1,782,044	2,055,162
Full Funding Annual Maintenace Funding	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Average Monthly Contribution to the Reserve Fund per Unit	24.62	25.36	26.12	26.91	27.71	28.55	29.40	30.28	31.19	32.13	33.09	34.09	35.11
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	50,219	54,716	55,389	44,646	41,043	46,024	50,883	58,114	53,388	49,179	52,733	56,707	64,874
Ending Reserve Balance	***1,730,905***	***1,971,526***	***1,776,465***	***1,244,614***	***1,532,601***	***1,581,689***	***1,861,360***	***2,071,017***	***1,541,586***	***1,786,219***	***1,782,044***	***2,055,162***	***2,334,667***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047
FULL FUNDING WITHIN 10 YEARS													
Beginning Reserve Balance	1,667,240	1,730,904	1,971,526	1,776,465	1,244,614	1,532,601	1,581,689	1,861,360	2,071,017	1,541,586	1,786,219	1,782,044	2,055,162
Full Funding Annual Maintenace Funding	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Average Monthly Contribution to the Reserve Fund per Unit	24.62	25.36	26.12	26.91	27.71	28.55	29.40	30.28	31.19	32.13	33.09	34.09	35.11
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	50,219	54,716	55,389	44,646	41,043	46,024	50,883	58,114	53,388	49,179	52,733	56,707	64,874
Ending Reserve Balance	***1,730,904***	***1,971,526***	***1,776,465***	***1,244,614***	***1,532,601***	***1,581,689***	***1,861,360***	***2,071,017***	***1,541,586***	***1,786,219***	***1,782,044***	***2,055,162***	***2,334,667***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds													
FULL FUNDING WITHIN 30 YEARS													
Beginning Reserve Balance	1,580,242	1,647,622	1,892,071	1,700,952	1,173,160	1,465,330	1,518,725	1,802,833	2,017,060	1,492,335	1,741,816	1,742,635	2,020,896
Full Funding Annual Maintenace Funding	244,372	251,703	259,255	267,032	275,043	283,294	291,793	300,547	309,564	318,850	328,416	338,268	348,416
Planned Special Assessments / Make up Funds	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232	6,232
Annual Total Property Contribution to The Reserve Fund	250,604	257,936	265,487	273,264	281,275	289,527	298,025	306,779	315,796	325,082	334,648	344,500	354,649
Average Monthly Contribution to the Reserve Fund per Unit	25.25	25.99	26.75	27.54	28.34	29.17	30.03	30.91	31.82	32.76	33.72	34.71	35.74
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	47,702	52,311	53,099	42,475	38,992	44,099	49,087	56,452	51,863	47,795	51,494	55,619	63,940
Ending Reserve Balance	***1,647,622***	***1,892,071***	***1,700,952***	***1,173,160***	***1,465,330***	***1,518,725***	***1,802,833***	***2,017,060***	***1,492,335***	***1,741,816***	***1,742,635***	***2,020,896***	***2,305,698***
Percentage of Full Funding	95.2%	96.0%	95.7%	94.3%	95.6%	96.0%	96.9%	97.4%	96.8%	97.5%	97.8%	98.3%	98.8%
Yellow Highlighted Cells Represent Make-Up Funds													
BASELINE FUNDING													
Beginning Reserve Balance	1,037,480	1,043,370	1,223,317	964,560	365,865	583,728	559,275	761,847	890,699	276,604	432,556	335,518	511,419
Full Funding Annual Maintenace Funding	206,065	212,247	218,615	225,173	231,928	238,886	246,053	253,434	261,037	268,868	276,934	285,242	293,800
Planned Special Assessments / Make up Funds													
Annual Total Property Contribution to The Reserve Fund	206,065	212,247	218,615	225,173	231,928	238,886	246,053	253,434	261,037	268,868	276,934	285,242	293,800
Average Monthly Contribution to the Reserve Fund per Unit	20.76	21.39	22.03	22.69	23.37	24.07	24.79	25.54	26.30	27.09	27.91	28.74	29.60
Annual Capital Expenses	230,927	65,798	509,705	843,530	28,098	280,231	63,004	149,004	892,383	123,397	385,323	121,858	133,786
Interest Income	30,751	33,498	32,333	19,661	14,033	16,892	19,524	24,422	17,251	10,480	11,351	12,516	17,743
Ending Reserve Balance	***1,043,370***	***1,223,317***	***964,560***	***365,865***	***583,728***	***559,275***	***761,847***	***890,699***	***276,604***	***432,556***	***335,518***	***511,419***	***689,175***
Percentage of Full Funding	60.3%	62.0%	54.3%	29.4%	38.1%	35.4%	40.9%	43.0%	17.9%	24.2%	18.8%	24.9%	29.5%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2048	2049	2050	2051	2052
CURRENT FUNDING PLAN					
Beginning Reserve Balance	961,514	291,217	320,160	549,687	889,331
Planned Special Assessments					
Regular Reserve Fund Contribution	312,927	322,314	331,984	341,943	352,202
Annual Total Property Contribution to The Reserve Fund	312,927	322,314	331,984	341,943	352,202
Average Monthly Contribution to the Reserve Fund per Unit	31.53	32.48	33.45	34.46	35.49
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	18,513	9,035	12,855	21,266	29,657
Ending Reserve Balance	***291,217***	***320,160***	***549,687***	***889,331***	***1,117,432***
Percentage of Full Funding	16.6%	17.1%	25.0%	33.7%	37.6%
Yellow Highlighted Cells Represent Make-Up Funds					
IMMEDIATE FULL FUNDING					
Beginning Reserve Balance	2,334,667	1,752,197	1,873,000	2,198,583	2,638,650
Full Funding Annual Maintenace Funding	358,869	369,635	380,724	392,146	403,910
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	358,869	369,635	380,724	392,146	403,910
Average Monthly Contribution to the Reserve Fund per Unit	36.16	37.25	38.36	39.51	40.70
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	60,397	53,574	60,171	71,486	82,912
Full Funding - Ending Reserve Balance	***1,752,197***	***1,873,000***	***2,198,583***	***2,638,650***	***2,971,714***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds					
FULL FUNDING WITHIN 5 YEARS					
Beginning Reserve Balance	2,334,667	1,752,196	1,873,000	2,198,583	2,638,650
Full Funding Annual Maintenace Funding	358,869	369,635	380,724	392,146	403,910
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	358,869	369,635	380,724	392,146	403,910
Average Monthly Contribution to the Reserve Fund per Unit	36.16	37.25	38.36	39.51	40.70
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	60,397	53,574	60,171	71,486	82,912
Ending Reserve Balance	***1,752,196***	***1,873,000***	***2,198,583***	***2,638,650***	***2,971,714***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%

TABLE 4.5: RESERVE FUND BALANCE SHEET

	2048	2049	2050	2051	2052
FULL FUNDING WITHIN 10 YEARS					
Beginning Reserve Balance	2,334,667	1,752,196	1,873,000	2,198,583	2,638,650
Full Funding Annual Maintenace Funding	358,869	369,635	380,724	392,146	403,910
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	358,869	369,635	380,724	392,146	403,910
Average Monthly Contribution to the Reserve Fund per Unit	36.16	37.25	38.36	39.51	40.70
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	60,397	53,574	60,171	71,486	82,912
Ending Reserve Balance	***1,752,196***	***1,873,000***	***2,198,583***	***2,638,650***	***2,971,714***
Percentage of Full Funding	100.0%	100.0%	100.0%	100.0%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds					
FULL FUNDING WITHIN 30 YEARS					
Beginning Reserve Balance	2,305,698	1,728,684	1,855,107	2,186,480	2,632,508
Full Funding Annual Maintenace Funding	358,869	369,635	380,724	392,146	403,910
Planned Special Assessments / Make up Funds	6,232	6,232	6,232	6,232	6,232
Annual Total Property Contribution to The Reserve Fund	365,101	375,867	386,956	398,378	410,142
Average Monthly Contribution to the Reserve Fund per Unit	36.79	37.87	38.99	40.14	41.33
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	59,621	52,962	59,728	71,217	82,821
Ending Reserve Balance	***1,728,684***	***1,855,107***	***2,186,480***	***2,632,508***	***2,971,714***
Percentage of Full Funding	98.7%	99.0%	99.4%	99.8%	100.0%
Yellow Highlighted Cells Represent Make-Up Funds					
BASELINE FUNDING					
Beginning Reserve Balance	689,175	241	9,673	218,780	537,059
Full Funding Annual Maintenace Funding	302,614	311,692	321,043	330,674	340,594
Planned Special Assessments / Make up Funds					
Annual Total Property Contribution to The Reserve Fund	302,614	311,692	321,043	330,674	340,594
Average Monthly Contribution to the Reserve Fund per Unit	30.49	31.41	32.35	33.32	34.32
Annual Capital Expenses	1,001,737	302,406	115,312	23,566	153,757
Interest Income	10,188	147	3,376	11,170	18,914
Ending Reserve Balance	***241***	***9,673***	***218,780***	***537,059***	***742,810***
Percentage of Full Funding	0.0%	0.5%	10.0%	20.4%	25.0%

Figure 4.5A-1 Comparison of Funding Plans – Reserve Fund Balances Through 2052

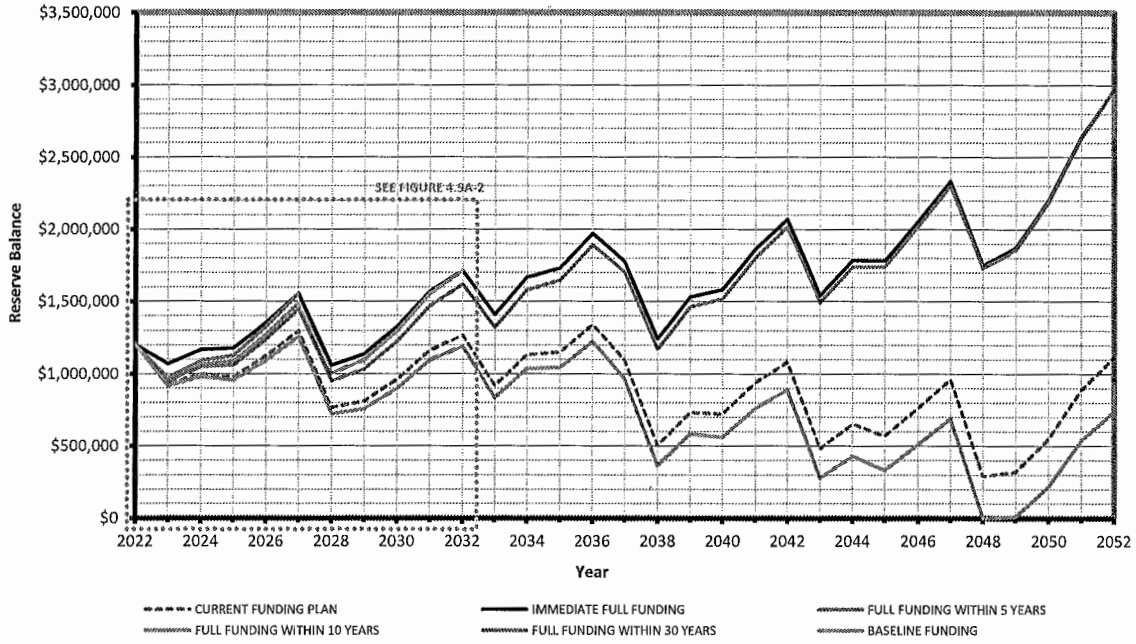


Figure 4.5A-2 Comparison of Funding Plans – Reserve Fund Balances Through 2032

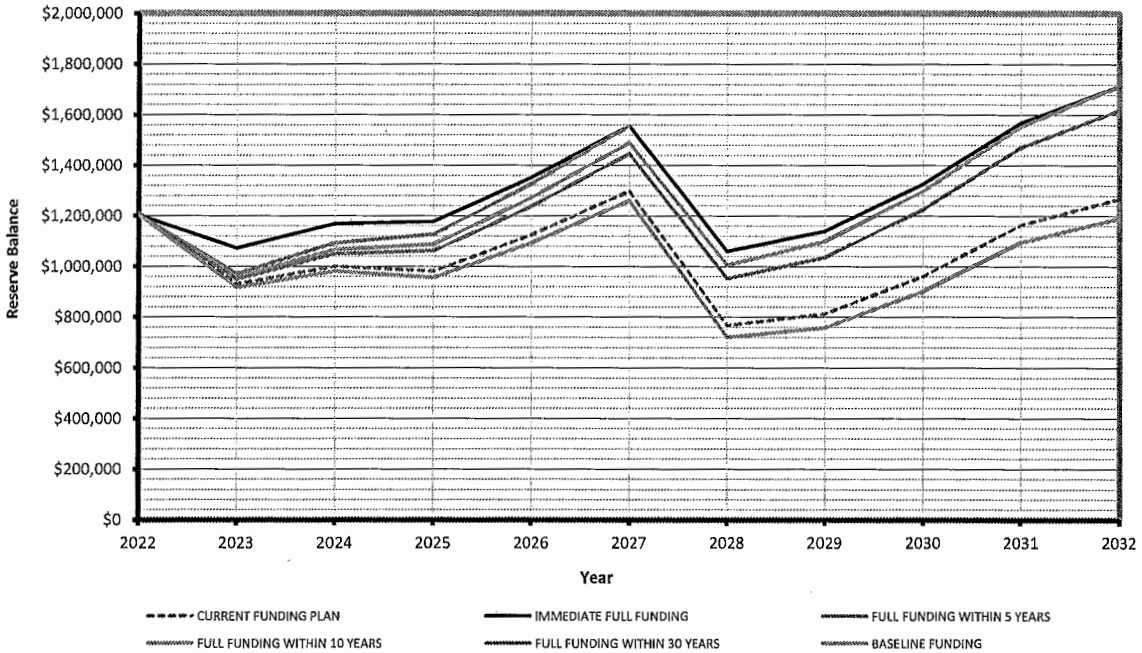


Figure 4.5B Comparison of Funding Plans -- Association Contributions to Reserve Fund by Year

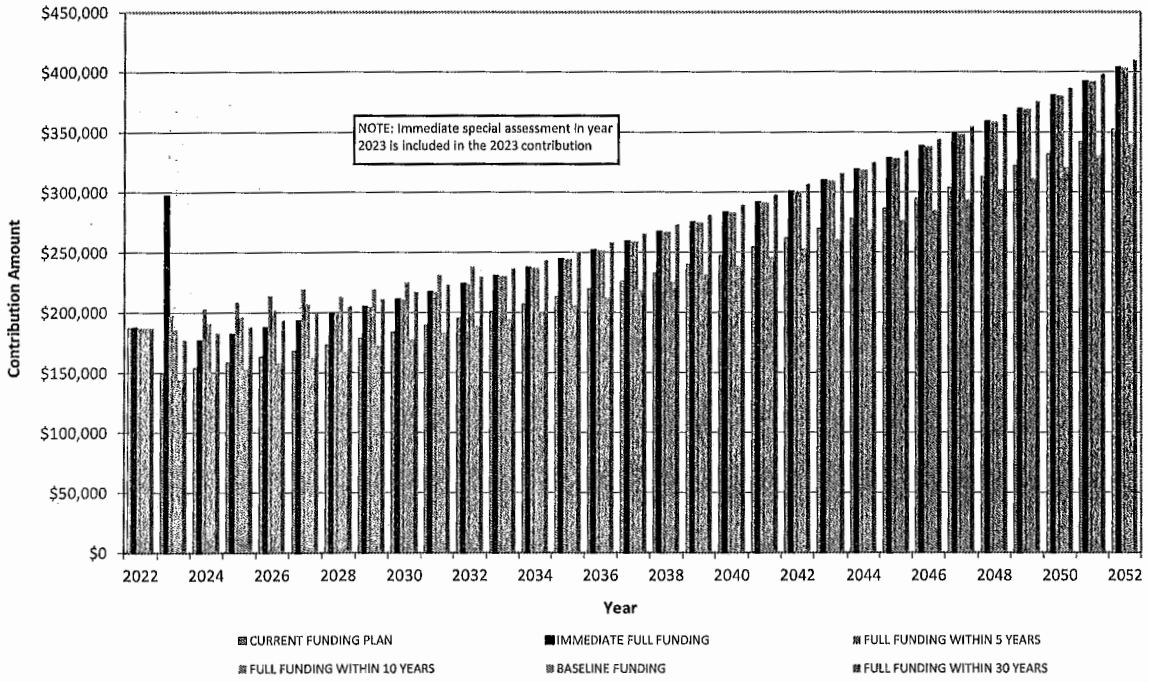
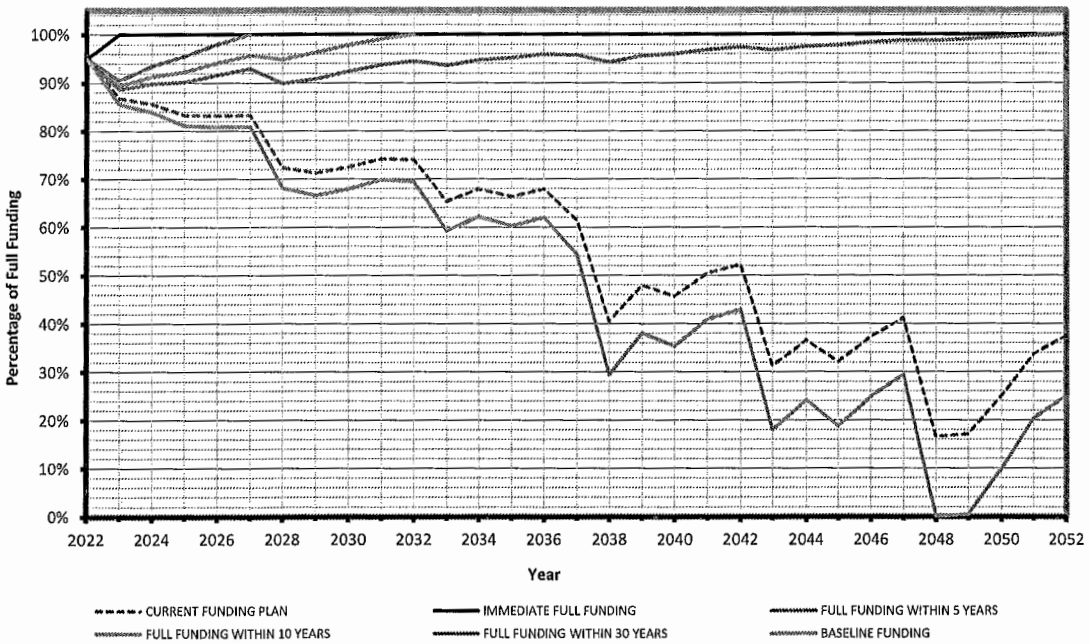


Figure 4.5C Comparison of Funding Plans – Percentage of Full Funding by Year



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.

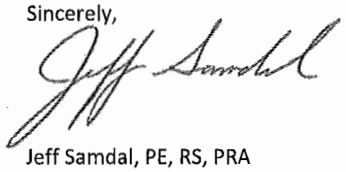
While we may comment that certain components have been recalled that we are aware of, we are not aware of all recalls. It is beyond the scope of this inspection to determine all systems or components that are currently or will be part of any recall in the future. You may wish to subscribe or contact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