

2018 Reserve Study & Maintenance Plan

Andrew's Place Jacksonville, Oregon

Prepared By:
Regenesis Reserves

Report Issued Date:
October 9, 2017

Site Inspection Date:
October 7, 2017

REGENESIS RESERVES

Reserve Study Consultants
Oregon | Washington

October 9, 2017

John Dix
Phone 541.842.2404

RE: **Andrew's Place**

SPECIAL NOTE ON FUNDING RESERVES

In an effort to provide the best and most useful information to the board, our reserve study software offers customizable funding plans. That means if the board has a different funding plan in mind than the one we recommend, we can produce that plan.

There are many approaches to funding reserves but it is recommended that Full (100%) Funding be pursued because it is most likely to avoid special assessments and it shares costs fairly among all members along the 30-year time line. Due to fluctuating inflation rates, investment rates, component costs, starting balances and useful life adjustments, the Percent Funded level will fluctuate (sometimes dramatically) from year to year. The Funding Plan takes these factors into consideration, make adjustment to the Annual Contribution and charts a new course toward Full (100%) Funding.

Type of Reserve Study Performed

A Level I Full Reserve Study with Site Inspection was performed for this report.

Reserve Account Starting Balance

Effective the start of the 2018 fiscal year, based on information provided by client, the Projected Starting Reserve Balance is **\$0** versus the Fully Funded/Ideal Starting Balance is as follows:

	Actual	Ideal
All Units	\$0	\$976
Lots 13,14,15	<u>\$0</u>	<u>\$123</u>
Total	\$0	\$1,099

Percent Funded

A key indicator of a homeowner association's reserve funding health. 100% Funded is ideal. To determine the current Percent Funded, the Actual Starting Balance is divided by the Ideal Starting Balance. Based on this formula, reserves are currently funded as follows:

All Units	0% Funded
Lots 13,14,15	0% Funded

(0-35%=Weak; 36-70%=Fair; 71-100%=Strong) The proposed Funding Plan will adjust Annual Contributions to move this level toward the 100% Funded Ideal.

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Recommended Funding Plan Summary

The Funding Plan anticipates future costs to avoid special assessments. For the 2017 fiscal year, I recommend an Annual Contributions as follows:

All Units	\$1,000
Lots 13,14,15	<u>\$ 105</u>
Total	\$1,105

Interest Yield on Reserves

A **0.00% Yield** is projected based on the current rate of return on your invested reserves. One of the benefits of the reserve study is it provides information needed to improve reserves investment returns. Investing reserves in CDs of differing maturities like 1 year, 3 year and 5 year based on when liquid funds will be needed will improve the average yield. A 1.5% average yield is achievable in the current market. If this rate was used in the projections, **\$4,247** in Interest Income would result over the 30 year projection period versus **\$0** produced by the current yield. Bottom Line: Increased Interest Income will lower owner contributions.

Inflation Rate

A **2.06%** inflation rate was used based on the most recent 15-year average published by www.inflationdata.com

Tax Rate. 30% was used based on using Federal Tax Form 1120H versus 1120 which carries a 15% tax rate. Form 1120 is more complicated than 1120H, requirements are more stringent and tax preparers charge more to complete it. However, if interest earnings are high enough, the additional preparation cost can be worth it. See your CPA for more information on tax filing options.

Maintenance Plan

The proper care and maintenance of common components have been entrusted to the homeowner association. The goal of the Maintenance Plan is to provide general information and direction on how to maintain those assets to produce the highest livability and market values for member properties. While specific items are included, the plan is not exhaustive and some issues may develop over time which should be added to the plan. Where appropriate, we have added details in the comments section of the worksheet, with recommended repair/replacement procedures and practices to get the highest quality end product.

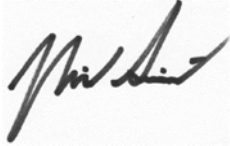
Annual Review & Update Service. An annual review and update of the Reserve Study is required by statute and necessary for continued accuracy. A review and update provides a new 30-year projection with current inflation factor, investment rates and any known component cost changes. **The client has approved a 2021 Site Inspection Update for \$799.**

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It's been my pleasure to provide this valuable financial and maintenance planning information. I can be available by teleconference for up to one hour, to review this reserve study, answer questions and make revisions that are indicated. Tuesday, Wednesday or Thursday are generally my best available days. Please contact me to arrange a meeting.

Regards,



Michael B. Stewart PRA
PROFESSIONAL RESERVE ANALYST



2018 Reserve Study

Andrew's Place

Jacksonville, Oregon

Prepared By:

Regenesis Reserves

Date:

October 9, 2017

Reserve Study

Table of Contents

METHODOLOGY

Explains the purpose of the reserve study, how the information was gathered and the sources used.

LIMITATIONS & ASSUMPTIONS

Explains what a Reserve Study does and does not do.

WORKSHEET REPORT

Alphabetical listing of the reserve components by type, cost, year put in service, useful life and replacement year

FUNDING PLAN SUMMARY REPORT

- **Percent Funded:** Starting Balance divided by the Ideal Balance
- **Ideal Balance:** Each component is measured, assessed for useful and remaining useful life plus cost of repair or replacement. Based on this analysis, each component should have a certain amount of money set aside as of the year in question. The Ideal Balance is the sum of all these component amounts as adjusted by the inflation factor.
- **Starting Balance:** Reserve funds total at beginning of each fiscal year
- **Annual Contribution:** Funds needed to meet the reserve schedule
- **Interest Income:** Yield on invested reserve funds
- **Tax Liability:** Federal taxes owed on investment interest earned

ANNUAL EXPENDITURES REPORT

Chronological repair and replacement schedule

STARTING BALANCE FUNDS DISTRIBUTION

Allocates available funds to the components. If funds are insufficient to fully fund each component, funds are allocated to components that are scheduled to happen sooner.

Reserve Study Methodology

DEFINITION

Reserve Study Identifies the components which will require maintenance, repair or replacement in more than one and less than thirty years and the cost of repair or replacement of each at recommended intervals. Site inspections are based on visual observation and no invasive testing was done. Representative sampling is used where visual inspection is not possible.

RESERVE STUDY CRITERIA

1. Identify current reserve funds balance
2. Identify components to be included
3. Establish reasonable useful life of each component
4. Establish remaining useful life of each component
5. Estimate current replacement or repair cost of each component
6. Assemble data in Reserve Study
7. Generate Reserve Funding Plan.

FUNDING PLAN CRITERIA

The Funding Plan is based on the Cashflow Method and includes Percent Funded, Inflation Adjusted Ideal Balance, Starting Balance, Annual Contribution, Interest Income, Tax Liability and Inflation Adjusted Expenditures. Inflation is based on the most recent 15-year average as determined by www.inflationdata.com

SOURCES OF INFORMATION (as applicable):

Original plans and specifications
Original builders and developers
Contractors and vendors
Industry Professionals (engineers, architects, construction managers, etc.)
Board Members
General Members
Property Manager
Resident Manager
Cost Estimating Services

To remain accurate, the Reserve Study must be updated annually

Reserve Study

Limitations & Assumptions

1. The Reserve Study is intended for the sole use of the Client and is not to be construed as a guarantee, warranty or an opinion on the advisability of purchase.
2. The information provided by the Reserve Study is effective for one year from the completion date of the report. An annual review and update of this Reserve Study is required to adjust known cost changes and to maintain accuracy.
3. Consultant's financial liability for errors and omissions is limited to the charge made to Client to perform the Reserve Study.
4. The scope of the Reserve Study is expressly limited to the components included.
5. The useful life estimates of the Reserve Study assume normal weather conditions and do not factor in damage by flood, wind, storm, earthquake or other insurable events. The useful life estimates assume proper construction, installation, design and regular and adequate preventive maintenance. Improper construction, installation, design or failure to maintain will lead to shortened useful lives.
6. The cost estimates of the Reserve Study are based in current pricing for similar installations and materials and/or based in actual costs paid by Client. Future costs are subject to change according to supply and demand, material costs, effects of inflation and other factors which are not under Consultant's control.
7. The conclusions of the Reserve Study do not involve invasive testing of the components and were arrived at by either visual inspection and/or information provided by Client.
8. The Reserve Study is not intended to address or discover construction defects, asbestos, mold, water intrusion or lead paint. Client agrees to indemnify, defend and hold Consultant harmless from all related claims.

2018 Reserve Study

Andrew's Place

All Units

Item Description	# of Items	Unit	Current Item Cost	Future Replacement Cost	Year Built	Useful Life	Year Replace	Life Left	One Time?
Bench-Composite	5	Total	\$ 600.00	\$ 4,995	2017	25	2042	25	No
Comments: 2017: Put into service at a cost of \$3,000 (\$600/each)									
Brick & Mortar-Clean & Seal	1	Total	\$ 500.00	\$ 589	2017	8	2025	8	No
Comments: Brick pillars located at entry monument should be pressure washed yearly (Operating Budget). Brick sealer should be re-applied every 8 years to protect the brick and mortar.									
Landscape Renovation	1	Total	\$ 800.00	\$ 886	2017	5	2022	5	No
Comments: Budget for landscape projects outside regular maintenance needs such as plant removal/replacement or drainage correction. Renovation work should be recorded here including description of work, year completed and cost to assist with estimating future needs. Landscape (common) is limited to shrubs and trees with no flower or lawn along 3rd street and mailbox kiosk.									
Landscape-Irrigation-Controller	1	Total	\$ 350.00	\$ 429	2017	10	2027	10	No
Landscape-Irrigation-Drip System	1	Total	\$ -	\$ -	2017	50	2067	50	No
Comments: Repairs and replacements of individual components of the irrigation drip system are to be completed as needed by landscape duties and are paid for out of Operating Budget. An irrigation system replacement generally is not warranted, as the system as a whole does not fail. If it is determined that a new irrigation system is warranted, or a major repair/renovation is needed, add the cost and replacement date here.									
Lights-Exterior-Pole (Head Only)-LED	5	Fixtures	\$ 500.00	\$ 3,759	2017	20	2037	20	No
Mailbox-Cluster	15	Units	\$ 125.00	\$ 3,457	2017	30	2047	30	No
Sign-Entry	1	Total	\$ 1,300.00	\$ 1,955	2017	20	2037	20	No
Comments: Budget to replace the entry monument sign. Pillars and metal frame anticipated to have a useful life greater than 30 years.									
Sign-Trail Head-Wood	1	Total	\$ 900.00	\$ 1,222	2017	15	2032	15	No
Comments: Budget to replace wood sign and post located at the trail head.									
Trail-Renewal	1	Total	\$ -	\$ -	2017	50	2067	50	No
Comments: Walking trail is comprised of natural landscape and will be maintained yearly and paid from the Operating Budget. If it is determined at a later date that major renovations, additions, or drainage repair is warranted, revise the reserve study accordingly. 2017: 2,300 lf of trail developed at a cost of \$12,000.									
Treework	1	Total	\$ -	\$ -	2017	50	2067	50	No
Comments: 5.34 acres of open space. It is anticipated that tree work will be limited to fuel modifications and maintenance, and will be completed yearly and paid from the Operating Budget. This component should be reviewed periodically. If it is determined at a later time that more extensive treework is needed, revised the budget accordingly.									

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Worksheet

Andrew's Place-All Units

Item Description	# of Items	Unit	Current Item Cost	Future Replacement Cost	Year Built	Useful Life	Year Replace	Life Left	One Time?
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Number of Items = 11



Bench-Composite



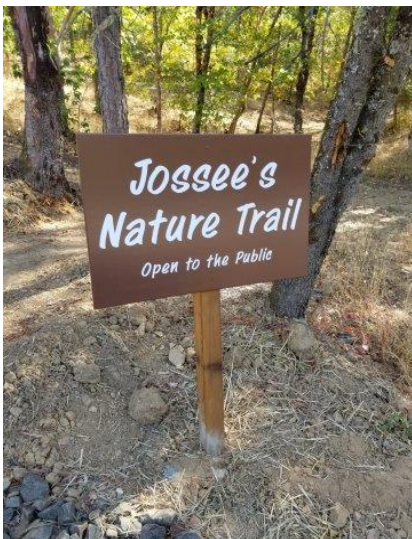
Lights-Exterior-Pole (Head Only)-LED



Mailbox-Cluster



Sign-Entry



Sign-Trail Head-Wood



Trail-Renewal

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Annual Expenditures

Andrew's Place-All Units

Year	Amount	Item Description
	886	Landscape Renovation
2022	886	
	589	Brick & Mortar-Clean & Seal
2025	589	
	981	Landscape Renovation
	429	Landscape-Irrigation-Controller
2027	1,410	
	1,086	Landscape Renovation
	1,222	Sign-Trail Head-Wood
2032	2,308	
	693	Brick & Mortar-Clean & Seal
2033	693	
	1,203	Landscape Renovation
	526	Landscape-Irrigation-Controller
	3,759	Lights-Exterior-Pole (Head Only)-LED
	1,955	Sign-Entry
2037	7,442	
	816	Brick & Mortar-Clean & Seal
2041	816	
	4,995	Bench-Composite
	1,332	Landscape Renovation
2042	6,327	
	1,475	Landscape Renovation
	645	Landscape-Irrigation-Controller
	3,457	Mailbox-Cluster
	1,659	Sign-Trail Head-Wood
2047	7,236	
Total	27,707	

Item Description	Useful Life	Life Left	Year Replace	Future Replacement Cost	Ideal Balance	Actual Balance
Bench-Composite	25	25	2042	\$ 4,995	\$ 200	\$ -
Brick & Mortar-Clean & Seal	8	8	2025	\$ 589	\$ 74	\$ -
Landscape Renovation	5	5	2022	\$ 886	\$ 177	\$ -
Landscape-Irrigation-Controller	10	10	2027	\$ 429	\$ 43	\$ -
Landscape-Irrigation-Drip System	50	50	2067	\$ -	\$ -	\$ -
Lights-Exterior-Pole (Head Only)-LED	20	20	2037	\$ 3,759	\$ 188	\$ -
Mailbox-Cluster	30	30	2047	\$ 3,457	\$ 115	\$ -
Sign-Entry	20	20	2037	\$ 1,955	\$ 98	\$ -
Sign-Trail Head-Wood	15	15	2032	\$ 1,222	\$ 81	\$ -
Trail-Renewal	50	50	2067	\$ -	\$ -	\$ -
Treework	50	50	2067	\$ -	\$ -	\$ -
				\$ 17,291	\$ 976	\$ -

Investment Rate	0.00%	Contingency	\$ -	\$ -
Tax Rate	0.00%	Total	\$ 976	\$ -
Inflation Rate	2.06%			
Contingency Rate	0.00%			

2018 Reserve Study

Andrew's Place

Lots 13,14,15

Item Description	# of Items	Unit	Current Item Cost	Future Replacement Cost	Year Built	Useful Life	Year Replace	Life Left	One Time?
Paving-Asphalt-Overlay Comments: Under average traffic conditions, and regular and adequate cycles of repair, crack seal and sealcoating, a properly installed asphalt pavement should last 30–40 years. Heavy truck traffic like garbage trucks can accelerated damage to the traffic lane. Sealcoating should be applied within 2 years of installation date.	466	Sq.Ft.	\$ 2.50	\$ 2,148	2017	30	2047	30	No
Paving-Asphalt-Repair, Crackseal, Sealcoat Comments: Asphalt is a porous material that is deteriorated by water, dirt, oil and sunlight. To protect it from the elements, a sealcoating should be applied as paint is applied to siding. Sealcoating will seal against water, protect against UV rays which break it down, keep the asphalt from drying out and extend its useful life. It is highly recommended that two coats be applied to achieve the estimated useful life. Restriping (if applicable) included in the cost.	466	Sq.Ft.	\$ 0.50	\$ 258	2017	5	2022	5	No

Number of Items = 2

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Annual Expenditures

Andrew's Place-Lots 13,14 & 15

Year	Amount	Item Description
	258	Paving-Asphalt-Repair, Crackseal, Sealcoat
2022	258	
	286	Paving-Asphalt-Repair, Crackseal, Sealcoat
2027	286	
	316	Paving-Asphalt-Repair, Crackseal, Sealcoat
2032	316	
	350	Paving-Asphalt-Repair, Crackseal, Sealcoat
2037	350	
	388	Paving-Asphalt-Repair, Crackseal, Sealcoat
2042	388	
	2,148	Paving-Asphalt-Overlay
	430	Paving-Asphalt-Repair, Crackseal, Sealcoat
2047	2,577	
Total	4,176	

Item Description	Useful Life	Life Left	Year Replace	Future Replacement Cost	Ideal Balance	Actual Balance
Paving-Asphalt-Overlay	30	30	2047	\$ 2,148	\$ 72	\$ -
Paving-Asphalt-Repair, Crackseal, Sealcoat	5	5	2022	\$ 258	\$ 52	\$ -
				\$ 2,406	\$ 123	\$ -

Investment Rate 0.00%
Tax Rate 0.00%
Inflation Rate 2.06%
Contingency Rate 0.00%

Contingency \$ - \$ -
Total \$ 123 \$ -

Maintenance Plan for Andrew's Place

The proper care and maintenance of substantial assets have been entrusted to the homeowner association. The key to any effective Maintenance Plan is consistency and expertise. The goal of this Maintenance Plan is to provide general information and direction on how to maintain those assets to produce the highest livability and market values for member units. While many specific items are included, the list is not exhaustive and some issues may develop over time which should be added to the Plan.

Many building and grounds components require specific maintenance to ensure their proper function. Many of the tasks are suitable only to trained professionals with a thorough understanding of the systems. It is highly recommended that only licensed, bonded and insured workman with the training, knowledge, tools and equipment to handle the maintenance of those systems or components be used to ensure highest service quality.

Annual Maintenance

The following tasks should be performed on according to a regular and adequate schedule as preventive maintenance:

Brick & Mortar-Clean & Seal Coordinate with Paint-Exterior. Pressure wash brick and mortar to remove dirt, algae and moss. Apply to coats of high quality sealer according to manufacturer's specifications.

Lights-Exterior For appearance and security, all exterior light fixtures should be in good working order. Inspect and repair fixtures or replace bulbs as needed.

Pressure Washing Each year, selected areas of asphalt and concrete sidewalks and steps should be pressure washed to remove oil spots, algae and moss which could cause slipping hazards.

Reserve Study Maintenance

See Worksheet report comments